

# Pricing Strategies and Consumer Purchase Intention on Convenience Goods among Government Secondary School Female Teachers in Ota Ogun State Nigeria

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## ABSTRACT

This study examined how pricing strategies affect consumer purchase intention on convenience goods around government secondary school for female teachers in Ota, Nigeria. A descriptive research design was used in this study as research design. Primary data source was used and questionnaires were used as the research instrument to collect data from the staff of the female teachers of government secondary school in Ota.

While descriptive statistics (simple percentage and frequency) were used to analyze the demographic information, inferential statistics (Simple Linear Regression) was adopted to test the research hypotheses. The findings on the first research hypothesis revealed that skimming pricing significantly affects customer purchase intention. Also, the finding on the second research hypothesis indicated that penetration pricing significantly affects customer purchase intention; and lastly, the study revealed that odd-even pricing has significant effect on customer purchase intention among government secondary schools among female teachers in Ota.

Given the results, the study concluded that pricing strategies affect consumer purchase intention on convenience goods around government secondary school female teachers in Ota. Thereby, it is recommended that the management of consumer companies should continue to use the strategies to further increase customer retention. Also, other firms in the industry should adopt the strategies to enhance customer retention.

(Keywords: strategies, pricing, consumer, intention, purchase).

## INTRODUCTION

The pricing strategy of a corporation affects how much it may charge for its products and services. A commodity's price is the total of the prices that buyers are willing to pay for the benefits of owning or utilizing that product or service (Edwin, 2014). Price examples include interest to lenders or service paid by the banker (lenders), premium to the insurance, transportation ticket, honorarium to the guest speaker, and so on (Kotler, 2008). Pricing as a buying stimulant, plays a significant role in price management since it affects not only how prices are regarded and appreciated, but also how customers make purchases.

In research, the price has been proven to be a key factor in buying decisions, particularly for regularly bought products, impacting shop, product, and brand selections (Roegner, 2005). Because it gives information about the firm and its products, every entity engaged in the creation of consumer goods and services must have a pricing strategy. A corporation does not establish a single price, but rather a pricing system that encompasses all of its products.

Pricing methods fluctuate greatly between sectors, nations, and consumers, and maybe split into three categories: cost-based pricing, competition-based pricing, and customer value-based pricing. The entire income earned from the price set multiplied by the units sold must, in the end; cover the expenses of operation as well as the expenses of the client, which is a common element across pricing plans. The mechanism for doing so varies based on the industry and market dynamics, the underlying competitive advantage, and, in certain situations, legislative constraints (Kotler and Armstrong, 2013).

Because it affects sales, profitability, and amounts reinvested in the firm's long-term existence, pricing strategy is an essential element in financial modeling. Cost-based pricing mostly takes data from the cost of manufacturing to determine expenses. It has no concept of competition and is uninterested in consumer buying choices. In competitor-oriented pricing, the price of competitors is utilized as a starting point for establishing prices (Blythe, 2005).

Customer value-based pricing determines how much a product or service is worth to a certain set of people. Customer value-based pricing is progressively gaining acceptance as being superior to all other pricing approaches in the literature (Ezeudu, 2005). This technique allows retailers to utilize the everyday low-price strategy or the high-low pricing strategy, both of which operate well in supermarkets due to their simplicity. New product pricing techniques are also accessible. Two of them are price skimming and penetrating pricing techniques. A company's pricing strategy of charging a high beginning price, frequently in combination with a high promotional price, is known as price skimming (Lamb, 2004). It relates to finding the utmost initial price that serious buyers are prepared to pay for a product (Kevin, 2004).

Understanding how and why consumers react in certain ways while making purchase choices has long been a popular marketing topic, since it helps firms design marketing campaigns and grow their market share.

Firms' pricing tactics have a huge influence on customer behavior, thus when determining product prices, businesses must keep a few things in mind. For the customer, price refers to the amount of money he must spend or give up to receive the real thing. As a consequence, firms devise price strategies that customers will pay for to capture their interest.

Pricing methods have a significant impact on customer behavior. Not only is the price the sole part of the marketing mix that produces sales directly. Another pricing strategy to think about is "cost-plus." The price of the product is increased by a particular proportion when this strategy is applied. Another price approach that impacts consumer behavior is "Product Collection Pricing." It may be advantageous to accept minimal profit margins on a few people's products to support the success of others.

One of the world's major industries is fast-moving consumer goods (FMCG), sometimes known as consumer packaged goods (CPG). Customers often buy FMCGs, which are often low-cost items with a short shelf life. The profit margins on these items are often low, but retailers strive to make up for it by selling large volumes. Three of the most well-known FMCG corporations in the world are Unilever, The Coca-Cola Company, and Johnson & Johnson. Food, drinks, personal care goods, and home care goods are among the most prevalent goods sold in the FMCG industry. Price rivalry amongst retailers may be strong since FMCG items are typically near identical within these categories. Customers' loyalty to goods is built via marketing and other strategies, enabling companies to demand greater prices.

## LITERATURE REVIEW

Njeru (2017) performed empirical research on the impact of pricing strategies on customer purchasing decisions in Nairobi County supermarkets. The research determined how often everyday low pricing strategy and high-low pricing strategy are used in supermarkets, as well as how much everyday low pricing strategy impacts customer purchasing choices in Nairobi County. Questionnaires were used to gather data from 315 people. The data was analyzed using descriptive statistical techniques. Pricing methods were shown to be important in explaining product selection, retailer selection, purchase quantity, and timing. The study's findings revealed that pricing tactics impact customer purchasing decisions and give crucial guidance to managers seeking a competitive edge.

The effect of pricing strategies on the purchase of consumer goods was studied by Agwu and Dudu (2014). The goal of the study was to find out how much a competitor's price influences a customer's buy choice, how consumers perceive businesses' value-based pricing idea, and how much online pricing influence a customer's buy choice. The study used a descriptive and historical approach, relying extensively and exclusively on secondary instruments as data sources. It was discovered that the data acquired revealed that customers had a perspective of value that is reflected in product pricing. It also revealed that the price of rivals' items influences firm product purchases and that internet pricing both informs and influences purchasing

decisions. This study concluded that, in addition to focusing on expressing value to consumers via pricing, businesses should also keep an eye on rival pricing and assess how much it influences product purchases.

Owusu (2013) performed a comparative study on the effects of price and quality on consumer purchases of mobile phones in Ghana's Kumasi Metropolis. Questionnaires, personal interviews, and a pricing list of the chosen mobile phones were utilized in the research, which included both primary and secondary data. The non-probability sampling approach was utilized in this investigation. The study used descriptive research to examine how customers are influenced by price and quality when purchasing a cell phone. The research found that price and quality have an impact on consumer purchasing decisions and that people weigh both price and quality when making purchases.

Smith, Willis, and Brooks (2018) studied the effects of price, motivation, perceived cultural relevance, and religious orientation on customer purchasing behavior. Because of cultural variations, consumer behavior concerns have become more varied, according to this study. As a result of this phenomenon, it is becoming more crucial to comprehend the elements that influence it. This research looked at the factors that influence consumer purchasing behavior among Saudis and ex-pats in Riyadh and found that price, motivation, perceived cultural relevance, and religious orientation all have a role. For data gathering from auto agencies in Saudi Arabia, the research uses a survey questionnaire. To evaluate the study's assumptions, the data is examined using the Partial Least Squares (PLSSEM) approach. The research data revealed a clear link between price, motivation, perceived cultural relevance, and consumer purchasing behavior. Furthermore, the religious inclination was shown to be substantially connected to price and perceived cultural relevance. However, contrary to the expectations, it is discovered that religious orientation does not play a mediating function in the link between price, motivation, perceived cultural relevance, and consumer purchasing behavior.

Irfan, Yasir, and Imran (2012) predicted the significance of volatile pricing strategies in influencing consumer purchasing behavior, and their study discovered that there are only a few pricing tactics that businesses may employ to

influence an effect on customer purchasing behavior.

To test and understand the study's hypotheses about various pricing strategies, categorical regression (Optimal Scaling) was utilized. The three major pricing strategies covered in this research are price skimming, price discrimination, and market-oriented pricing. The findings indicated that these three pricing strategies had a range of effects on consumer demand, implying that firms should do research prior to settling on a pricing approach.

Kim and Chung performed a survey to ascertain customer intentions about the purchase of organic cosmetics and personal care products (2018). The study's primary goal was to ascertain the influence of consumer values and prior experiences on consumer purchase intentions for organic personal care products, in accordance with planned behavior theory (TPB). A secondary objective of the study was to ascertain if perceived behavioral control acts as a moderator of the attitude intention connection. The researchers utilized multiple regression analysis to assess the connections between the variables after conducting an online poll with 207 members of an online panel. The study revealed that both environmental and aesthetic consciousness had an influence on attitudes toward purchasing organic personal care products. The TPB model was strengthened in predictive power by include prior experiences as a predictor of purchase intention and perceived behavioral control as a moderator of the attitude-purchase intention relationship. According to the study's findings, merchants that develop successful marketing tactics that stress ecological beauty, product safety, and competitive pricing may be able to increase consumers' intents to purchase organic personal care products.

Consumer behavior has an influence on pricing strategy, and it has been advised that the firm adopt price reductions while including customers to mitigate this effect. It advised, specifically, that the plan enhance consumer behavior and pricing strategy in order to accomplish the strategy's aim of building brand loyalty and customer connections.

In their research, Arifani and Haryanto studied the buy intention: implementation theory of planned behavior (2019). The study's objective was to determine the effect of environmental

awareness, perceived value and price, product appearance, attitude, subjective norm, perceived behavioral control, and desire to purchase reusable shopping bags on the decision to purchase reusable shopping bags. Respondents were chosen for this study using a random sample approach based on their familiarity with and intention to purchase the reusable bag product. 110 people completed the questionnaire, and all were deemed qualified based on their ability to complete it completely and satisfy the required requirements. Both the instrument and the hypothesis were validated using the Structural Equation Model-Partial Least Squares technique (SEM-PLS). Environmental knowledge has a positive effect on attitude, perceived price has a positive effect on attitude, perceived value has a good effect on attitude, and product appearance has a positive effect on attitude.

Pricing methods were investigated by Jamal and Anwar (2021) as a determining element in consumer behavior. The current study used a quantitative research method, which included customizing a questionnaire from academic sources. The current study has a sample size of 162 people who were chosen at random. Penetration Pricing has a considerable favorable impact on customer behavior at 5% level, according to the findings. Price Skimming has a 5% beneficial impact on customer behavior. According to the findings, marketing sharing sites have a 5% beneficial impact on consumer behavior.

Assefa (2019) investigated the impact of alternative pricing strategies on consumer purchase decisions at Ambassador Garment PLC, using 138 sampled customers. Both purposeful and convenient sampling approaches were employed. Questionnaires were sent to

conveniently selected customers, and data was analyzed using the SPSS 20 software package based on the responses of these 138 sample customers. The researchers used descriptive statistics and an explanatory study methodology. The findings show that among the various pricing strategies, Discount pricing and odd pricing had the most link with Ambassador Garment PLC consumer purchasing decisions.

## METHODOLOGY

### HYPOTHESES TESTING

#### Hypothesis One

Ho: There is no significant effect of skimming pricing on customer purchase intention among government secondary schools among female teachers in Ota.

**Table 1:** Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.884 <sup>a</sup>	.781	.708	.85438

a. Predictors: (Constant), Skimming\_Pricing  
Source: Author's Computation (2021)

From the model summary in Table 1, the R<sup>2</sup> has a value of .884, which implies that 88.4% of the variation in the Customer\_Purchase\_Intention was explained by skimming pricing and the remaining 11.6 was not consider in the study model.

**Table 2:** Coefficients <sup>a</sup>

Model	Constant	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Skimming_Pricing	1.356	.631		2.147	.121
		.069	.021	.884	3.271	.047

a. Dependent Variable: Customer\_Purchase\_Intention  
Source: Author's Computation (2021)

Table 2 shows the regression coefficient of the model, with the coefficient value of .069. Thus, the positive value of the parameter implies that an increase in the skimming pricing leads to an increase in customer purchase intention by .069. Further, t-value of 0.047 implies that skimming pricing is highly significant at a 5% level of significance ( $P < 0.0001$ ) and thus concludes that the estimated coefficients are significantly different from zero.

**Decision:** From the regression output (Beta = .069.;  $R^2 = .884$ ,  $P = .000$ ), the null hypothesis that there is no significant effect of skimming pricing on customer purchase intention among government secondary schools female teachers in Ota, could not be accepted. By rejecting the null hypothesis and accepting the alternative hypothesis, the study concluded that skimming pricing significantly affect customer purchase intention among government secondary schools female teachers in Ota.

### Hypothesis Two

Ho: There is no significant effect of penetration pricing on customer purchase intention among government secondary school female teachers in Ota.

The model summary in Table 3 revealed the value of  $R^2$ , which is .747. By implications it implies that 75% of the variation in the Customer purchase intention was explained by penetration

pricing and the remaining 25% was accounted for by the variables outside the model.

**Table 3:** Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 <sup>a</sup>	.558	.411	1.21376

a. Predictors: (Constant), Penetration\_Pricing  
Source: Author's Computation (2021)

From Table 4, the coefficient value of the parameter is .046, which is positive. Thus, the positive value of the parameter implies that an increase in the penetration pricing leads to an increase in customer purchase intention by .046. Also, t-value of 2.091 implies that penetration pricing is significant at a 5% level of significance ( $P < 0.0001$ ).

**Decision:** From the regression output (Beta = 0.46;  $R^2 = .747$ ,  $P = .000$ ), the null hypothesis that there is no significant effect of penetration pricing on customer purchase intention among government secondary schools' female teachers in Ota, could not be accepted. By rejecting the null hypothesis and accepting the alternative hypothesis, the study concluded that penetration pricing significantly affects customer purchase intention among government secondary schools female teachers in Ota.

**Table 4:** Coefficients <sup>a</sup>

Model	Constant	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Penetration_Pricing	1.954	.764		2.557	.083
		.046	.022	.747	2.091	.000

a. Dependent Variable: Customer\_Purchase\_Intention  
Source: Author's Computation (2021)

### Hypothesis Three

Ho: There is no significant effect of odd-even pricing on customer purchase intention among government secondary schools among female teachers in Ota.

**Table 5:** Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877 <sup>a</sup>	.770	.693	.87575

a. Predictors: (Constant), Odd\_even\_pricing  
Source: Author's Computation (2021)

As shown in Table 5, R<sup>2</sup> has a value of .877, which indicated 88% of the variation in the Customer purchase intention was explained by odd-even pricing and the remaining 12% was accounted for by the variables outside the model.

Table 6 indicated that the coefficient value of the parameter is .054, which is positive. Thereby, an increase in the odd-even pricing leads to an increase in customer purchase intention by .054. Further, t-value of 3.168 with a corresponding p-value of 0.001 implies that odd-even pricing is significant at a 5% level of significance ( $P < 0.0001$ ).

**Decision:** From the regression output (Beta = 0.054.;  $R^2 = .877$ ,  $P = .001$ ), the null hypothesis that there is no significant effect of odd-even pricing on customer purchase intention among government secondary schools' female teachers in Ota was rejected. By rejecting the null

hypothesis and accepting the alternative hypothesis that there is significant effect of odd-even pricing on customer purchase intention among government secondary schools' female teachers in Ota.

### Discussion of Findings

The current study examined how pricing strategies affect consumer purchase intention on convenience goods around government secondary school female teachers in Ota. Three research hypotheses were formulated and tested at 5% level of significance. The finding of hypothesis one revealed that skimming pricing significantly affects customer purchase intention. The finding corroborates the previous finding by Irfan, Yasir, and Imran (2012), where they established that price skimming, price discrimination, and market-oriented pricing had a range of effects on consumer demand.

The finding of hypothesis two revealed that penetration pricing significantly affects customer purchase intention. The finding substantiates the previous finding by Jamal and Anwar (2021). They established that penetration pricing has a considerable favorable impact on customer behavior at the 5% level of significance.

Lastly, the finding of hypothesis three indicated that odd-even pricing has significant effect on customer purchase intention. The finding gives credence to the previous findings by Assefa (2019), whose findings shows that discount pricing and odd pricing, had the most link with Ambassador Garment PLC consumer purchasing decisions.

**Table 6:** Coefficients <sup>a</sup>

Model	Constant	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Odd_even_pricing	1.708	.565		3.020	.057
		.054	.017	.877	3.168	.001

a. Dependent Variable: Customer\_Purchase\_Intention  
Source: Author's Computation (2021)

## CONCLUSION

The finding revealed that skimming pricing affects customer purchase intention and thereby, firms charge a high initial price and then gradually lowers the price to attract more customers. When the price is lower, then customers will increase their rate of purchase and increase their loyalty to the firm.

The study also established that penetration pricing affect customer purchase intention. Firms are found using the price strategy. The price strategy lets businesses attract customers to a new product by offering a discounted price upon its initial offering. From the principle of marginal value, when a firm gives discount, the customers' rate of purchase will increase.

Lastly, it was concluded that odd-even pricing has effect on customer purchase intention. With the adoption of Odd-even pricing strategy, which is a psychological pricing tactic firms has the tendency to influence the customer's perceptions of product value.

## RECOMMENDATIONS

Based on the findings, the study recommends as follows:

- i. Arising from the fact that skimming pricing affects customer purchase intention, it is recommended that the management of the firm should continue to rock the price front and back to further increase customer retention.
- ii. On the basis that penetration pricing affect customer purchase intention, it is recommended that the firms should learn to use the strategy to enhance customer purchase intention.
- iii. From the findings that odd-even pricing has effect on customer purchase intention; the study recommends that the strategy should be adopted by any firms that want to increase customer purchase intention.

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