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Original Research

PRICING STRATEGIES ON BRAND PERFORMANCE: A CASE STUDY OF SAFARICOM LIMITED KENYA

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ABSTRACT

Pricing strategies are critical determinants of a company's market share, profitability, and overall competitive advantage. This study explores the impact of various pricing strategies on the brand performance of Safaricom Ltd, Kenya's leading mobile phone operator. The research aims to understand how differential, competitive, and value-based pricing strategies influence brand performance. A descriptive research design was employed, integrating both qualitative and quantitative methods. Data were collected using structured questionnaires from a sample of 219 respondents out of a target population of 430 management staff at Safaricom's head offices in Nairobi. The findings indicate that Safaricom's strategic approach to pricing significantly enhances its market dominance and brand loyalty. Specifically, the company's focus on cost standards, competitive pricing, and periodic price adjustments based on operating costs has strengthened its brand perception and customer satisfaction. The study concludes that aligning pricing strategies with customer value perception is essential for sustaining high brand performance. Recommendations include developing flexible pricing strategies tailored to specific market segments, continuous assessment of pricing strategies in response to market dynamics, and further research on the long-term effects of pricing strategies on brand performance in other sectors and regions.

Keywords: Pricing Strategies, Brand Performance, Safaricom Ltd, Competitive Pricing, Value-Based Pricing, and Telecommunications Sector, Kenya.

BACKGROUND OF THE STUDY

Pricing strategies are critical determinants of a company's market share, profitability, and overall competitive advantage. In an increasingly dynamic and competitive global marketplace, firms must adopt effective pricing strategies to enhance brand perception, foster customer loyalty, and improve brand performance (Kotler & Keller, 2016). From a global perspective, effective pricing strategies have been recognized as pivotal in enhancing brand performance across various industries. Research by Nagle, Hogan, and Zale (2016) highlights that competitive pricing can significantly enhance brand perception and customer loyalty, ultimately leading to improved brand performance. For instance, companies in the high-tech sector, such as Apple, leverage value-based pricing to justify premium prices based on the perceived value of their innovative products and services (Dholakia, 2015). Similarly, dynamic pricing, which adjusts prices based on real-time market demand, has been effectively employed in industries like telecommunications to align service costs with consumer expectations and maximize profitability (Smith, 2015).

In the African context, pricing strategies are equally crucial for brand performance, given the continent's unique market dynamics and consumer behaviors. Studies have shown that in South Africa's telecommunications sector, competitive pricing significantly influences consumer choices and brand loyalty (Chirwa & Mlachila, 2017). In Nigeria, research by Eze, Goh, and Nwankwo (2018) revealed that affordability is a major determinant of brand preference among consumers. Telecom companies that offer affordable pricing plans and flexible payment options tend to perform better in terms of customer acquisition and retention, thus improving overall brand performance. Furthermore, in Ghana, promotional pricing strategies, including periodic discounts and offers, have been found to significantly boost brand visibility and customer engagement, enhancing brand performance (Odoom, Narteh, & Boateng, 2016).

Focusing on Kenya, the effect of pricing strategies on brand performance has been a critical area of study, particularly for leading companies like Safaricom Ltd. Safaricom, which commands a substantial market share in Kenya's telecommunications industry, employs a variety of pricing strategies to maintain its competitive edge. According to Mutinda and Wanjiru (2019), Safaricom's adoption of differential pricing strategies has significantly influenced its brand performance by catering to different market segments and enhancing customer satisfaction. Additionally, competitive pricing, especially in mobile data services, has helped Safaricom maintain a leading position in the Kenyan telecom market, attracting cost-sensitive consumers and reinforcing brand strength (Kimani & Njuguna, 2020). The company’s focus on value-based pricing, aligned with perceived customer value, has further boosted its brand perception and customer loyalty, contributing to its sustained high brand performance (Mwaura & Mwangi, 2021).

Bearing in mind that understanding how pricing strategies influence brand performance is essential for developing competitive marketing approaches that sustain business growth and market leadership, this study seeks to provide a comprehensive understanding of how Safaricom’s pricing strategies affect its brand performance, contributing valuable insights to the broader field of marketing strategy and brand management in the telecommunications sector.

STATEMENT OF THE PROBLEM

Despite Safaricom's substantial market share and leading position in Kenya's telecommunications industry, the company faces significant challenges from new competitors like Airtel Kenya and Telkom Kenya, which employ aggressive pricing strategies and innovative services (Kimani & Njuguna, 2020). Additionally, dynamic market conditions characterized by rapidly changing consumer preferences and technological advancements further challenge Safaricom's dominance. Consumers are increasingly price-sensitive and demand high value for money, compelling companies to adopt pricing strategies that meet these expectations (Smith, 2015). The proliferation of digital technologies has transformed consumer behavior, with a growing preference for online transactions and digital services, intensifying competition (Dholakia, 2015).

Despite the critical role of pricing strategies in influencing brand performance, there is limited focused research on this relationship within Kenya's telecommunications sector. Existing studies often lack a specific focus on how pricing strategies directly impact brand performance and are generally oriented towards global or other regional contexts, missing the unique market dynamics in Kenya (Chirwa & Mlachila, 2017). Furthermore, research on Safaricom's marketing strategies mainly highlights innovations and customer engagement efforts without adequately addressing the strategic importance of pricing (Mutinda & Wanjiru, 2019). This study aims to fill this gap by providing an in-depth analysis of how differential, competitive, and value-based pricing strategies affect Safaricom’s brand performance, offering valuable insights for academia and industry practitioners.

OBJECTIVE OF STUDY

To examine the effect of pricing strategies on the brand performance of Safaricom Ltd Kenya.

THEORETICAL FRAMEWORK

The Branding Theory of Marketing, advanced by Aaker (1997), underscores the strategic importance of branding as a cornerstone for company growth. This theory posits that effective branding is essential for creating a unique identity that differentiates a company from its competitors, fostering customer loyalty, and enhancing brand equity. A strong brand is built through the alignment of core principles of messaging and positioning, which together fuel growth in marketing (Aaker, 1997). By establishing a distinctive brand identity, companies can create a lasting impression in the minds of consumers, which is crucial for long-term success and competitive advantage.

Central to the Branding Theory of Marketing is the idea that a well-managed brand can command premium pricing and foster customer loyalty. When a brand successfully communicates its unique value proposition, it can justify higher prices because consumers perceive the brand as offering superior value compared to competitors (Aaker, 1997). This perception of value is critical in markets where differentiation based on product features alone is challenging. For example, Apple Inc. is renowned for its ability to command premium prices for its products due to its strong brand identity, which emphasizes innovation, quality, and user experience (Keller & Lehmann, 2012). This ability to charge premium prices contributes significantly to the company's profitability and brand performance.

Moreover, branding theory highlights the role of consistent and coherent messaging in building brand equity. Aaker (1997) emphasizes that every brand touchpoint, from advertising to customer service, should reinforce the brand's core values and positioning. Consistency in messaging helps build a strong, recognizable brand that consumers trust and prefer over others. This trust and preference translate into customer loyalty, which is a key driver of brand performance (Chaudhuri & Holbrook, 2001). Loyal customers are more likely to repurchase, recommend the brand to others, and be less sensitive to price changes. Thus, effective branding not only enhances brand equity but also stabilizes revenue streams and improves financial performance. By aligning pricing strategies with branding efforts, companies like Safaricom Ltd can enhance their brand performance and achieve sustainable growth (Mwaura & Mwangi, 2021).

Research Design

The study employs a descriptive research design, integrating both qualitative and quantitative methods to deeply analyze the phenomena. Descriptive research design is suitable for this study as it provides a detailed account of the variables under investigation, allowing for an in-depth understanding of the relationship between pricing strategies and brand performance.

Target Population

The target population included the 430-management staff from the Company’s Head Offices in Nairobi. For the purpose of this study the target population was stratified through top level, middle level and low-level management. Mugenda and Mugenda (2012) explain that the target population should have some observable characteristics, to which the study intends to generalize the results of the study.

Sample Size

A sample of 219 respondents was determined using the Fisher Formula $nf = \frac{n}{1+(\frac{n-1}{N})}$ and stratified random sampling technique. Stratified random sampling ensures that the sample is representative of the various management levels within Safaricom, providing a comprehensive view of the company's pricing strategies and their impact on brand performance.

Research Instruments

Data was collected using structured questionnaires. The validity and reliability of the data collection instrument were tested through expert reviews and a pilot study, respectively. The questionnaire included both closed and open-ended questions to capture quantitative data and qualitative insights.

Findings

The table presents a descriptive analysis of various pricing strategies employed by the company, as assessed by respondents. The analysis focuses on the mean and standard deviation of each item, providing insights into the central tendencies and dispersion of the responses. These findings can be contextualized by relating them to previous studies, highlighting either alignment or contradiction with established research.

Table 1: Pricing Strategy

Sub Variables	N	Mean	Std. Deviation	Skewness	Kurtosis
The company sets and reviews prices of their products and services.	179	3.7877	.95967	-.526	-.107
There is the emphasis on the use of cost standards as a basis of setting prices.	179	3.7095	.96248	-.496	-.176
The company reduces its prices of its products and services as a competitive approach.	179	3.7542	.96333	-.556	-.100
The company uses operating costs to vary the prices from time to time.	179	3.7654	.95443	-.572	-.028
Average	**179**	**3.7542**	**.95998**	**-.538**	**-.103**

Source: Field Data (2023)

Firstly, the item "The company sets and reviews prices of their products and services" has a mean score of 3.7877, indicating a relatively high level of agreement among respondents that the company regularly engages in price setting and review activities. The standard deviation of 0.95967 suggests a moderate degree of variability in the responses. This finding aligns with Kotler and Keller's (2016) assertion that continuous price review is crucial for maintaining competitive advantage and responding to market changes. The moderate variability in responses might reflect different departmental perspectives or varying levels of involvement in pricing decisions, as noted by Hinterhuber (2018).

Secondly, the statement "There is an emphasis on the use of cost standards as a basis for setting prices" has a mean score of 3.7095. This score reflects a strong agreement that cost standards are an important consideration in the company's pricing decisions. The standard deviation of 0.96248 indicates a similar level of response variability as the first item. This finding is consistent with the study by Monroe (2013), which emphasizes the importance of cost-based pricing strategies in ensuring financial sustainability and competitive pricing.

However, it contrasts with the findings of Nagle and Müller (2017), who suggest that customer value-based pricing may be more effective in certain markets.

Thirdly, the item "The company reduces its prices of its products and services as a competitive approach" has a mean of 3.7542, showing that respondents generally agree that price reduction is employed as a competitive strategy. The associated standard deviation of 0.96333 denotes a moderate spread in the responses. This finding supports the work of Rao and Bergen (1992), who highlight that price competition can be an effective strategy in highly competitive markets. However, it contrasts with the perspectives of Simon and Fassnacht (2019), who caution that frequent price reductions can erode brand value and lead to price wars. Fourthly, the statement "The company uses operating costs to vary the prices from time to time" has a mean score of 3.7654, which indicates that respondents agree with the assertion that operating costs influence pricing variability. The standard deviation of 0.95443, similar to the other items, shows a moderate range of responses. This finding is in line with the cost-plus pricing model described by Drury (2018), which incorporates operating costs as a key determinant of pricing decisions. On the other hand, it somewhat contradicts the dynamic pricing models suggested by Talluri and Van Ryzin (2005), which advocate for a more flexible approach based on real-time market demand and supply conditions.

CONCLUSION

Pricing strategies are crucial for brand performance. Safaricom's strategic approach to differential and competitive pricing has enhanced its market dominance and brand loyalty. Aligning pricing strategies with customer value perception is essential for sustaining high brand performance. The study concludes that effective pricing strategies can significantly influence brand performance by enhancing customer satisfaction, loyalty, and market position. Safaricom's success in the Kenyan telecommunications market can be attributed to its strategic use of differential, competitive, and value-based pricing strategies. These strategies have enabled the company to meet the diverse needs of its customers, stay ahead of competitors, and maintain a strong brand presence.

RECOMMENDATIONS

The study made the following recommendations;

i. Managers should focus on developing flexible pricing strategies tailored to specific market segments to optimize brand performance.
ii. Continuous assessment and adaptation of pricing strategies in response to market dynamics are necessary to maintain competitive advantage.
iii. Further research should explore the long-term effects of pricing strategies on brand performance in other sectors and regions.
iv. Safaricom should continue to leverage its unique resources and dynamic capabilities to innovate and refine its pricing strategies, ensuring alignment with changing consumer preferences and competitive pressures.
v. Policy makers and regulatory bodies should consider the impact of pricing regulations on brand performance and market competition, ensuring a balanced approach that promotes innovation and consumer welfare.

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