

PRICING STRATEGIES AND PERFORMANCE OF AGRO-CHEMICAL FIRMS IN INDUSTRIAL AREA NAIROBI COUNTY, KENYA

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**International Academic Journal of Human Resource and Business Administration
(IAJHRBA) | ISSN 2518-2374**

Received: 21st November 2017

Accepted: 24th November 2017

Full Length Research

Available Online at:

http://www.iajournals.org/articles/iajhrba_v2_i4_97_107.pdf

Citation: King'ori, G. N. & Waithaka, P. (2017). Pricing strategies and performance of agro-chemical firms in industrial area Nairobi County, Kenya. *International Academic Journal of Human Resource and Business Administration*, 2(4), 97-107

ABSTRACT

Superior performance is accomplished by serving client needs in an unexpected way. The more one of a kind the separation the more manageable the points of interest gathered since separation should definitely include costs which are recovered if the market will pay the vital premium costs. The study aimed to investigate the competitive strategies on performance of agro-chemical firms in industrial area, Nairobi, Kenya. The study sought to examine and document various competitive strategies used by agrochemical firms in order to compete in the market place. The specific objectives were to investigate the effect of pricing strategy on to performance of agro-chemical firms in industrial area. The research design used was descriptive survey which is useful for fact finding. The study targeted 83 employees of Agrochemical firms and since the number of respondents were of manageable size the study used census. Questionnaires were utilized for gathering information which was dissected utilizing graphic and regression statistical tools and displayed utilizing tables. The data collection instrument was questionnaires. Graphs,

tables and pie graphs was utilized to exhibit frequencies and percentage while tables were readied utilizing every factor or pointer. Out of the 83 questionnaires that were issued 72 of were dully filled and returned to the researcher. This gave a response rate of 87%. This response rate concurred with Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. From the findings the respondents strongly agreed that their company purchase low cost raw materials to gain advantage on prices. Majority of the respondents strongly agreed that their organization uses dynamic pricing strategy to gain competitive. The study findings recommended that Agro chemical firms should meet the delivery cost of their products to the clients as this is a good way of building customers loyalty. In light of the study findings it is also recommended that Agro chemical firms offer price discounts in order to be competitive in the market and improve their performance.

Key Words: *pricing strategy, competitive strategy, performance of agrochemical firms*

INTRODUCTION

Execution of business firms depends on available offer development, overall revenue, money related use, general consumer loyalty and to what degree the set organization destinations and objectives are being accomplished (Wheelwright, 2013). As per Thompson (2007), an inventive particular system that separates an organization from its adversaries and yields an upper hand is the organization's most dependable ticket for winning better than expected execution and without this an organization dangers being outcompeted by more grounded equals as well as being bolted into average money related execution. As indicated by Mibei (2011) the execution of any business association is influenced by the procedures which are set up inside that event and the techniques set up decide the long haul execution of a business firm. Execution is ordinarily measured utilizing guidelines which are normally nitty gritty

articulations of key goals and they are a measure of acknowledgment execution comes about (John, 2010). The measures that are utilized to survey authoritative execution rely upon the association and the destinations that should be accomplished. The organization destinations and objectives are set amid the technique detailing of the vital administration process and they can incorporate piece of the pie, item advancement, net revenue, cost diminishment and authority just to specify a couple (Githae, 2012).

According to Thompson (2010) there are two particular execution principles; there are those that identify with budgetary administration and others that identify with vital execution. The key execution pointers are the results that show if an organization is fortifying its market standing, focused essentialness and future business prospects. Concentrates that have been done on hierarchical execution have utilized an assortment of money related and non-budgetary achievement measures. In those investigations money related measures incorporate Profit, turnover, degree of profitability ROI, and stock turnover while the non-budgetary measures incorporate inventiveness and market standing.

As indicated by Hunger and Wheelen (2009) the most regularly utilized measure of corporate execution are the rate of return of investment ROI, Earnings per share EPS and the return on equity ROE. The rate of return on investment (ROI) is the consequence of partitioning net salary before impose by add up of assets while EPS is equivalent to the gaining accessible to basic investors isolated by weighted normal number of offers of regular stock standing. Profit for value demonstrates the relationship of the net wage to normal investors' value (Hayes, 2009). Turnover is the deals or gross income of the organization amid the budgetary period under audit. A higher turnover infers expanded volume of offers because of expanded amounts sold or expanded costs.

The business increment because of an increased demand of the organization items which reflect development of the organization. Net benefit is the acknowledged salary net of all cost, enthusiasm on profundity or duty and it demonstrates how well an organization has controlled its expenses with an end goal to augment the investor's riches (Cooper, 2010). Piece of the overall industry cost is one of money markets based pointers which are viewed as most fitting or touchy measures as the mirror the riches age for investors (Ghalayani, 2012). This piece of the overall industry cost is directed by the request the organization partakes in the stock trade and this applies to recorded organizations and the higher the estimation of the pieces of the overall industry, the higher the execution, accordingly many individuals might want to buy shares and the shares value goes up (Schindler, 2010).

Organizational Performance

Execution can be characterized from multiple points of view. It has been characterized as the measure of utility or advantages got from the firm or the association by its partners (Rashid, Islam and Anderson, 2008). The proceeded with reasonability of an organization relies upon its capacity to acquire satisfactory profit for its advantages and capital. Great income execution empowers an establishment to finance its development, stay aggressive in the market and recharge and increment its capital assessment of profit.

The execution depends heaps of key benefit measures, for example, return on assets and return on equity to industry benchmark and associate gathering standards. As indicated by Kagalwala and Ram, (2003) numerous foundations all through the world have vanished because of shortcomings in board parameters of hazard administration capacities. Establishments that must survive require Higher Return on Assets (ROA). This is a net after duty benefit separated by ads up to resources. It is a basic pointer of gainfulness. Organizations, which utilize their advantages productively, will tend to demonstrate a proportion higher than the business standard.

Performance of Agrochemical Firms in Kenya

The agricultural firms continues to dominate Kenya's economy, albeit just 15 percent of Kenya's aggregate land territory has adequate ripeness and precipitation to be cultivated, and just 7 or 8 percent can be delegated first-class land. In 2006 very nearly 75 percent of working Kenyans made their living on the land, contrasted and 80 percent in 1980.

Horticulture is the second biggest supporter of Kenya's total national output (GDP), after the administration part. In 2005 horticulture, including forestry service and fishing, represented around 24 percent of GDP (and additionally for 18 percent of wage business and 50 percent of income from trades (CBS Statistical Abstracts, 2009). Kenya agrochemical imports in December 2015 was over USD 52.4 (Ref PCBP import data 2015). Interest for horticultural chemicals depends basically on interest for different yields, which thus relies upon edit costs. The gainfulness of individual organizations is connected to productive operations and marketing. The huge makers have extensive economies of scale underway. While littler organizations can contend viably by making claim to fame chemicals which separate themselves from others, repackaging to littler pack sizes to meet client requests, among different methodologies.

Competition in Agro-Chemical industry has experienced a tremendous change. The landscape in this industry has been changing with companies from China and India joining the local market. Expanding rivalry and item multiplication, and changing client desires are only a couple of the issues that have changed the aggressive scene of the commercial center (Humphery, 2013). The Financial performance of Agro-chemical firms can be measured through the Return on asset (ROA), operational self-sufficiency, financial self-sufficiency, Return on equity (ROE). ROA measures and tracks MFIs ability to generate income based on its assets. ROA is the most appropriate measure of financial performance. The reason why ROA is the most appropriate measure is due to the fact that it gives a more extensive point of view contrasted with different measures as it rises above the center action of rural firms.

The present condition can be classified as hyper-focused, where edge pressure turns out to be especially intense and vulnerabilities that were already covered up by solid monetary conditions end up plainly uncovered. Guaranteeing proceeded with reasonability and improving monetary execution in under perfect economic situations is generally anticipated on how much organizations make upper hand that can separate its items and administrations from the competition (Humphery, 2013).

STATEMENT OF THE PROBLEM

Agro-chemical firms in Kenya have been facing a number of challenges due intense competition and entry of common and related companies from China and India thus resulting in decline in the sales per year. This has been brought by the Agro-chemical firms experiencing change in customer expectations, proliferations and increasing generic products in the industry leading to cut throat competition within the industry. Inability to plan properly due to changing customer expectations and the need for real time, accurate planning, scheduling, repackaging in different pack sizes and deliveries to distributors is a challenge to these firms (David, 2011)

There are different investigations which have been done on aggressive methodologies crosswise over different settings and divisions in the globe. Nonetheless, in Kenya, an examination by Murage (2011) concentrated on the focused methodologies in the oil business and found that administration stations utilize separation as a strategy for getting upper hand over other administration stations. Muttaka (2012) conveyed an examination on aggressive methodologies utilized by Multinational firms in Kenya. The study findings, established that multinational firms in the agrochemical industry have been using differentiation strategy to gain competitive advantage and compete effectively in the Kenyan market. Karanja (2012) assessed the factors influencing market performance and hence market share of companies marketing agrochemicals in the floriculture industry in Kenya. Many agrochemical companies continue to struggle not being aware of the challenges in agrochemical industry, as it is closed and little information is available or published. Therefore, this study seeks to determine the effects of pricing strategies available to the agrochemical firms which will support their goal of improving the performance.

RESEARCH OBJECTIVE

The main objective of the study is to investigate the effects of pricing strategies on performance of agro-chemical firms in Industrial area, Nairobi, Kenya.

THEORETICAL LITERATURE REVIEW

Game Theory

Diversion hypothesis can be characterized as a component of a huge assortment of hypothesis giving a formal dialect to portray cognizant, objective arranged, basic leadership forms including at least one or more players. The arrangement ideas got from diversion hypothesis might be thought of as regulating or engaging perspectives of multi-individual basic leadership (Shubik, 1972). Doorman (1990) additionally contends that an organization's quality at last could be set into two classes: cost favorable position or separation. Utilization of those qualities in either a wide (industry wide) or limit (advertise portion) scope brings about three non-specific procedures: Cost leadership, differentiation and focus. These three methodologies should be connected on a business unit level.

Porter's work was additionally created in 1985, with the esteem chain demonstrate, which concentrates on the exercises and elements of the firm, the fundamental factors that drive cost

and separation focal points. Intensive control and gathering of exercises empower firms to use cost and separation possibilities through the harvesting of scale favorable circumstances or the formation of inventive discussions. The Porterian system has been utilized broadly inside IS investigate. McFarlan (1984) proposes that IS can be utilized to control 'switching costs', and erect 'obstructions to section'. Porter and Millar (1985) contend that IT can be utilized to improve esteem affix exercises to increase upper hand through minimal effort or separation.

Agrochemical firms must ensure that a correct mix is done to ensure optimal productions level. This will allow the Agrochemical firms to outperform its competition with superior market position, skills and resources and which may include generic products (Porter, 2010). Natural controls have pushed agrochemical organizations to embrace a level of corporate duty and responsibility. Many firms received and actualized earth capable methodologies because of target market expectations (D'Souza, 2006; Bansal & Roth, 2000). Clearly the companies are adopting environmental practices over and above government compliance requirements to the benefit of the consumer and give the firm a competitive advantage. Diversion hypothesis is the way toward displaying the key association between at least two players in a circumstance containing set guidelines and results, this theory is applicable to this study since Agrochemical firms in the Industrial Area, Nairobi are competing in the same industry and their strategic decisions in pricing strategies will lead in either a gain or loss in the market share, variation in performance and ability to compete effectively with generic products imported in the country. The payout for Agrochemical firms is the increased market share and improved performance that is quantifiable in terms of profitability, these strategies are supposed to be applied on a business unit level.

Kirzner's Alert Theory of Entrepreneurship

Kirzner (1973) concentrated on noting the inquiry on whether a market economy works and in the event that it does, what might be the procedure that leads the economy towards balance. This hypothesis additionally watched that at first the economy is in disequilibrium and the opposition among 'alert' business person's prompts balance and those business sectors are not generally clear. There is no flawlessly educated delegate specialist and for change to happen the business visionaries require motivating forces and this impetuses originates from the distinction among operators as far as data and learning.

A change in the method of generation or move in inclinations prompts change (disequilibrium) in the market where at first there was equilibrium (Robinson, 2011). In the event that there is balance in the market there is nothing for the business people to do and no trade and benefit open doors for them since everyone will have the capacity to complete his at first decided trade designs. Yet, at whatever point the change has happened, some arranged exercises won't be figured out. An ascent in expectations for everyday comforts would eventually suggest an expansion sought after for items subsequently, giving more prominent chances to organizations to make benefits (Hufbauer, 1981). An economy witnesses changes in monetary exercises. This would suggest that if there should arise an occurrence of an ascent in monetary movement the request of the item will increment and thus the cost will

increment. If there should be an occurrence of diminishment sought after, the costs will go down. Business procedures ought to be produced remembering these vacillations.

The idea in Kirzner (1973) hypothesis of business enterprise is sharpness that leads people to make disclosures that are profitable in the fulfilment of human needs. The part of business visionaries lies in their sharpness to unnoticed open doors. Business visionaries work to abuse these open doors, in this way wiping out blunders, with the goal that the economy moves towards equilibrium. Kirzner theory of entrepreneurship is applicable in Agrochemical firms in Industrial Area, Nairobi, as managers are alert to opportunities and takes conscious steps in decisions making taking the necessary pricing strategies to improve their performances and out compete their competitors. The more one of a kind the separation the more the favourable circumstances gathered since separation should definitely include cost which are recouped if the business will pay the top notch costs (Thompson, 2010).

EMPIRICAL LITERATURE

As indicated by Agwu and Carter (2014), among the four Ps, cost is the main pay generator and it is the esteem appended to an item. Moreover, cost is the measure of cash charged for an item or administration. It is the entirety of the considerable number of qualities that clients surrender keeping in mind the end goal to pick up the advantages of having or utilizing an item. Dough puncher, (2012) think about noticed that, cost is the instrument which guarantees that the two powers (request and supply) are in balance. As indicated by Santon (2011) cost is just an offer or a trial to assignment the beat of the market. It is the fiscal incentive for which the vender will trade for a thing (Agbonifoh, 2012).

Haws and Bearden (2011) consider discovered that, dynamic valuing as a system in which costs change after some time, customers, as well as conditions. It can likewise be alluded to as modifying costs consistently to meet the attributes and needs of individual clients and circumstances (Kotler and Armstrong, 2012). Elmaghraby and Keskinocak, (2013) in his examination recognized the two dynamic valuing models: cost posted systems and value disclosure instruments. With cost posted systems they contended that, visit value changes are offered as take or leave costs, that is, the organization is still responsible for setting the cost. With value disclosure systems, for example, eBay, Priceline, or comparable arranged methodologies, they found that buyers have contribution to setting the last cost.

RESEARCH METHODOLOGY

Research Design

Research design is an organized plan for collecting data in order to give answers to research questions. It is a plan and strategy of enquiry which guides collection and analysis of data in a study. The research design was a descriptive survey. The design was embraced because descriptive studies are useful for fact finding and result in the formulation of important principles of knowledge and solution to significant problems (Orodho, 2003). Kothari (2003) observes that spellbinding methodology is intended to get data concerning the present marvel and wherever conceivable to reach substantial determinations from certainties talked about.

This strategy is favored in light of the fact that it makes enough arrangement for insurance against inclination and amplifies unwavering quality.

Target Population

According to Mugenda (2009) population is an entire group of individuals, events or objects with common observable characteristics. It is a group of individuals, persons, events, objects or items from which samples are drawn from for measurement and constitutes the items the researcher makes inferences from (Cooper & Schindler, 2014). Therefore the target population for the study was eighty three employees of the seven agrochemical firms in the industrial area Nairobi, Kenya. The researcher selected senior manager, middle level managers and low level management staff from each firm, giving the study a target population of eighty three respondents. Since the respondents are few and of manageable size the study was a census.

Data Collection

Data collection is the way toward social occasion and measuring data on factors of enthusiasm for a set up systematic fashion that empowers one to answer expressed research addresses and assess their results. The study used self –administered closed and open ended questionnaires as main instrument for data collection through drop and pick method in which the respondents will reply in writing. A self-regulated survey is simply the best way to fortify provide details regarding individuals' feeling, states of mind, convictions and qualities (Sproul, 1998). It is less biased and respondents have adequate time to give well thought out answers and those who are not easily approachable can also be reached conveniently (Kothari, 2004). A questionnaire is the best instrument compared to others as it acts as a future reference of a study done, is economical in realizing a large sample within a very short time and anonymity of respondents when filling the questionnaire agitates them to be honest.

Data Collection Procedure

The researcher utilized an exploration associate who dropped them to the respondent, give them an opportunity to finish, and after that the researcher picked the poll at a later date. The researcher likewise utilized shut and furthermore opens finished inquiries which permit gathering of subjective information.

Data Presentation and Analysis

Research findings were presented through charts, graphs, tables and percentages. It is advisable to use a computer to analyze data in order to save time and increase accuracy of results (Mugenda, 2003). For the purpose of this study, data collected was fed into computer programs through the SPSS for easy analysis and interpretation. Connection and regression examination was utilized as a method for surveying the connection between aggressive methodologies and budgetary execution. Pearson's connection was utilized to depict how the factors are connected and the quality of the connections. Various relapse models was utilized to decide if the arrangement of autonomous factors together anticipates the reliant variable.

The regression model was in the form:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: α - Is the constant or intercept; β_{1-4} - Are the regression coefficients or change induced in Y by each X_{1-4} ; X_1 - Differentiation strategy; X_2 - Cost leadership strategic; X_3 - Pricing strategy; X_4 - Market focus strategy; Y - Performance of Agrochemical firms; ε - Is the error term

RESEARCH RESULTS

The investigation accumulated subjective and quantitative information. Elucidating measurements, for example, mean, standard deviation, recurrence and rates was utilized as a part of investigating quantitative information. Then again, subjective information was examined utilizing content examination. Information was displayed utilizing recurrence tables and structured presentations. To improve information taking care of, Statistical Package for Social Sciences variant was utilized because of its capacity to deal with both little and voluminous information (Dempsey, 2003). Inferential measurements were likewise be done to set up the idea of the relationship that exists between factors. Information was translated with the assistance of importance P-values, if the P-esteem is under 0.05 the factors was considered noteworthy to clarify the adjustments in the reliant variable. The coefficient of assurance (R^2 or r^2) was utilized to break down the rate in which the autonomous factors decides the reliant variable. It demonstrated the extent of the fluctuation in the reliant variable that is unsurprising from the free factor. Pearson's (r) relationship examination was utilized as measure of the direct connection between factors X and Y. Where the (r) value is between +1 and -1, where 1 is total positive linear correlation, 0 is no linear correlation, and -1 is total negative linear correlation.

The descriptive statistics considered were mean and standard deviation. Mean was used to establish the average value of the data while standard deviation gave the dispersion in the data. High mean presents majority of the respondents strongly agreeing with the statement presented to them while low standard deviation translates to low spread of their response. From the findings majority of the respondents strongly agreed that their organization uses dynamic pricing strategy to gain competitive advantage with a mean of 4.131 and a standard deviation of 0.652. Many of the respondents agreed that their organization uses cost plus pricing strategy in pricing their products with a mean of 3.901 and a standard deviation of 1.234. Many of the respondents agreed that their company uses market penetration pricing strategy when pricing products with a mean of 3.711 and standard deviation of 1.234.

CONCLUSIONS

Pricing strategy significantly affects performance of Agrochemical firms. Majority of the respondents strongly agreed that their organization uses dynamic pricing strategy to gain competitive. Many of the respondents agreed that their organization uses cost plus pricing strategy in pricing their products. Many of the respondents agreed that their company uses market penetration pricing strategy when pricing products.

RECOMMENDATIONS

The study shows that Agro chemical firms in Kenya should use more of the pricing strategy in order to enhance their performance and this is based on the strong relationship between pricing strategy and performance. From the study findings it is also recommended that Agro chemical firms should meet the delivery cost of their products to the clients as this is a good way of building customers loyalty. In light of the study findings it is also recommended that Agro chemical firms offer price discounts in order to be competitive in the market and improve their performance.

Since majority of the firms use on price discounts, it is recommended that Agrochemical firms use the method to avoid losing out to other competitors in the market. Firms that use price discounts will have the price of their products better priced than their competitors.

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