

**St. Mary's University College**

**Business Faculty**

**Department of Marketing Management**

**An Assessment on Pricing Strategy of  
Tracon Trading plc.**

**By**

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**July 2010**

**SMUS**

**Addis Ababa**

**AN ASSESSMENT ON PRICING  
STRATEGY OF TRACON TRADING PLC.**

**BY  
SEADA FANTAW**

**A SENIOR ESSAY SUBMITTED TO THE  
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**JULY 2010  
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# Chapter One

## 1. Introduction

### 1.1. Background of the study.

According to Kotler and Keller, (2006:431-432) price is one element of the marketing mix that produces revenue; the other elements produce costs. Prices are perhaps the easiest element of the marketing program to adjust; (product features, channels and even promotion take more time). Price also communicates to the market the company's intended value positioning of its product or brand. A well-designed and marketed product can command a price premium and reap big profits. Pricing decisions are clearly complex and difficult. Holistic marketers must take into account many factors in making pricing decisions: the company, the competition, the customer and the marketing environment. Pricing decisions must be consistent with the firm's marketing strategy and its target markets and brand positioning.

Pricing is an integral part of any marketing strategy. But pricing itself can be used as an effective strategy many times. Pricing as a strategy can be powerful because it has the ability to create or destroy value. It can act both ways: increasing market share and cutting in to profitability and vice versa. Every increasing and decreasing in price generally has a multiple effect. Some have even attempted to calculate the average multiple effect of a price change on pre-tax profit margin. (NAG, 2002:181)

Tracon Trading plc is a merchandising company dealing with importing materials and exporting coffee to the country and the external market respectively. Tracon Trading plc was established in 1998 E.C and its head office is found in Addis Ababa around Teklehaymanot area on its own building. Its initial capital was 5,000,000 Birr but now has an

actual capital of birr 35,000,000 and it has about 450 permanent and 600 contractual staff.

The company began the operation as a very small scale business by receiving the coffee beans from the farmer and selling to the domestic market. But now Tracon Trading plc imports and sells different types of product like Aluminum and Glass. The imported item sell to different distributors also the company sells to the end consumers by its own shop. In addition to importing the company also exports coffee to the global market.

Tracon Trading plc is in stiff competition from both domestic and imported goods. In order to minimize and avoid such problems possible solutions will be analyzed on the basis of customer satisfaction, by assessing the existing pricing strategy used by the enterprise and suggesting the best recommendations that can satisfy customer because effective pricing strategy plays very critical role for market.

## **1.2. Statement of the problem**

Price decisions interconnect marketing actions with the financial objectives of the enterprise. Among the most important market variables influenced by pricing decisions are sales volume, profit margins, rate of return on investment, trade margins, advertising and sales promotion, product image and new product development. Therefore, pricing decisions play a very important role in the design of marketing mix. Pricing strategy determines the firm's position in the market vis-à-vis its rivals. Marketing effectiveness of pricing policy and strategy should not suffer merely on account of cost and financial criteria. (Sherlaker 2004:246)

Nowadays, it is seen that there is a high demand for construction materials in Ethiopia with the intention that the number of suppliers who provide building and construction material are enhance both in domestic product and also imported as well. And also there is big price difference between them. So, in order to get competitive advantage in imported items (Aluminum and Glass) a company must set price that is affordable by customer.

Tracon Trading plc, in spite of all efforts to stay in the market by providing affordable prices, has got different problems in its pricing strategy. The first problem is that, the company is unable to provide imported items with reasonable price according to customer need compared with competitor's price. Because the sales volume of the company lowers than the competitors for instance, the sales volume of A and M trading, Sador Aluminum plc and, Tracon Trading plc in 2001 is 19,000,000, 21,000,000 and, 17,000,000 respectively. The second problem is to return the large investment cost as compared to the competitors, the company sets high price for the imported items. Lack of continuous research in relation to prices of the imported products the company has in another problem identified by the student researcher. Therefore this study aims to assess the impact of these kinds of problems on the pricing strategy of the company by giving special emphasis to the following basic questions.

### **1.3. Research Questions**

1. What kind of pricing strategy does the company use?
2. What are the factors considered by the company in setting price?
3. Does the pricing policy that the company follow fit to the current situation of the market?

## **1.4. Objective of the study**

This study consists of general and specific objectives as follows.

### **1.4.1. General objective**

The overall objective of this study is to assess and evaluate the Pricing strategy of Tracon Trading Plc.

### **1.4.2. Specific objectives**

- ⇒ To assess the pricing strategy of the company.
- ⇒ To describe the factors considered by the company in setting price.
- ⇒ To identify the company pricing policy.

## **1.5. Significance of the study**

As this paper mainly focuses on pricing strategy of Tracon Trading Plc. the importance of this study can be seen from various angles.

### **To the organization**

It is very important for Tracon Trading Plc. to know its problems so as to enhance its capacity towards achieving its objectives in relation to pricing strategy.

### **To the student**

It creates good opportunity for the student researcher to get more practical knowledge about pricing strategy and also help to learn the practical research process and techniques.

### **To others**

It can serve as an input for other researchers who are interested to make further study on the area.

## **1.6. Delimitation of the study**

This study is delimited to pricing strategy of imported items (Aluminum and Glass) of Tracon Trading plc. Besides, even if the company has different users and distributors across the country, this study focused only on those customers and distributors located in Addis Ababa.

Moreover, this study analyzed the pricing strategy of the company record of the last three years. Because the first two years recorded data send for audit purpose to Ethiopian Inland Revenue Authority.

### **1.7. Definition of terms**

**Price** is the amount of money charged for a product or service. (Kotler and Armstrong, 2006:307)

**Strategy** is a plan of action (a movement or counter movement) to adjust with changing conditions of the market place. (Sharlaker, 2004:254)

### **1.8 limitation of the study**

During the preparation of this research study the researcher was constrained by various limitations. Among them the major limitations some customers and company officials were not willing to provide necessary information and time and resources are other constraint was in this study.

### **1.9. Research design and methodology**

#### **1.9.1. Research method**

Descriptive type of research method has been used, since the purpose of the study is to assess and describe the current pricing strategy of Tracon Trading Plc.

#### **1.9.2. Population and sampling technique**

The student researcher used lottery method from probability sampling technique, and accordingly the student researcher selected 6 distributors (i.e. 60% of 10 distributors) located in Addis Ababa. This is so because this probability sampling techniques gives equal chance for every distributor to be part of the sample. According to the company records, the total numbers of end customer are 187. Thus, in order to identify sample informants of the study from the end customers of the company,

the student researcher contacted only 120, as some of them are residing out of Addis Ababa (i.e. some cities like Dessie, Bharedare, Jimma, and Nazreth). In order to identify sample respondents located in Addis Ababa the student researcher used census sampling technique because the numbers of the respondent are manageable in size.

### **1.9.3. Type of data collected**

In order to retain relevant and appropriate information and to make the research complete both primary and secondary source of data used. Primary data collected through interview checklist and questionnaire, that are fresh and for the first time and thus happen to be original in character. This primary data collected from the company product distributor and end users of the company. Secondary data collected from the company recorded documents, different books and related research.

### **1.9.4. Method of data collection**

Primary data collected through interview checklist and questionnaire. Interview made with financial manager of the organization and distributor of the company's imported items and questionnaires distributed to end customers of the enterprise. Questionnaires were structured to include both open and close ended questions.

### **1.9.5. Data analysis technique**

In order to accomplish the research effectively and successfully, both quantitative and qualitative data analysis technique was used. Qualitative analysis technique used in order to extract the finding from the collected data. Quantitative data analysis technique was summarized by using percentage.

### **1.10. Organization of the paper**

The study's organized in four chapters. The first chapter concerned with background of the study associated with the background of the company, statement of the problem, objective of the study, significance of the study, delimitation of the study, limitation of the study, research design and methodology. The second chapter concerned with review of related literature. The third chapter concerned with data presentation, analysis, and interpretation. The forth chapter concerned with summary, conclusions, and recommendations and finally list of bibliography, and interview check list and questionnaire were attach with this paper.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This research paper reviews relevant literature, written by different authors on marketing strategy specifically in relation to pricing strategy. In order to conduct detail analysis and discussion on each and every element found in the pricing strategy.

#### **2.1 Basic concepts of pricing strategy**

Through out most of history, prices were set by negotiation between buyers and sellers. Fixed prices setting one price for all buyers are relatively modern idea, which arose with the development of large scale retailing at the end of nineteenth century. Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexible elements of the marketing mix. (Kotler and Armstrong, 2006:417)

According to Sherlaker, (2004:248-249) price decisions interconnect marketing actions with the financial objectives of the enterprises. Among the most important marketing variables influenced by pricing decisions are sales volume, profit margins, rate of return on investment, trade margins, advertising and sales promotion, product image , and new product development. There for, pricing decisions play a very important role in the design of the marketing mix. Pricing strategy determines the firms position in the market vis-à-vis its rivals.

##### **2.1.1 Definition of price**

According to Kotler and Armstrong, (2006:307) price is the sum of all values that consumers exchange for the benefits of having or using the product or services.



Price is the odd-one-out of the marketing mix, because it is the revenue earner. The price of a product is what the company gets back in return for all the efforts that is put into manufacturing and marketing the product. The other elements of the marketing – product, promotion and place are costs. (Jobber, 2001:318)

Moreover, price is amount of money and/or other items with utility needed to acquire a product recall that utility is an attribute with potential to satisfy wants. (Etzel and Others, 2001:324)

### **2.1.2 Importance of pricing**

Price has much significance in the economy, in the customer mind and for the individual firm.

#### **⇒ In the economy**

A product's price influences wage, rent, interest, and profits. Price is a basic regulator of the economy system because it influences the allocation of the factors of production: labour, land, and capital, high wages attract labour, high interests rate attract capital, and so on. As allocators of resources, price determines what will be produced (supply) and who will get the goods and services produced (demand). (Etzel and Others, 2001:325)

#### **⇒ In the customer mind**

According to Etzel and Others (2001:238)Some prospective customers are interested primarily in low price where as another segments is more concerned with other factors, such as service quality, value and brand image, it is safe to say that few if any, customer are attentive to price alone or entirely obvious to price.

### ⇒ **In the individual firm**

A product's price is a major determinant of the market demand for it. Through prices, money comes in to an organization. Thus price affects a firm's competitive position, revenues, and net profits. "According to Makinsey consultant, pricing is extremely important because small changes in price can translate in to huge improvement in profitability." (Etzel and others, 2001:328)

### **2.1.3 Price related vis-à-vis sales volume**

According to Sherleker and Others (2004:187) sales is the income for any business concern. But price is the main factor which affects the sales or market. If prices are high, few buyers purchase and if the prices are low, many buyers' purchases. Therefore, a sound pricing policy must be adopted to have maximum sales revenue. Moreover, it is only through proper pricing policies the already down marketing objectives and corporate goals could be achieved. It is through effective pricing techniques that external forces are bought under some control. Therefore, pricing decisions are of paramount or strategic importance in marketing strategy.

### **2.2 Procedure of setting pricing policies**

According to Sherlaker (2004:199) pricing policies provide the framework and consistency needed by the firm to make reasonable, practicable and effective pricing decisions, the correctness of any pricing policies depends on such variables like competitive conditions and firm's marketing and pricing polices.

#### **Step 1. Selecting the pricing objectives**

The company first decides where it wants to position its market offering. The clear a firms objectives, the easier it is to set prices, a company can

pursues any of the following major objectives through pricing.(Alazar,2006:140)

⇒ **Survivals in a competitive market**

Some firms face difficulties surviving in the market place. This problem gets worse when the firm loses its distinctiveness and/or its products are in the maturity phase, when the customer has a chose from among more efficient and contemporary substitutes. The firm caught in the web of a matured market, shifting customer preference and undifferentiated offers, has to have a pricing strategy that will help it to stay a float. (Sexena, 2004:274)

⇒ **Maximizing current profits**

The pricing objective of making as much as possible is probably followed more than any other goal. A profit maximization goals is likely to be far more beneficial to a company if is pursued over the long term. To do this, however, firms may have to accept modest profits or even losses over the short term. (Etzel and others, 2004:323-324)

⇒ **Maximizing market share**

Some company's wants to maximize their market share; they believe that a higher sales volume will lead to lower unit costs and higher long-run profits. They set the lowest price, assuming the market is price sensitive. Texas instruments (TI) has practiced this market penetration pricing. It would build a large plant set its price as low as possible, win a large market share experience falling costs, and cut its price as further as cost stall. (Kotler, 2006:438)

## **Step 2. Determining Demand**

Most companies make some attempts to measure and estimate demand. They use different methods: the **first** involves statically analyzing past price, quantities sold, and other factors to estimate their relationship. The data can be longitudinal (overtime) or cross sectional (different location at the same time). The **second** approach is conduct price experiments. An alternative approach is to change different price in similar territories to see how sales are affected. However, accompany must do this carefully not to alienate customers the **third** approach is to ask buyers to state how many units they would buy at different purposed prices, but buyers might understate their purchase intentions at higher price to discourage the company from setting highest prices. Marketers need to know how responsiveness or elastic demand would be to change in price. If demand hardly changes with a small change in price, we say the demand is inelastic. If demand changes considerably then demand is elastic. (Alazar, 2006:141)

## **Step 3. Estimating costs**

According to Etzel and others,(2004:328-329) pricing of a product also should consider its cost. A product total cost is made up of several types of costs, each reacting differently to change in the quantity produced.

### **Types of costs**

A company's costs take two forms fixed and variable. **Fixed costs** also known as over head costs are remains constant regardless of how many items are produced. **Variables costs** directly related to the level of production. When production stops, for example all variables production costs become zero. A **total cost** is the sum of total fixed cost and total variable costs for a specific quantity produced. (Etzel and Others, 2004:329)

#### **Step 4. Analyzing Competitor's costs, prices and offers**

Along with the ceiling of costs and demand, other competitors price may also serve as a guideline for the company to decide where (i.e. in what rang) it may set it's price the company (or the market) must have to assess, the competitor's price as a basis for setting its own price. Moreover the marketers should learn the minute details about the competitor's price and the quality they have offered at that particular price. (Kumar and Mittal, 2001:227)

#### **Step 5. Selecting a pricing method**

Having the demand schedule, cost estimation, and competitor's prices the company is all set to select a price. Such price will lie between one that is too low to produce a profit at one extreme, and one that is too high to users any demand. Generally, the marketers solve this problem by selecting method of pricing which take in to account the demand, cost, and competitors' price factor. (Kumar and Mittal, 2001:228)

#### **Step 6. Selecting the Final Price**

Pricing Method narrow the range from which the company must select its final price. In selecting that price, the company must consider additional factors, including the impact of other marketing activities, and company pricing policies. (Kotler and Keller, 2006:449)

### **2.3 Factors influencing pricing decisions**

Two categories of factors – internal factors and environmental factors (External factors) – influence the pricing decisions of any enterprise. In each of this categories some may be economic factors and some may be psychological factors; again, some factors may be quantitative and yet other qualitative. (Kumar and Mittal, 2001:215-216)

### **2.3.1 Internal factors**

Internal factors are generally well within the control of the organization. They are sometimes referred to as "Built-in-factors" that affect price. These factors include cost, marketing objectives, marketing mix strategies, and organizational consideration of the company. (Sherlaker, 2004:192)

#### **1. Cost**

Demand sets a ceiling on the price the company can charge for its product. Cost sets the floor. The company wants to charge a price that covers its costs of producing, distributing and selling the product, including a fair return for its effort and risk. (Kotler and Keller, 2006:441)

#### **2. Marketing objective**

General objectives including survival, current profits maximization, and market share leadership and product quality leadership. At a more specific level, a company can set price low to prevent competition from entering the market or set prices at competitor's level to stabilize the market. (Kotler and Armstrong, 2006:309)

#### **3. Marketing mix strategy**

Price is only one of the marketing mix tools that a company uses to achieve its marketing objectives. Price decisions must be coordinated with product design, distribution and promotion design to form a consistent and effective marketing program. Decisions made for other marketing mix variables may affect pricing decisions. (Kotler and Armstrong 2006:310)

#### **4. Organizational consideration**

Management must decide who within the organization should set prices, companies handle pricing in a variety of ways. In small companies, prices are often set by top management rather than by marketing or sales department. In large companies pricing is typically handled by divisional or product line manager.

#### **2.3.2 External Factors**

External factors are generally beyond the perfect control of an organization but they have to be considered in deciding the price. These factors include demand, competition, influence of distribution channel and other external elements. (Sherlaker, 2004:193)

##### **1. Demand**

The relation of demand with price has a great effect on the price determination. Thus, before setting price, the marketer (price setter) must understand the relationship between price and demand for its product. (Monga and Anand, 2003:243)

##### **2. Competition**

A firm must always keep an eye on the competitors' prices while deciding its own price. If there is some flaw in price determination then the competitors can easily capture a major share in the market. (Monga and Anada, 2003:242)

Additionally Sherlaker and others (2004:193) no manufacturer is free to fix his price without considering competition unless he has a monopoly.

### **3. Distribution channel**

Distribution channel have a good role to play in affecting the pricing of affirm product if highly effective and complex channels of distribution are selected then the price of a product will go up because of grater expenses in managing such channels. If simple distribution channels are selected then the price can be kept low. (kotler and Armstrong, 2006:325)

#### **2.3.3. Other external elements**

According to Kotler and Armstrong, (2006:319) They are economic conditions, government, and social concerns are other external factors to affect the pricing decisions. Economic factors such as boom or ressession, inflations and interest rates. Because they affect both the costs of producing a product and consumer perceptions of the product's price and value. Government factors such as tax regulations and others. Finally, social concerns may have to be taken. In setting price, a company's short term sales, market, and profits goals may have to be tempered by broader social consideration.

To summarize the above authors theories, pricing decisions influenced by internal company factors and external environmental factors and also those factors affect the pricing strategy of the firm.

### **2.4 Pricing methods /Pricing strategies**

According to Kumar and Mittal, (2001:232) By pricing methods, or pricing strategies, we normally mean the route taken infixing the price. Evidently, the method /strategy must be appropriate for achieving the desired pricing objectives.

There are several methods of pricing, each of them is appropriate for achieving particular pricing objectives or combination of pricing objectives. The different methods of pricing can be grouped under the



following broad categories. Cost based - pricing, Demand - based pricing, Competition – based pricing and, differentiated pricing. Under each of the above categories, there are several different pricing methods.

### **2.4.1 Cost- based pricing**

According to Sherlaker (2004:199 – 200) This pricing policy assures that no product is sold at a loss but a fixed percentage of profit is added to the unit cost. Under cost – based pricing policy, the price determination of a product is made on the basis of cost of production plus an additional profit margin. That is selling price is equal to cost of production plus anticipated profit. Under this method, the cost of manufacturing serves as a base for price fixation. Under this category, there are several approaches/methods.

#### **A. Mark – up pricing / cost plus pricing**

In cost plus pricing, firm set prices on the basis of cost plus a fair profit percentage. Cost refers to average or per unit cost and may be on actual, expected standard costs. The level of output (expected demand) used in computing cost is usually based on the quantity that could be sold at current price. The profit mark up is often set quite arbitrarily. Although many rationales are offered for its level, no one professes to want more than a fair profit. (Gross and others, 1998:421)

#### **B. Absorption cost pricing / full cost pricing**

This method also known as full cost pricing since the method envisages the realisation of full costs from each unit sold. The method uses standard costing techniques and identifies the variable and fixed costs of manufacturing, selling and administration involved in producing and selling the product. (Kumar and Mittal, 2001:233)

### **C. Rate of return Pricing**

In the rate of return pricing, after the cost of manufacturing, selling and administration are absorbed as a per unit basis, the firm adds its mark up towards profits. This addition is often done on an arbitrary basis. The rate of return pricing on the other hand, uses a scientific approach to arrive at the mark – up. (kumar and Mittal, 2001:234)

### **D. Marginal cost pricing**

The marginal cost pricing essentially aims to maximize the total contribution to the firm towards fixed cost and profits. The marginal costs will include all the direct variable costs of the product. (kumar and Mittal, 2001:234)

### **E. Break – even concept**

A break – even point is that quantity of output at which total revenue equals total costs, assuming a certain selling price. (Etzel and others, 2004:333)

On the top of Kotler and Armstrong (2006:321) the firm tries to determine the price at which it will break even or make the target profit it is seeking.

### **2.4.2. Demand /Market based pricing**

The seller's price may be set by considering the market price of competitors' product, customer and product benefits provided. (Etzel and others, 2004:336)

The following methods belong to the categories of demand / market based pricing

### **A. skimming pricing**

Market – skimming pricing is setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price. (Kotler and Armstrong, 2006:333)

Additionally, Sherlaker, (2004:197) under skimming pricing policy, a high price initially fixed to skim the cream of the market and the price moves down wards step by step until the right price is reached. This method is followed while launching a totally new product in the market.

### **B. Penetration pricing**

Penetration pricing is intended to help the product penetrate in to market to hold a position. This can do only by adopting a low price in to hold period or till such time the product is finally accepted by customers. (Serlaker, 2004:196)

Further more, Etzel and others, (2004:361) in marketing penetration pricing, a relatively low initial price is established for a new product. The price is low in relation to the target market's range of expected price. The primary aim of this strategy is to penetrate the mass market immediately and, in so doing generating substantial sales volume and a large market share.

### **2.4.3 Competition oriented pricing**

Most companies set or fix prices after a careful consideration of the competitive price structure. It means before pricing a product, every firm takes in to account the conditions of competitors. Under this police neither the cost of the product nor the demand for the product is considered. But only the price of the competitors is taken in to account. (Sharlaker, 2004:201)

#### **2.4.4 Product line pricing**

According to Kumar and Mittal (2001:239) when a firm manufactures and markets a large variety of products that can be grouped in to a few homogenous product lines, a special possibility in pricing arises. As the product in a given product line are related to each other, sales of one influence the sales of others.

Similarly, Kotler and Armstrong (2006:334) argue that Product line pricing is setting the price steps between various products in a product line based on cost differences between the products, customer's evolutions of different features, and competitors' prices.

#### **2.4.5 Tender pricing**

Business firms are often required to fix the prices of their products on tender basis. Tender pricing is of a special type, though it is also a competition – oriented method of pricing, it is more applicable to industrial products and the products/services purchased and contracted by institutional customers. Such customers usually go by competitive bidding through sealed tenders or by quotations. They seek the best (the lowest possible) price consistent with the minimum quality specifications. Obviously, the marketer can not get his best price from such customers.(Kumar and Mittal,2001:240)

#### **2.4.6 Affordability based pricing**

According to Kumar and Mittal, (2001:241) affordability based pricing is relevant in respect of essential commodities which meet the basic needs of all sections of people, especially the poorest are in a position to buy and consume the products to the required extent. The price in such cases is set independent of the costs involved. Often an element of state subsidy is involved in distribution of such commodities. And this method is also referred to sometimes, as social welfare based pricing.

### **2.4.7. Differentiated pricing**

Some firms practice this method of pricing where different price are charged for the same products/services in different zones or areas of the market. Sometimes, the differentiation in pricing is made on the basis of customers class rather than territorial differentiation and also on the bases of volume of purchase, it is common than pricing differentiated on the basis of customer class or market territory. (Kumar and Mittal, 2001:241)

On the top of Sherlaker (2004:196) When a manufacturing sells the same product at two different prices, it is dual pricing. Under this pricing system, a products\services is required compulsorily to sell a part of his production to the government or its authorized agency at a substantially low price. The rest of the product may be in the open market at a price fixed by the producer.

## **2.5. Procedure for price determination**

After formulating the objective of pricing, considering the factors affects the pricing strategies and identification pricing method, the next step is to determine the base price of product or services.

### **I. Estimate the demand for the product**

Two steps are available for the demand estimation. **First** to determine whether there is a price which the customers think the product is worth. The seller may determine the expected price by submitting the product to retailer or wholesaler for appraisal. Producers of industrial products may know the expected price by seeking advice of the technical person working for the customers' by showing models or blue prints, necessary information may be gathered as to what the price would be or may

observe price or competitive prices, or the potential customers may be surveyed. The most effective approach is to market the product in a few limited test areas. By quoting different prices under controlled subject, a reasonable range of price may be determined. **Second** to estimate the sales volume at different price for a product with elastic market demand is usually priced lower than the product with an inelastic demand, (Kumar and Mittal, 2001:242)

## **II. Anticipate the competitive reaction**

Competition greatly influences price. A new product is distinctive only until competition arrives, which is inevitable. The threat of potential competition is greatest when the fixed costs are easy to enter and profit prospects are encouraging. Competition can come from different sources: like direct similar products, available substitutes, and unrelated products seeking the same consumer dollar. (Etzel and Others, 2004:327)

## **III. Establish expected share of the market**

Every firm desires to have a considerable amount of market share for itself. For fixing its firm, it should make an estimate of the market share which it can bag in further on the basis of this suitable decisions can be taken. (Monga and Anada, 2003:244)

Large share of the market can be captured by low – priced products a high priced products may capture a small share of the market. Large share of the market can also be captured by advertisements and non – priced competition. Share of the market also influenced by factors like present production capacity, cost of plant expansion and ease of competitive entry. (Sharelake, 2004:203)

#### **IV. Select pricing strategy to each market target**

According to Sherlaker (2004:203) A good and poor pricing strategy may be employed to achieve the predetermined share of the market. There are two alternatives available for pricing of new products first skim the cream pricing and second penetration pricing.

#### **V. Consider company marketing policy**

According to Kummar and Mittal (2001:243) This is concerned with consideration of the product policies, distribution system, and the promotional programs. **Product policies** involve knowing the economic characteristics of the product so that pricing may be done suitably. Whether a product is permanent nature or if perishable nature, influence the pricing policy. Perishable products have to be disposed of with it in a limited time to have them from spoilage. **Channel of distribution** the nature of the channel used, and the gross – margin requirements of the middlemen influence the pricing decisions. Pricing decision differs with the length and complexity of the chain of distribution. **Promotional programs** the larger the promotional methods used, the higher will be the pricing, for expenses incurred will have to be covered from the price set.

#### **VI. select the specific price**

After taking all the above factors in to consideration, it is the time of pricing determination, for the products by the producer. (Sharlaker, 2004:204)

## **Chapter Three**

### **Data presentation, Analysis and Interpretation**

This chapter deals with the presentation, analysis and interpretation of the gathered data from Tracon trading customers, distributors and financial manger of the company.

The data were obtained through questionnaire and semi structured interview. The questionnaires were distributed to Tracon's trading product customers and the interviews were held with Tracon product distributors and financial mangers of the company. Among the company customers who were found with in the country 120 customers were selected as sample respondent from Addis Ababa. Thus, one hundred Twenty (120) copies of questionnaires containing both open ended and close ended questions were distributed to Tracon Trading customers. The rate of return for the questionnaire is 96% (115 respondents return the distributed questioners).

#### **3.1 Analysis of the findings of the study**

This research study tries to investigate the customers' attitude towards the pricing strategy of Tracon trading products and analyze customers point of view as well as from the company's financial manager and distributors. Accordingly, various questions were posed to sample respondents mainly related to Tracon's product quality, price related with benefits, quality and competitors price, evaluate pricing strategy with customers purchasing power and factors affecting from customers, financial managers of the company and distributors are presented analyzed and interpreted as follows.



### 3.1.1 General view of customers of Tracons products

Table 1: Customers experience with Tracon's product

Item	Response	
For how many times have you purchased the product of Tracon	Frequency	Percentage
One time	47	40.87%
Two times	36	31.30%
Three times	20	17.39%
Four times	9	7.83%
Five times and above	3	2.61%
<b>Total</b>	<b>115</b>	<b>100%</b>

As it is shown in table one above, respondents were asked for how long they have purchased Tracon's products. As it is depicted in the above table 47(40.87%) of the respondents purchased for one time, 36(31.30%) for two times, 20(17.39%) for three times, 9(7.83%) for four times, and the rest 3(2.61) of the respondents purchased the products of Tracons five times and above. Therefore it is possible to say that they know much and have enough experience to provide reliable information about Tracon's products price.

Table 2 Buying initiation

Item	Response	
What was your initiation to buy the product from Tracon?	Frequency	Percentage
Quality	69	60.00%
Price	27	23.47%
Durability	9	7.83%
Availability	8	6.69%
Other	2	1.74%
<b>Total</b>	<b>115</b>	<b>100%</b>

As it is shown in Table two, respondents were to rate buying intention of Tracons products. 69(60%) of the respondents replied quality, 27(23.47%) said price, 9(7.83%) of them choose by durability, 8(6.96%) of them answered easily available the rest 2(1.74%) specify promotion. This shows that the product quality is the focal to initiate most number of respondents to buy.

### 3.1.2 Tracon's products quality and price

Table 3 price reasonability

Item	Response	
	Frequency	Percentage
Is the price of Tracons products reasonable?		
Strongly agree	0	0
Agree	11	9.57%
Neutral	15	13.04%
Disagree	67	58.26%
Strongly disagree	22	19.13%
<b>Total</b>	<b>115</b>	<b>100%</b>

As it is mentioned in table 3, respondents were asked to rate Tracon's products price reasonability, 11(9.57%) of the respondents say the price is reasonable, 15(13.04%) of the respondents were neutral to the question raised, 67(58.26%) of them disagreed on the price of Tracon and 22(19.13%) of the respondents replied the price is unreasonable. In the above finding denoted that the majority of respondents' rate Tracon's price is not reasonable.

### 3.1.3 Collecting price related information

Table 4 collecting price related information and putting in to action

No	Items	Responses	
1	To what extent does the company consult customers and collect sufficient information from customers before setting price?	Frequency	Percentage
	Very high	0	0
	High	5	4.43
	Medium	30	26.08
	low	50	43.50
	very low	30	26.08
<b>Total</b>		<b>115</b>	<b>100%</b>
2	How do you rate the time gap between collecting price related information and putting in to action?	Number	Percentage
	Very fast	0	0
	fast	0	0
	Medium	18	15.65
	slow	67	58.26
	very slow	30	26.09
<b>Total</b>		<b>115</b>	<b>100%</b>

Regarding the enterprise information collection, item 1 of table 4 above, respondents were asked to measure the company collect sufficient information before the price set. 69.58%(80) of customers respond the company not fast in collecting sufficient price related information before setting price, 26.08%(30) of the customers respond they are medium in collecting price related information and 4.43%(5) believed that collecting price related information some how considerable. As we understand from

this information most of the respondents agreed that the enterprise is not good in collecting price related information and continuously assesses the market about price that the company imported. So, we can say that from the response of the respondents the company ignores external market forces like demand and competition.

In the same table item 2 the response given about the implementation of collected price related information most of the respondent around 85%(97) of them said that the company is very sluggish to make use of price related information obtaining from its customers for pricing decision the rest around 15%(18) customers say the company on average in implementing price related information. This clearly indicates that there is a wide time gap between the market study in connection with price and putting in to action. So, this is possible to say the company is not active in implementing of collected price related information and it is simply squandering its resources.

### 3.1.4 Price in relation to competitors price and customers buying power

Table 5 The company's price Vs competitors price

Item	Response	
Do you compare Tracon products' price with competitors'?	Frequency	Percentage
Very high	30	26.08
High	44	38.26
Medium	24	20.87
low	10	8.70
very low	7	6.09
<b>Total</b>	<b>115</b>	<b>100%</b>

As it can be observed in table 5 above, the respondents were asked to compare the price of Tracon's products with competitors'. Thus

30(26.08%) of them reported Tracon's product's price are very high 44(38.26%) of them replied the price is high, 24(20.87%) of them answered the price has medium difference with competitors and the rest 10(8.70%) and 7(6.09%) of the respondents indicated the price is low and very low respectively. These data show the majority of the respondents said the price of the products higher than competitors' product.

Additionally, according to Financial Manager in this business competition is based on quality and price competitor specially quality competition. That means when the company sets high price as compared to competitors it imagines the quality of the products is higher than the competitors. This shows that the company always focuses on quality to run the business and to compete with other competitors in the market.

### 3.1.5 Felling of customers before and after using Tracons products

Table 6 Customer expectation regarding to price

Item	Responses	
Do you have observed gap between your expectation of price and what you actually paid?	Frequency	Percentage
Yes	78	67.83
No	17	14.78
I'm not sure	20	17.39
<b>Total</b>	<b>115</b>	<b>100%</b>

According to the information in item 1 of table 6 above, the customers were asked to measure the gap between their expectation and perception of Tracon's product, The majority of the respondent 78(67.83%) of them replied 'Yes' (we see some difference between our expectation and actual price we paid), minority of the respondents 14(17.78%) replied 'No' (our expectation and actual price perfectly much) and the rest 20(17.39%) of respondents evaluate 'I'm not sure'. This shows the majority of the

respondents see some difference between their expectation and actual thing. Based on response got from the open ended question majority of the respondents complain on the company product price and availability of the product and the time gap of their order and the work done. This indicates the companies not sell the product according to customer expectation.

### 3.1.6 Customer response when the price increases

Table 7 Response of customers regarding to price

Item	Responses	
	Frequency	Percentage
What would be your response if the price of the product increased?		
Complain to the company	30	26.09%
Silent and stay being customer	70	60.87%
Leave and go to other competitors	15	13.04%
Any other	0	0
<b>Total</b>	<b>115</b>	<b>100%</b>

Table 7 shows that customer's response about price increment of Tracons' product (Aluminum and glass). 30(26.09%) of the respondents said they complained to the company, from the total number of respondents majority of them answered silent and stay being customer, and the rest 15(13.04%) of the respondents replied leave and go to other competitors. As we can see from these respondents response the highest number of the respondent not doing any thing about the price. So, this shows that the company is not interested in receiving suggestions from customers. In relation to the open ended question the majority of the customers say the quality of the product is the main reason to stay in Tracon.

### 3.1.7 Complaining regarding to the company price and the effectiveness of the company in compliant handling

Table 8 price related complaints respons

No	Item	Response	
1	Have you ever complained about the company products' price?	Frequency	Percentage
	Yes	32	27.83
	No	83	72.17
<b>Total</b>		<b>115</b>	<b>100%</b>
2	If your answer for question number 15 is 'yes', how do you rate the effectiveness of he company in compliant handling?	Frequency	Percentage
	Very fast	11	9.56%
	fast	21	18.26%
	Medium	30	26.09%
	slow	30	26.09%
	very slow	23	20.00%
<b>Total</b>		<b>115</b>	<b>100%</b>

Regarding the above information in Table 8 above, respondents were asked to measure the condition of complainer to the company about the product price. The highest number of the respondents, this means 83(72.17%) answered 'No' (they never complained about company's price ever and the remaining 32(27.83%) replied 'yes' (they complained about price for the company). As we understand from this data the majority of the respondents have no culture to complain in the company.

More over in table 10 item 2, on the same issue, the respondents asked to rate the effectiveness of the company in complainer handling. The respondent's answered as follows. 11(9.56%) of the respondents replied they are very fast in complainer handling, 21(18.26%) of them choose they are fast in complainer handling, 30(26.09%) of them answered the company on average in complainer handling and, among them the rest 53(46.09%) of the sample respondent said they give very slow response in effective complainer handling. This concept implies that the company's has no given attention to the complainer's customers and hence give no solution to the problem raised.

### 3.1.8 Switching to other competitors

Table 9 the level of customers switching and their reason

No	Item	Responses	
1	Have you ever switched to other competitors?	Frequency	Percentage
	Yes	60	52.17
	No	55	47.83
	<b>Total</b>	<b>115</b>	<b>100%</b>
2	If your answer for the above question is 'Yes' what was your reason?	Frequency	Percentage
	Increased price of the product	32	27.82
	Decreased quality of the product	0	0
	Shortage of the product	25	21.74
	Other	3	2.60
	<b>Total</b>	<b>60</b>	<b>52.16</b>

In the above table 11 item number 1, respondents were asked about whether they have an intention to switching to other competitors and



60(52.17%) of the respondents had a 'yes' response and the rest 55(74.83%) replied 'no'. In the same table the respondent were asked to answer the reason of switching to other competitors. Thus 32(27.82%) of them said increasing price of the product, 25(21.74%) replied shortage of the product and out of the total number of the respondents 3(2.60%) answered their reason in open ended question. As we understand from the response of the customers the majority of the respondent indicates to switch to other competitors' offers is shortage of the product and increment of price from time to time and in the open ended question they specify the time of their order and the work done. So, this clearly shows the company has not sufficient inventory on store to deliver customer order as they want. This leads the organization to loss the customers to other competitors.

### **3.1.9 issues related to respondents' personal opinion**

Ultimately the respondents were given a chance to forward their suggestions, comment and opinions related to Tracon Trading pricing strategy. Their points are rearranged as follows. Majority of the customers complain about the price of the company's products (Aluminum and Glass) availability of the product the time gap of the job ordered and the work done and they suggested about quality of the product and attractive promotion style.

## **3.2 Finding of the qualitative data**

### **I. Interview Result (With Financial Manager)**

The interviews were held in the office of the interviewee. First the interviewer wants to ask to discuss job position, work experience and educational level. The interviewee is financial manager of the company how is working only in this company in the current position for 5 years and he is MA (masters) holder in management.

The interviewer asked question about the company objectives in setting the price and what kind of pricing strategy the company uses. The interviewee gave his response by saying that the company's general objective is import and selling and distributing of Aluminum and Glass to its target customers by doing that the company will maximize its profits and satisfy its customers demand. So, the company sets its price to meet this general objective by considering costs and adds some profits and some times used market based pricing strategy. It means most of the time the company use cost plus pricing methods to cover all expenses and to get profit. This answer leads the student researcher to ask other question like whether the company ever changed the price setting method. The financial manager says 'Yes' for one time we used market based pricing strategy but except this time we always use cost plus pricing strategy method because it is suitable for the company to cover all costs and to get expected profits. Therefore it is possible to say that the company pricing strategy is not flexible to set its price by using different pricing strategy to different market situation and customer's demand.

The other issue raised by the interviewer was who are the participants in price setting and who is the final decision maker. The financial manager explains when the price sets in the company offers participant's

production department, purchasing department, finance department, and marketing department. The final decision maker of the price is the general manger (owner) of the company.

The interviewer asked question such as how does price affect the company's sales volume. The interviewee answered saying if the price of the product increases some customers not buy the product and when the price of the product decreases their is no significant change in sales volume because the product strength and quality push them to by Aluminum and Glass from Tracon. As the interviewer understands it is not proper answer to achieve company's objective. Nowadays customers are looking to global sources and other company's similar product for their construction needs.

The next question raised by the interviewer was how often you try to analyze competitor's price. He responded as follows: we **sometimes** analyze our company's similar products competitor's price before setting price. we import high quality Aluminum and Glass products so our customer come to us because they need this quality products . So, it does not have high impact on our price because we set our price first to cover all expenses of the product and profit. This answer raises other question how do you respond when a price change is initiated by competitors. He said if the price is high decrement we go and negotiate with them. So we can understand from this previously he (financial manager) said they use cost plus pricing strategy and market based pricing strategy but know he said we negotiate with competitors about the product price it push the company to use price fixing method. So sometimes the company went to monopolizing the market with few competitors.

The other issue raised by the interviewer was how the company analyzes your customers react when prices go up and how the company handles customers' question and complaints. The financial manger said most of

the time customers do not ask why the prices increase but sometimes few numbers of customers do so. We answer by saying because of foreign currency increment; taxes and the quality of the product are the major means to increase the price of the products. This clearly shows there is deference between the company objectives and actually they do because they more focuses on profit than satisfying customers need. On the same condition competitors pay tax for government and import the product by foreign currency but the price of the product is higher than competitors.

At the end of the interview the interviewer asked the financial manager about the influence of government policy which allows importing building material with out paying tax for investors on the price of the products. The interviewee said most investors do not use the imports for their buildings rather they sell for other merchants at a profit. As a result sometimes this leads that the company's customers shift to those merchants (investors).

## **II. Interview Result (With Distributors)**

Tracon's Trading has 10 distributors in Addis Ababa for those import's items from abroad. Six of them were selected as sample respondents for interview meant for successful completion of this research paper.

In this interview the first question was for all distributors when asked about whether they get products distributes to them at a reasonable price, four distributors (66%) of the total answered negatively (ie. they never thought they got the Tracon's offers at a reasonable price). To the same question, two interviewees (about 34%) agreed that the price charged by Tracon is reasonable especially compared to the competition (the companies existing in industry were Tracon belongs to are charging). It shows that the company gives those products for distributors with a high profit margin it is the cause for high price difference with competitors.

Another question raised to distributors was whether they have conducted a cost – benefit analysis to be came Tracon's trading partners. The majority of the interviewees (5 or about 83% of them) have analyzed the market and the existing competitors before they decided to be part of Tracon's distribution channel of Aluminum and Glass products. To them the profit margin Tracon offers and the quality of the products it has influenced them to work with the company. The remaining distributor taken the same decision based on Tracon's request. Initially, this distributor (channel member) was in another business willing to become partner based on the company's request and convenience of its location for such a new business opportunity.

The distributors were also asked about the types of complaints they are mostly experienced from their customers. They said that most customers do have price related complaints (prices higher than competitors') and

shortage of stock. The other major complaint relies to the time has gap between placing an order and getting the Aluminum and Glass fixed.

The same types of complaints were also raised by those customers who make direct purchase from Tracon itself rather than via its intermediaries (distributors). As we understand from this those two parties problem (shortage of products and price higher than competitors) is not worked as customer expectation.

Finally, the student researcher raised the issue of market share that goes to Tracons Trading plc the interviews view of the company's market share is that , Tracon is experiencing declining market share. They thought that the above such a hard concern. Just to get further insight the distributors were asked to explain why they don't switch to other competitors who can offer them a similar business deal. They said the profit margin is the primary reason that keep them being member Tracon's distribution channel.

So, this interview implies the Tracons market share decline from time to time, if it continues on the same condition the company will be out of the market in the near future.

## Chapter Four

### Summary, Conclusions and Recommendations

This chapter deals with the summary of the study, conclusion drawn and the recommendations forwarded based on the findings of the study.

#### 4.1 Summary

- ❖ This study was conducted to investigate those problems which are associated with developing and managing strategies and factors that affect pricing determination in Tracon Trading plc.
- ❖ The study employed simple random sampling to select six distributors from ten distributors and census to address respondents from end users. And the study consisted of 120 end users of Tracons Trading plc.
- ❖ The study investigation was obtained through questionnaires, and interviews. The majority of Tracon customers use Tracon product more than two times almost for all customers of Tracons buying initiation was quality of the product.
- ❖ Tracon sets its price to cover all variables cost and some fixed costs with the aim of maximizing profit and crating a positive image in the mind of customers.
- ❖ As shown in the analysis the company **sometimes** evaluates the competitor's product price.
- ❖ The finding shows that the majority of the customers react gradually to the price change of Tracons product. The reason why they do not react immediately because of the company is not ready to accept suggestion and complaint from customers.
- ❖ Tracon Trading has also low market share because of it can not consider customers buying power and interest.

- ❖ Most of the respondent respond that Tracon did not conduct reasonable and effective pricing policy decisions needed by the customers regarding to this the respondent pointed out problems such as:- absence of analyzing demand and purchasing power of customers, focusing only on cost when setting price of the products, lack of using different pricing policy, there is a wider time gap between the market study conducted and implemented in to action.
- ❖ Most of the respondents believed that the enterprise can not adjust its pricing strategy with its competitor's and the company scarifies long run performance by ignoring the effect of other marketing mix variables.
- ❖ The finding shows that the majority of the respondents complain about the company price because before they buy Tracons products they expect the price of the product are reasonable but actually they paid very difference from their expectation.
- ❖ As shown in the analysis the company's can not initiate their customer to suggest and complain about the price, also the enterprise has no attention for complaints and they are not very fast in compliant handling.
- ❖ The main reason for customer switch to other competitors firm is shortage of the product and increment of price from time to time.
- ❖ All most all distributors, as shown in the analysis they conduct a cost benefit analysis to decide to be part of Tracons distribution channel of Aluminums and Glass products. To them the high profit margin of Tracon offers and quality of the products has influence to work with them.



## 4.2 Conclusions

In the line with the basic question data analysis and finding, it is possible to conclude that:

- ❖ The company sets its price objective considering cost and maximizing its profit and satisfying its customers' demand. But in actual practice the company does not determine the price by taking in to account the demand and buying ability of customers.
- ❖ The company did not give appropriate answer to the customers because of this, customers will not be loyal and attracted to come and buy.
- ❖ The company taking in to account only quality and cost of the product when sets its price. This normally calls for charging a high price to cover higher performance quality and higher cost. This implies that the enterprise loyal customers are only higher income people.
- ❖ Tracon Trading only *sometimes* analyzes competitors' price. It analyzes the reason only to know the price difference between them. Therefore, it is possible to conclude that the company is not performing well in considering competitive environment in setting price. But there are also gaps that the company not always uses the competitors price as starting point. Thus it is possible to conclude that Tracon always sets a price first to cover the cost of the products.
- ❖ The enterprise does not initiate those customers to suggest and complain about price. So we can say that the company not interested to handle complaints and give fast and effective response.
- ❖ The majority the distributor's works with Tracon to get high profit margin so we can conclude that by saying that it is the main reason to increase the price. Because the company give higher profit margin to distributors it is an additional cost to customers

### 4.3 Recommendation

The student researcher investigates and finds out pricing policy and experience in Tracon Trading plc. And at the last would like to recommend some points as follows.

- ❖ The company must have sufficient stock or inventory and the ability to do works on time.
- ❖ The company must collect price related information before setting price.
- ❖ The enterprise must consider factors such as consumer demand and purchasing power and competition when setting a price of products.
- ❖ Tracon must give for distributor's reasonable profits margin.
- ❖ Managements of the company must develop flexible pricing strategy. This way used to the company to set its price by using different pricing strategy to different customers. Because most of the lower income group customers and even financially comfortable people are sensitive to price and also in poorer nation price is the major factor affecting buyer choice. So the enterprise must consider this all things to satisfy all kinds of customers.
- ❖ In addition to cost based and market based pricing strategy it is best for the company use competition based pricing strategy.
- ❖ The company must initiate customers to suggest their idea and complain and it should change compliant handling mechanisms and must give fast and effective solution.
- ❖ The company should **always** analyze the competitors' price before setting price by seeking answers for the following points. These are: why competitors change their price? Is it temporary or permanently? What is the impact in our market share and what will be the other competitor's response? Because nowadays customers are looking to global source and other company's similar products for their construction material needs.

# **APPENDICES**

**Appendices I**  
**St. Mary's University College**  
**Business Faculty**  
**Department of Marketing Management**

**Questionnaire prepared to be filled by business consumers**

This questionnaire is prepared by graduating student of Mary's university college, as a means to collect data useful for senior essay, from customer of the product. The main purpose of this questionnaire is to assess and evaluate the attitude of the customers of the company towards its pricing strategy and to conduct research paper based on the finding of the questionnaire. Therefore giving accurate responses to the questionnaire by respondents is of paramount importance to the research paper, and to this end I pretend to acknowledge for your collaboration in advance.

**Remarks**

- Writing your name on this questionnaire is not necessary.
- If the question has multiple choices, put this  symbol in the box near to your choice.
- For those questions which have no choice, write your personal opinion in the blank space provide.

**Question related to pricing strategy of Tracon Trading plc**

1. How many times have you purchased the products (glass and aluminum) of Tracon Trading plc?

- a. 1 times       c. 3 times       e. for 5 times and above   
 b. 2 times       d. 4 times

2. What was your most important reason to buy the product from Tracon?  
 (You can choose more than one)?

- a. Quality of the product       d. Easy of access   
 b. Price of the product       e. if any other pleas   
 specify   
 c. Durability of the product

3. Is the price of Tracon's Trading products is reasonable?

- a. Strongly agree       d. Disagree   
 b. Agree       e. strongly disagree   
 c. Neutral

4. If your answer for question Number 3 is 'disagree' and 'strongly disagree'  
 pleas mention the reason.

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5. To what extent does the company collect sufficient information and  
 consult customers before setting price?

- a. Very high       c. medium      e. very low   
 b. High       d. low

6. How do rate the time gap between collecting price related information  
 and putting it in to action?

- a. Very fast       c. medium       e. very slow   
 b. fast       d. slow

7. How do you compare Tracon products' price with competitors?

- a. Very high       c. similar to competitor's price       e. very low   
 b. High       d. low

8. Do you have observed gap between your expectation of price and what you actually paid?

- a. Yes                       b. No                       c. I am not sure

9. If your response to item 12 is 'Yes' please mention the gaps you observed.

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10. What is your response when the price of the product increased?

- a. Complain to the company   
b. Silent and stay being customer   
c. Leave and go to other competitor's   
d. any other

11. If your response to item 11 is 'silent and stay being customer' please mention your reason.

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12. Have you ever complained about the company products' price?

- a. Yes                       b. No

13. If your answer for question number 15 is 'Yes', how do you rate the effectiveness of the company in compliant handling?

- a. Very fast                       c. medium                       e. very slow   
b. fast                       d. slow

14. Have you ever switched to other competitors?

- a. Yes                       b. No

15. If your answer to question number 17 is 'Yes', what was your reason?

a. Increased price of a product

b. decreased quality of the product

c. shortage of the product

c. Any other, please specify \_\_\_\_\_

16. What do you recommend to improve the current condition of Tracon Trading pricing strategy?

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## **Appendix II**

### **Interview question to Tracon Trading Financial Manager**

1. For how many years you work in the company by this position?
2. What is your educational level?
3. What is the objective your company, when sets its price?
4. What kind of pricing strategy does the company use? Why?
5. Who are the participants in price setting and who is final decision maker of the price in the company?
6. How does price affects the company's sales volume?
7. How often you try to analyze competitor's price?
8. How do you respond when a price change is initiated by your competitors?
9. How your customers react when you change your price up?
10. How do you handle customers questions and complains with respect to price?
11. What is the influence of government policy which allows importing building material with out paying tax for investors on the price of the company?



## **Appendix III**

### **Interview question to Tracon Trading Product Distributors**

Thank you in advance for your collaboration

1. When Tracon supplies its product, do you think it does at reasonable price?
2. Do you analyze the product and price of competitors before part of Tracon Trading Partners?
3. What complaints do you most commonly hear from your customers?
4. Is the margin allowed to distributor of Tracon's products fair?
5. According to your view, do you believe the market share of Tracon is higher than competitors firm?

**pÉef T`ÁU ¿>y'e+ çK?İ**  
**u=2='e óÿ<M+**  
**¾T`ÿ?+"Ó T'@İS" f fUI` f iõM**

KU`~ }ÖnT> Á"u— ¾}²ÖË SÖÄp

ÄI SÖÄp ¾}²ÖË< upÉef T`ÁU ¿>y'e+ çK?İ ¾SÚ[h `Sf ¾T`ÿ?+"Ó T'@İS'f }T] c=] KSS[mÁ Ø"f  
 ÿÁ"u™, S[Í KScuccw " < :: ¾²=IU SÖÄp " "LT ¾f^ç" f\_ç="Ó .¾}.¾Ó.T. Á"u™, KÉ'İ~ U'f ÁL†"<"  
 ¾ªØ ›SK""f KSÑUÑU " uT>Ñ~"<U "Ö? f LÃ }S'ÿ<µ Ø" © îG<õ KSiõ " <:: eKJ'U ¾SMf‡ ufjiM  
 SVLf K"<Ö?~ ÿõf— ›e}ª\* eMT>\*[ " u²=I uÿ<M KT>Á[ÓM~ fwuw` upÉT>Á ›ScÓ"KG<::

**TXcu=A**

- ⇒ u²=I SÖÄp eU Séõ ›eðLÑ> ›ÄÄKU
- ⇒ ØÁo< ›T^ß SMf, ¾}cÖ<f ÿJ' fjiK— ¾T>K<f" SMe ›ÖÑu< vK"< XØ" " <eØ ✓ ÄI"  
 UM;f uTekSØ ÄÓKi<::
- ⇒ ›T^ß LMK[uL†"< ØÁo< ¾ `e-" ¾ÓM ›efÁ¾f u}cÖ"< vÊ x LÃ ÄÓKi<::

**iõM I ÿØ~ Ò' kØ}— }ªTİ'f ÁL†"< ØÁo<**

1. KU" ÁIM Ñ>²? ¾f^ç"" U`f (›MS<'>¾U " Se -f) Ñ'ªM;  
 1 Ñ>²?                       3 Ñ>²?                       5 Ñ>²? " ÿ²=Á uLÃ   
 2 Ñ>²?                       4 Ñ>²?
2. ¾f^ç"" U`f }ÖnT> KSJ" Á'dd-f a'— Uı"Áf- U"É" 'u';  
 ¾U`~ Ø^f  J'~ ªØ   
 ¾ªÑMÓKAf `T'@"<  ^u=Á- eKT>gØ   
 K?L "K ÄÓKi< -----

3. ¾f^ç" f\_ç"Ó ¾U'f ªØ Uı"Á © " < wK"< ÁevK<;  
 uxU eTTKG<                       eTTKG<   
 ÑKM}—                       ›MeTU

u×U ›MeTU   
 4. K3—“< ØÁo SKe- ›MeTTU “ u×U ›MeTTU Ÿj' U;”Á~” u=ÑMèM”;

5. É'İ- ªÒ ŸS}S'< uòf S[İ-“ ¼Scwcv Ø[- U” ÁIM ”<;

u×U Ÿö}—  S”ŸK— u×p}—   
 Ÿö}—  'p}—

6. É'İ- eK ªÒ "Ö“ u L “Ä }Óv' LÄ ¼TªK<” H>Äf ”Èf Á; M;

u×U ðx”  S”ŸK— u×UÑ>²?   
 ðx”  [İU Ñ>²?

7. ¼f^e” U'f SgŸ ªÒ ŸK?KA< É'İ, ªÒ Ò' c=Á'ñ\f ”Èf ”<;

u×U Ÿö}—  S”ŸK— u×p}—   
 Ÿö}—  'p}—

8. ªÒ” u}SKŸ} ŸÖulf ¼K¼ 'Ñ' ›ØØV- M;

›-  ›Ä  'ÓÖ— ›ÄÅKG<U

11. K13—“< ØÁo SMe- ›- Ÿj' v;~” ¼}SKŸ...†“< M;₂,“ ÄÓKè;

12. É'İ- ªÒ c=ÍU' ¼ 'e- ULi U”É” ”<;

p\_ ›k'vKG<   
 'U LKG<   
 “Ä K?L }“ÇÇ} É'İf H@ÇKG<

13. K12—“< ØÁo SMe- 'U LKG< Ÿj' v;~” U;”Áf-f” ÄÓKè;

14. Ÿ²=I uòf ¼É'İ- °n ªÒ LÄ p\_ ›p'u“< Á“<nK<;

›-  ›Ä

15. K15—“< ØÁo SMe- ›- Ÿj' ¼p\_ ›kvuL†“< ULi ›c××†“< ”Èf Á; M;

u×U ðx”  S”ŸK— u×ÑU}—   
 ðx”  ²ÑU}—

16.  $\ddot{y}f^{\wedge}\phi$  ] $\ddot{\zeta}\zeta$ ]  $\acute{e}\ddot{i}$ ,  $\grave{o}$   $H@A^{\wedge}<$  °n ( $\ddot{M};T>$ ' $\ddot{>}\frac{3}{4}U$  " Se -f)  $\ddot{N}'\ddot{<}$   $A^{\wedge}<cnK<$ ;

$\ddot{>}$   $\ddot{A}$

17.  $KI7-$    $\emptyset A_o$   $SMe-$   $\ddot{>}$   $\ddot{Y}'$   $U_i$   $\acute{A}f$    $\ddot{N}MeM$ ;

$\frac{3}{4}^a\grave{o}$   $S\acute{U}S'$

$\frac{3}{4}\emptyset^{\wedge}f$   $Sk'e$

$\frac{3}{4}p^{\wedge}xf$   $Te$

$K?L$  "K  $\acute{A}Oki<$ -----

-----

18.  $\ddot{>G}<$   $\acute{A}K^{\wedge}<$   $\frac{3}{4}f^{\wedge}\phi$   $f_{-}\zeta="O^a\grave{o}$   $'\zeta=e}$   $\ddot{Y}M U$   $\ddot{>e}\}A\frac{3}{4}f$   $\acute{A}c\times K<$ ;

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## Ÿf^¢" f\_Ç="Ó U`f ,ŸóóÄ, Ò' ¼}Á[Ñ nK UMMe

upÉT>Á Ñ>2?-" cØ}~< eL'ÒÑ\~ }ScÓ"KG<

1. f^¢" f\_Ç='Ó U`~" c=Ák`wL:G< °Ò"< }Sxx~ "'< wL:G< evL:G<
2. ¼f^¢" f\_Ç="Ó °Ò ŸK?KA, }"ÁÇÇ] É`i,, Ò' c=Á"ÇÉ\|f "Èf "'< ;
3. ¼K?KA, }"ÇÇ] É`i,, " °Ò }SMi}~< Á"<nK<;
4. ¼f^¢" f\_ÉÓ K,ŸóóÄ‡ ¼T>cÖ"< ¼f`õ SÖ" um "'< ÄLK<;
5. u ""} Ä f^¢" f\_Ç="Ó ŸK?KA, }"ÇÇ] É`i,, Ò' ÁK"< ¼ÑuÁ É`h U" ÁIM "'<;

## Ÿf^Ÿ" f\_Ç="Ó Ñ"²w }e}ÇÁ' Ò' ¾}Á[Ñ nK UMMe

upÉT>Á Ñ>²?-" cØ};" eL'ÒÑ\~ }ScÓ"KG<

1. KU" ÁIM Ñ>²? uÉ'ï- " <eØ u²=l x qÃ}ªM;
2. ¾fUI'f Á[í-
3. É'ï }G< °Ò c=}S" U" }LT }É'Ô " < wK" < ÁevK<;
4. U" }Ã'f ¾ªÒ } }TS" ²È fÖkTL}G<;
5. uªÒ } }TTS' < LÃ 'T" Äd}óK< "Ç=G<U ¾SÚ[h" < °Ò }T" T" " <;
6. ¾U' - °Ò U" ÁIM uiÁß SÖ" LÃ }é\* }K" <;
7. ¾}ÇÇ} É'ï," °Ò }SMj }G< " <nL}G<;
8. }ÇÇ} É'ï," °Ò c=kÃ\ ¾ "" } ULi U"É" " <;
9. °Ò efÚU\ ¾ÁUu™%o}G< ULi U"É" " <;
10. ŸªÒ Ò' }ÁÁ» ¾} < ØÁo-;" "Èf " < ¾U e} "ÓÆf ;
15. S"Óef Á"x" < }K=c= u}KÁU uÓ"v n LÃ K}cT\ }="ye}a; Ÿk[Ø 'é TeÑv }" < uÉ'ï- °Ò LÃ U" fê \* }UØ...M wK" < ÁevK<;

## **The Candidate's Declaration**

I, the under signed, declare that this essay is my original work, prepared under the guidance of Ato DAWIT MELAK. All sources of materials used for the manuscript have been duly acknowledged.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Place of submission \_\_\_\_\_

Date of submission \_\_\_\_\_

### **Advisor's declaration**

The paper has been submitted for examination with my approval as the university college advisor.

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_