***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

PRICING METHODS AND ORGANIZATIONAL PROFITABILITY

Afahaene Affiong, Eserene
Department of Marketing,
Faculty of Management Sciences,
University of Calabar.
affiongafahaene5@gmail.com

Eze, John Felix
Department of Marketing,
Faculty of Management Sciences, University of Calabar.
Ezefelixjohn@yahoo.com

Abstract
Pricing is a critical marketing decision because it directly influences revenue generation, consumer purchasing behaviour, market competitiveness and organisational profitability. This study examined the relationship between pricing methods and organisational profitability in the Fast-Moving Consumer Goods (FMCG) sector in Calabar, Cross River State, Nigeria. Specifically, the study examined cost-based pricing, value-based pricing, competition-based pricing, penetration pricing and psychological pricing in relation to organisational profitability and market-related outcomes. A descriptive survey research design was adopted. The population comprised employees of selected FMCG firms, particularly those in marketing, sales, finance and accounting departments. A sample of 150 respondents was selected through simple random sampling. Data were collected using a structured questionnaire, while the instrument recorded a Cronbach's alpha reliability coefficient of 0.78. Data were analysed using descriptive statistics, Pearson Product Moment Correlation and regression analysis with SPSS. The findings indicated that pricing methods significantly influence organisational profitability. Value-based pricing demonstrated the strongest positive effect on profitability, while competition-based pricing contributed to market competitiveness and customer acquisition. Penetration pricing supported market expansion, sales growth and product awareness, whereas psychological pricing influenced consumer purchasing behaviour and perceived affordability. The study concludes that FMCG firms can strengthen profitability by integrating customer value, cost considerations, competitive conditions and consumer responses into their pricing decisions rather than relying exclusively on cost-based pricing.

Keywords: Pricing methods, cost-based pricing, value-based pricing, competition-based pricing, penetration pricing, psychological pricing, organisational profitability, FMCG.

1. Introduction
The Fast-Moving Consumer Goods (FMCG) sector plays a significant role in economic development through employment generation, industrial production, and consumer satisfaction. FMCG products include household items, beverages, packaged foods, toiletries, cosmetics, and other frequently purchased consumer goods. The industry is characterized by high sales volume, low profit margins, rapid inventory turnover, and intense market competition. Businesses today all face the challenge of how to maximize shareholders' returns, while also remaining competitive and relevant in a volatile and ever-changing market. The drive to maximize profits and retain a position in the market imposes a number of duties on managers. One of their major responsibilities is to make pricing decisions. The ultimate goal of any pricing decision is to enable an organization to achieve its objectives, and these may vary depending on the nature of

the business. For profit-oriented businesses, the major goal is profiting, and this can be strongly affected by pricing strategies (Shipley & Jobber, 2021).

Organizations can achieve profit maximization through different means; cost reduction, boosting market share, entering new markets, and setting high prices, among others. In the strategic management school of thought, an organization's business-level strategy may focus on cost leadership or product differentiation as ways of achieving its objectives. The cost leadership strategy is where an organization seeks to reduce costs to levels below that of its competitors, while the product differentiation strategy is targeted at distinguishing a product from other, similar products on the market. The economic theory holds that every product has a specific market, irrespective of the business-level strategy adopted by an organization.

According to Carr & Pearson (2017), pricing is one of the seven Ps of marketing (product, price, place, promotion, people, process and physical evidence), and it is the attaching of monetary value to a product or service. Price is the consideration given and received by the customer and the seller, respectively, in the exchange of goods and services. The pricing strategy is a crucial decision for any business organization; a company's survival and profitability depend on its pricing decisions as price is the only element in the marketing mix that produces revenue and consequently generates profit (Kotler & Keller, 2016). Effective pricing management is a vital tool for a business to achieve its targets and may help it meet long-term organizational goals. Pricing policy, if properly planned and evaluated, can be a competitive weapon in a dynamic and ever-changing market. It is therefore evident that an important managerial responsibility is setting and adopting the most advantageous pricing policy.

Hilton (2015) observed that both the market forces of supply and demand as well as the cost of production have a significant effect on determining prices, but there are other variables that also influence pricing decisions and strategies, including manufacturer pricing objectives, the economic situation, competitors and the availability of a close substitute. Thus, price management is a crucial element in an organization's marketing mix and competitive strategy, and a key determinant of its performance. Similarly, price is the measure by which consumers (industrial and household) judge the value of an offering, and it strongly influences brand selection among competing alternatives (Shipley & Jobber, 2021). A rational consumer compares prices before making a consumption decision, and that the price of any commodity should be justified by its value.

There is a range of opinions in the literature regarding pricing decisions and strategies; the reasons why different companies can offer an identical product of the same quality in the same market but at different prices have still not been decisively determined, and there are conflicting arguments on the determinants of pricing strategies. The failure of many organizations could be attributed to their inability to make effective pricing decisions, and even though pricing is a fundamental strategic decision, many organizations still struggle to identify the factors that influence price (Kotler & Armstrong, 2019).

The key to determining the price of a product or service lies in understanding the value that buyers place on the product or service, and this value results from their perception of the total satisfaction provided by the produce or services. However, pricing affects the perception consumers have about the quality of the produce or services. Many businesses believe that

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

developing a pricing capability is essential to business profitability and survival, and ranked pricing as second only to the product variable in importance among concerns to marketing managers. Basically, in order to maintain profitability, firms need to develop a strategic pricing capability. Developing this capability starts by designing a pricing architecture that aligns with the brand identity and rules about how to price and sell it (Onu, 2017).

Pricing remains one of the most influential decisions organisations make because it directly affects revenue generation, profitability, market share, and customer perception. According to Philip Kotler and Keller (2020), pricing is the only element of the marketing mix that generates revenue, while every other element represents a cost to the organisation. Consequently, organisations must develop pricing methods that not only cover operational costs but also maximize profitability and maintain customer satisfaction.
In the FMCG industry, pricing decisions are highly sensitive because consumers are usually price-conscious and have access to several substitute products. Inflation, exchange rate instability, rising production costs, and increased competition further complicate pricing decisions, especially in emerging economies such as Nigeria.

Studies have shown that strategic pricing methods significantly influence organisational profitability and competitive performance. Firms that adopt effective pricing approaches tend to experience higher customer retention, stronger brand loyalty, and improved financial outcomes. This study therefore investigates the effect of pricing methods on organisational profitability in the FMCG sector.

1.2 Statement of the Problem

Many FMCG organisations face challenges in determining appropriate pricing methods that can sustain profitability while maintaining customer loyalty and market competitiveness. In highly competitive markets, firms often reduce prices to attract customers, which may negatively affect profit margins and long-term sustainability. Economic instability, inflation, exchange rate fluctuations, and rising operational costs have also increased the difficulty of setting profitable prices. Furthermore, many organisations rely heavily on traditional cost-based pricing methods without adequately considering customer value perception and competitor pricing strategies.

Despite the importance of pricing decisions, several FMCG firms continue to experience declining profitability, reduced market share, and weak consumer loyalty due to ineffective pricing policies. Existing studies have focused largely on customer loyalty and pricing behaviour, with limited emphasis on the direct relationship between pricing methods and organisational profitability in the FMCG sector. Hence, this study sought to fill this gap by examining how various pricing methods affect organisational profitability in FMCG firms.

1.3. Objectives of the Study

The broad objective of this study was to examine the relationship between pricing methods and organisational profitability in the FMCG sector. The specific objectives were:

1. To examine the effect of cost-based pricing on organisational profitability.
2. To determine the relationship between value-based pricing and profitability.
3. To assess the influence of competition-based pricing on market performance.
4. To evaluate the effect of penetration pricing on sales growth and market share.

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

5. To examine the impact of psychological pricing on consumer purchasing behaviour and profitability.

1.4. Research Questions

The following research questions guided the study:

1. What effect does cost-based pricing have on organisational profitability?
2. How does value-based pricing influence profitability in FMCG firms?
3. What relationship exists between competition-based pricing and market performance?
4. To what extent does penetration pricing affect sales growth?
5. How does psychological pricing influence consumer purchasing behaviour?

1.5. Research Hypotheses

The following hypotheses were formulated and tested in the study:

H_{o1}: Cost-based pricing has no significant effect on organisational profitability.
H_{o2}: Value-based pricing has no significant relationship with organisational profitability.
H_{o3}: Competition-based pricing does not significantly influence market performance.
H_{o4}: Penetration pricing has no significant effect on sales growth and profitability.

1.6 Scope of the Study

This study focused on pricing methods and organisational profitability in the Fast-Moving Consumer Goods (FMCG) sector. The study specifically examined how different pricing methods such as cost-based pricing, value-based pricing, competition-based pricing, penetration pricing, and psychological pricing influence organisational profitability. The geographic scope covers Calabar, Cross River State.

The sampling scope was limited to selected FMCG firms and targeted employees in marketing, sales, finance, and accounting departments because these units are directly involved in pricing decisions and profitability management.

1.7 Significance of the Study

The results of this study will be of much significance to the following persons:
To FMCGs; it will enhance corporate policy formulation and targeting that will ensure organizational pricing, profitability and growth in all sectors of the firm.
To economic and development experts; the study findings will deepen the understanding of the role pricing plays in corporate and economic development of corporate entities and in Nigeria as a nation.

To academics and researchers; it will add to the pool of research resources and provide a basis for further research on this subject area.
To the society; it will help them to be abreast with the various pricing policy and strategy, as well as their correspondence impact. Geographically, the study concentrated on FMCG companies operating within Nigeria

2.0 Literature Review

2.1 Theoretical Framework

The theoretical foundation of the study is based on the Resource-Based View (RBV) theory and the Theory of Reasoned Action (TRA). Together, the theories provide explanations of how organisational resources and consumer decision processes can shape pricing practices, competitive advantage and organisational outcomes.

2.1.1 The Resource-Based View Theory

The Resource-Based View (RBV) theory was formally developed and popularised by Barney (1991), while its intellectual roots can be traced to Penrose (1959) and Wernerfelt (1984). Barney's influential work on firm resources and sustained competitive advantage explains that organisations can maintain superior performance when they possess resources that are valuable, rare, difficult for competitors to imitate and difficult to substitute. Such resources can provide a basis for competitive advantage when they are effectively deployed.

Although relatively few studies have directly applied RBV to pricing strategy, the theory provides a useful basis for explaining how pricing can become a source of competitive advantage. Firms may use their resources to offer quality products at reasonable and affordable prices, thereby strengthening their competitive position (Carr & Pearson, 2017). The resources considered under RBV are heterogeneous and may include financial, physical, human, technological, organisational and reputational capabilities (Halldorsson, Kotzab & Skjott-Larson, 2017).

RBV views an organisation as a bundle of resources and capabilities capable of influencing performance (Barney, 2011). These resources may be tangible, such as technology and physical facilities, or intangible, such as knowledge and reputation. When appropriately combined, they form capabilities that enable firms to respond to internal challenges and external opportunities (Wernerfelt, 2014). Consequently, the theory connects organisational resources and capabilities with competitive advantage and, ultimately, organisational performance.

Ray (2014) emphasised that resources and capabilities are unlikely to improve performance unless they are incorporated into sustained organisational activities and business processes. Similarly, Baltacioglu, Ada, Kaplan, Yurt, and Kaplan (2007) described capacity and resource management as the effective organisation and efficient operation of service resources at an appropriate level. This supports the relevance of RBV to pricing because pricing practices are more likely to contribute to performance when firms possess and effectively deploy the resources and capabilities required to sustain them (Okanda, Namusonge, & Waiganjo, 2016).

The theory nevertheless has limitations. Hilton (2015) criticised RBV on the grounds that not every firm possesses resources that are sufficiently unique to generate a distinct advantage. Thus, the assumption that heterogeneous resources necessarily provide sustainable advantage may not apply equally to all organisations or circumstances.

2.1.2 The Theory of Reasoned Action (TRA)

The Theory of Reasoned Action was developed by Fishbein and Ajzen in 1975 as a framework for explaining and predicting behavioural intentions. It emerged from earlier research on attitudes and their relationship with behaviour. The principal components of TRA are

behavioural intention (BI), attitude (A) and subjective norm (SN). Behavioural intention is influenced by an individual's attitude toward the behaviour and perceived social expectations (Solomon, 2006).

The theory proposes that people generally make decisions with the expectation of achieving desired outcomes. Attitude represents an individual's favourable or unfavourable evaluation of an action, while intention reflects the motivational readiness to perform it (Ajzen, 1991). Consumers are therefore assumed to form intentions concerning available alternatives, with those intentions contributing to subsequent behaviour (Kim & Lennon, 2013). The framework has also been applied to consumer trust, attitudes and online shopping behaviour in studies involving Malaysia and Saudi Arabia (Al-Nasser, Yusoff, Islam, & Al Nasser, 2014).

TRA is relevant to the present study because pricing can affect consumers' evaluations and intentions concerning purchases. It helps explain how attitudes, social expectations and behavioural intentions interact in consumer decision-making. However, its assumption of rational decision-making has been questioned. Bills (2020) argued that the rationality assumed by TRA may not always hold because individuals do not necessarily behave rationally at every decision-making point. This limitation should be recognised when applying the theory to consumer behaviour.

2.2 Conceptual Review

Price refers to the monetary amount charged for a product or service and represents the value consumers exchange for the benefits obtained from using or consuming it. It is also the marketing-mix element that directly generates revenue for a firm or service provider (Kotler, Bowen & Makens, 2016). Pricing, therefore, is central to achieving organisational objectives. Pricing decisions are influenced by a combination of internal and external considerations.

A pricing model provides a framework for determining the selling price of a product. For agricultural produce, a cost-oriented model may involve adding a markup to production costs, with the size of the markup influenced by market demand and supply. However, accurately determining agricultural production costs can be difficult because some costs, such as land and shared inputs, may not be easily allocated to individual crops (Onu, 2017). Production is also affected by unpredictable factors such as weather, pests and other natural conditions. Nevertheless, some agricultural products, particularly those intended for public consumption, may use cost-plus pricing (Kotler & Armstrong, 2019).

2.2.1 Penetration Pricing and Profitability of Firms

Penetration pricing involves introducing a new product or service at a relatively low price in order to attract customers and establish market presence. The approach trades a lower initial margin for the possibility of achieving higher sales volume and a broader customer base (Kotler, Bowen & Makens, 2016). The underlying expectation is that consumers will try the new product because of its lower price and may continue purchasing it after the introductory period.

The strategy can reduce consumers' perceived risk associated with trying an unfamiliar product. It may therefore sacrifice short-term profit in favour of customer acquisition, market acceptance and longer-term relationships. For example, a producer may offer a new beef product to a restaurant at an introductory price, allowing the buyer to test the product and generate customer

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

feedback. If demand and satisfaction are strong, subsequent orders may be made at the normal price.

Transparency is important when penetration pricing is used. Customers should understand that the reduced price is temporary and that the normal price will apply after the introductory period. Clear communication can help protect trust and support long-term relationships with buyers (Onu, 2017).

2.2.2 Competition-Based Pricing

Competition-based pricing determines selling prices largely by considering the prices charged by rival firms. Rather than relying mainly on production costs or customer-perceived value, the organisation monitors competitors and establishes a price position that helps it remain competitive, attract buyers and protect market share. This method is particularly relevant where products are similar and customers can readily switch between competing brands.

A firm may price at the same level as competitors, slightly below them to attract price-sensitive consumers, or above them to communicate superior quality or prestige. The appropriate position depends on factors such as brand strength, costs, organisational objectives and market positioning. For instance, established FMCG brands may sustain slightly higher prices because customers perceive additional value, whereas new entrants may use lower prices to build awareness.

Monroe (2017) noted that competitive pricing is particularly important where consumers are well informed and sensitive to price because price differences can influence demand between brands. Nagle and Müller (2018) similarly described it as a responsive approach in which firms adjust prices according to market signals. It is therefore especially relevant in industries such as FMCG, retail and other markets characterised by strong rivalry.

The approach normally requires firms to identify important competitors, collect price information, examine trends, compare product characteristics and select an appropriate pricing position. Organisations may use market surveys, pricing intelligence and retail information to monitor changes. Prices can subsequently be matched, reduced or set at a premium relative to competitors. Because competitors can change prices in response to promotions, costs and market conditions, monitoring is an ongoing activity.

Competition-based pricing offers several benefits. It helps firms maintain prices within an acceptable market range, attract price-sensitive consumers and respond quickly to competitors. It can also simplify pricing decisions because managers can use observable market information rather than relying entirely on complicated demand estimation.

However, excessive reliance on competitors can create disadvantages. Continuous undercutting may produce price wars and falling industry margins. Firms may also concentrate on matching rivals instead of communicating customer value, recovering costs efficiently or developing distinctive pricing strategies. Over time, a reactive pricing orientation may weaken differentiation and strategic positioning. Hinterhuber and Liozu (2021) therefore cautioned that relying exclusively on competitor prices may limit sustainable profitability.

Competition-based pricing is common in FMCG markets because beverages, packaged foods, toiletries and household products often have close substitutes. Supermarkets and open markets make prices highly visible, increasing consumers' ability to compare alternatives. FMCG firms consequently use competitor pricing alongside branding, distribution and advertising so that they do not compete on price alone.

Empirical evidence indicates that competitive pricing can influence sales and market share. De Toni et al. (2017) found significant effects of competitive pricing on market performance in highly competitive industries, while evidence from emerging markets indicates that firms that monitor and respond to competitor prices can strengthen customer retention and market position. Competition-based pricing can therefore be defined as a market-oriented approach in which prices are established relative to competitors to sustain competitiveness, attract customers and maintain market share, while careful management is required to prevent margin erosion.

2.2.3 Psychological Pricing

Psychological pricing uses consumers' perceptions, emotions and cognitive tendencies to influence how they interpret price and value. It recognises that customers do not always evaluate prices solely through rational economic calculations. Instead, the way a price is presented can affect perceptions of affordability, quality and attractiveness. This approach is especially relevant to FMCG products because purchases are often frequent and involve limited deliberation.

Common techniques include charm pricing, prestige pricing, price anchoring and bundle pricing. Charm pricing may use ₦999 rather than ₦1,000, taking advantage of the tendency to focus on the left-most digit. Prestige pricing uses relatively high prices to communicate exclusivity or superior quality. Bundle pricing combines products at a price designed to create a perception of savings. These techniques seek to influence perceived value without necessarily changing the underlying product.

Nagle and Müller (2018) explained that psychological pricing can influence willingness to pay by shaping perceived value, while Monroe (2017) viewed price as a behavioural signal as well as an economic variable. In FMCG environments, where purchases may be habitual or spontaneous, psychological techniques can reduce decision effort and stimulate impulse buying.

Effective psychological pricing begins with understanding consumer behaviour and identifying price points that generate favourable responses. Firms may use research, surveys and behavioural analysis to determine suitable prices. Budget brands may emphasise affordability through charm pricing, whereas premium brands may use prestige pricing. Discount framing, such as showing a reduction from ₦2,000 to ₦1,500, can also create perceptions of savings and urgency.

The advantages include potentially higher sales volume, stronger perceptions of value and greater impulse purchasing. Psychological pricing can also reinforce promotional and advertising messages. Hinterhuber and Liozu (2021) indicated that effective use of such techniques can improve revenue by influencing both emotional and rational elements of purchase decisions.

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

Its limitations include the possibility that consumers may recognise the tactic and become less responsive. Customers may also develop distrust if they believe prices are manipulative. Moreover, psychological techniques cannot compensate for poor product quality or inadequate customer value. Frequent discounting may weaken brand image and reduce perceived value. In FMCG markets, techniques such as ₦999 pricing, promotional bundles, limited-time offers and buy-one-get-one-free promotions are widely used.

Empirical evidence supports the behavioural influence of psychological pricing. Adenuga and Akorede (2022) found that techniques such as charm pricing can affect consumer perceptions and impulse buying, with implications for sales and short-term profitability. Ladan et al. (2025) further indicated that combining cost-plus, competitive and value-oriented approaches can improve revenue and operational sustainability. Psychological pricing can therefore be viewed as a behavioural pricing strategy that seeks to influence purchase decisions through perceptions and cognitive responses.

2.2.4 Cost-Based Pricing

Cost-based pricing establishes the selling price by calculating production and related delivery costs and adding a predetermined markup or profit margin. Costs may include raw materials, labour, transportation, packaging, storage, administration and overheads. Because profit is added to the calculated cost, the approach is commonly called cost-plus pricing.

The method is widely used in FMCG because it is relatively straightforward and suitable for high-volume production. Firms facing inflation, exchange-rate changes, transportation costs and rising raw-material prices can use cost-based pricing to recover expenses and maintain a planned margin. Monroe (2017) observed that the method can support financial stability by reducing the risk of under-pricing, while Nagle and Müller (2018) associated it with consistency and predictability in pricing decisions.

Implementation begins with identifying fixed costs, such as rent, salaries, insurance and equipment, and variable costs, such as raw materials, packaging and transportation. After calculating unit cost, management determines the desired markup in line with organisational objectives and market conditions. For example, where unit production cost is ₦1,000 and a 20% markup is required, the selling price would be ₦1,200.

The major strengths of cost-based pricing are simplicity, cost recovery, predictable margins and usefulness for budgeting. It may also reduce the tendency to engage in aggressive price competition because the starting point is the organisation’s own cost structure.

Its limitations arise from its inward-looking orientation. It may ignore what customers are willing to pay and how they perceive product value. It may also overlook competitor prices, causing a product to become uncompetitive where substitutes are available. Transferring rising costs directly to customers can further discourage efficiency and innovation. Hinterhuber and Liozu (2021) argued that cost-based pricing alone may be insufficient for sustained competitive advantage because contemporary markets require attention to customer value and market dynamics.

Cost-based pricing remains relevant to FMCG, particularly where production processes and costs are relatively standardised. However, firms may combine it with competition-based and

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

value-based approaches to balance cost recovery, customer satisfaction, profitability and competitiveness.

2.2.5 Value-Based Pricing

Value-based pricing determines the price of a product or service mainly from the value customers perceive rather than from production cost or competitor price. The focus is on benefits such as quality, convenience, satisfaction, usefulness, prestige, reliability and the overall consumption experience. Customers may accept higher prices when they believe that the benefits offered justify the additional payment.

Nagle and Müller (2018) explained that value-based pricing seeks to capture the economic value created for customers rather than merely recover costs. Monroe (2017) similarly noted that consumers purchase for expected value and satisfaction rather than because of what it cost the producer to manufacture an item. Firms can therefore charge premium prices where customers associate an offering with superior quality, innovation, reliability, reputation or emotional benefits.

The approach is related to Customer Value Theory, which suggests that consumers compare benefits received with the amount paid. When perceived benefits exceed perceived sacrifice, purchase and loyalty become more likely. In FMCG, customers may compare brands on taste, quality, packaging, convenience, durability and emotional appeal. Firms that communicate superior value through product quality, branding, advertising and customer experience may sustain higher prices while retaining customers.

Value-based pricing starts with research into customer needs, preferences and perceptions. Surveys, focus groups and behavioural analysis can help firms identify valued benefits. Management then designs prices around the answer to the question, “What is the product worth to customers?” rather than simply asking how much it costs to produce. A beverage, for example, may have production costs close to competing products but command a higher price if consumers perceive it as healthier, more prestigious or better in quality.

The basic relationship can be expressed as: Price = Customer Perceived Value. Thus, perceived benefits are central to the pricing decision rather than production cost alone.

Value-based pricing may improve profitability because firms can capture more of the value they create. It can also support customer loyalty, strengthen brand positioning and encourage continuous innovation in products and customer experiences. Hinterhuber and Liozu (2021) associated value-oriented pricing with stronger long-term financial performance and sustainable competitive advantage because it focuses on customer satisfaction and value creation.

Nevertheless, measuring perceived value can be difficult because customer preferences change. The method can require substantial market research, analysis and branding expenditure. Price-sensitive consumers may reject premium prices even where superior benefits exist, while competitors may imitate product features and reduce perceived uniqueness.

In FMCG, value-based pricing is commonly associated with premium beverages, cosmetics, skincare, baby products, health-related products and higher-end household goods. Firms using it often invest in branding, packaging, advertising and customer experience. Evidence reported by

De Toni et al. (2017) indicates positive relationships between value-based pricing, profitability and market performance. Other studies have linked the approach with customer retention, stronger margins and competitive advantage.

2.3 Concept of Pricing Methods

Pricing methods are approaches used to determine the prices of goods and services by considering factors such as product characteristics, competition, target customers, product life cycle and organisational growth objectives. They may broadly be classified as cost-oriented or market-oriented methods.

2.3.1 Cost-Oriented Pricing Methods

Cost-oriented methods use production cost as the main basis for determining price. Cost-plus pricing involves calculating total production cost and adding a specified percentage markup. Markup pricing is related but expresses the markup as a percentage of the selling price. Target-return pricing sets the price at a level intended to generate a specified return on investment.

2.3.2 Market-Oriented Pricing Methods

Market-oriented methods derive pricing decisions from market conditions. Perceived-value pricing considers customers' perceptions, including the effects of advertising, promotion, product quality, distribution and additional benefits. Value pricing seeks to provide relatively low prices while maintaining quality by redesigning products or processes to reduce production costs.

Going-rate pricing uses prevailing competitor prices as the main reference point, often resulting in prices close to those of rival firms. Differential pricing charges different prices for the same product or service to different customer groups. It generally requires market segmentation and attempts to identify the maximum price different consumers are willing to pay.

2.3.3 Factors that Affect Price and Pricing Decisions

Price represents the monetary value exchanged by consumers for the benefits received from a product or service and is the marketing-mix element that directly produces revenue (Kotler, Bowen & Makens, 2016). Pricing decisions are shaped by internal factors that firms can control and external factors that arise from the market environment.

2.3.4 Internal Factors

Internal factors are organisational conditions and decisions that management can modify. Return on investment is one consideration: a firm may establish a required return on marketing expenditure and use expected sales to determine a suitable price (Haron, 2016).

Cash flow is another factor. Firms may set prices so that sales revenue can cover production and marketing expenses, particularly when introducing new products and attempting to establish them in the market. Market share also affects pricing when the objective is to enter a new market or preserve a desired position (Haron, 2016).

Profit maximisation is relevant to mature products operating in markets with limited growth, where prices may be established to optimise returns. Fixed costs, including rent and other overheads that do not change directly with output, must also be considered. Variable costs

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

change with production or sales volume and are commonly assessed per unit because they are directly associated with individual products (Haron, 2016).

2.3.5 External Factors

External factors originate outside the direct control of the organisation but can substantially affect pricing. Firms therefore need market research and monitoring systems to understand these influences and adjust their strategies.

Demand elasticity concerns how changes in price affect the quantity consumers purchase. Understanding this relationship helps marketers anticipate demand responses to price changes (Haron, 2016). Customer expectations are also important because buyers and channel partners evaluate the overall worth of an offering rather than price alone. Consumer research can therefore help identify acceptable price points.

Competitor pricing is another major external influence. Most pricing decisions involve some evaluation of competing offerings, although the strength of this influence depends on market structure. Market leaders may have greater freedom to determine prices because of their stronger market position, whereas firms in highly competitive markets may need to respond more closely to rival prices (Haron, 2016).

2.4 Empirical Review

Empirical research generally indicates that pricing methods influence organisational profitability, customer behaviour and market competitiveness, particularly in FMCG markets. Pricing is increasingly treated not simply as a mechanism for recovering costs but as a strategic instrument for stimulating demand, creating customer value and strengthening competitive position.

Mattos, Oyadomari and Zatta (2021) reported from a global review that firms commonly combine cost-based, value-based and competition-based methods, with growing attention to customer-oriented approaches because of their implications for profitability and long-term sustainability. Pricing decisions are consequently multidimensional, involving not only price levels but also consumer perceptions, behavioural responses and market structure.

Evidence from Nigeria shows that FMCG firms often use cost-based and competitive approaches in response to inflation and unstable production costs. Benjamin (2025) reported that cost-based pricing remains widely used among Nigerian SMEs, although value-based pricing produced stronger profitability and financial-performance outcomes, including ROI and sales growth. This suggests that cost recovery does not necessarily correspond with maximum profit generation.

Oyedeji et al. (2022), in a Nigerian SME study, found cost-based pricing to be the most frequently adopted method, accounting for 22.9%. Its appeal was associated with ease of implementation and cost coverage. However, firms using it recorded lower profitability ratings than those using value-based and dynamic approaches, indicating that stability does not automatically translate into optimal profitability.

Halidu and Igomu (2025) examined pricing strategies and purchase decisions among FMCG firms in Lokoja using 367 respondents and PLS-SEM. Their findings showed that cost-based pricing had a positive relationship with purchase decisions, but its effects on profitability and competitive advantage were weaker than those of penetration and competition-based pricing. These findings imply that cost-oriented pricing may support operational stability while other approaches can provide stronger market effects.

Evidence also supports penetration pricing as a means of increasing market share and encouraging product trial. Wisdom et al. (2025) reported significant relationships between penetration pricing, competitive pricing and customer loyalty. In Lokoja, Halidu and Igomu (2025) found that penetration pricing had a strong effect on purchase decisions, market expansion and sales-volume growth. Although an introductory price may reduce margins initially, Trihatmoko and Purnamasari (2019) found that penetration pricing can support longer-term profitability through increased market share and sales volume.

Value-based pricing has also received substantial empirical support in Nigerian FMCG and retail settings. Agbaeze et al. (2020) reported a positive association between value-based pricing, profitability, customer satisfaction and brand loyalty, with value-oriented firms performing better than those relying solely on cost-plus pricing. Brimah et al. (2024), using a cross-sectional survey of 376 FMCG consumers in South-West Nigeria and regression analysis, found that value-based pricing significantly improved purchase behaviour, willingness to pay and perceived product value, with corresponding implications for profitability and loyalty.

A related Nigerian SME study reported the highest financial-performance rating for value-based pricing, with a mean of 4.2, and a significant positive relationship with profitability ($\beta = 0.45$, $p < 0.01$). The findings were interpreted as evidence that aligning price with customer perception and willingness to pay can produce stronger performance than relying primarily on cost-based pricing. Collectively, these findings identify customer value as an important component of effective pricing in competitive FMCG markets.

Competition-based pricing has likewise demonstrated relevance to customer acquisition and market performance. Wisdom et al. (2025), studying FMCG companies in Asaba, examined penetration, skimming and competition-based pricing using Pearson correlation and reported a significant relationship between competitive pricing and customer loyalty. Halidu and Igomu (2025) similarly found that competition-based pricing influenced customer purchase decisions and was associated with stronger market penetration and competitive advantage than cost-based approaches.

These findings indicate that competitor-oriented pricing can improve market responsiveness, positioning and market share, especially where customers have several substitutes. However, firms must balance competitive responsiveness with profitability so that continuous price reductions do not result in destructive price competition.

Psychological pricing has also been supported by empirical research. Adenuga and Akorede (2022) reported that techniques such as charm pricing can influence consumer perceptions and impulse purchasing in Nigerian FMCG markets, with implications for sales volume and short-term profitability. Such effects operate largely through consumer perceptions and behavioural triggers rather than production costs or direct competitor matching.

Overall, the empirical literature indicates that no single pricing method operates independently of organisational and market conditions. Cost-based pricing provides a foundation for cost recovery and financial planning; penetration pricing can support market entry, trial and expansion; competition-based pricing facilitates responsiveness to rival firms; psychological pricing influences perceptions and impulse purchases; and value-based pricing links price to customer-perceived benefits. The evidence reviewed therefore demonstrates the strategic importance of selecting and combining pricing methods according to organisational objectives, customer expectations, competitive conditions and the characteristics of the FMCG market.

3. Research Methodology

The study adopted a descriptive survey research design. This design was appropriate because it enabled the researcher to gather data from respondents regarding pricing methods and organisational profitability. The population of the study comprised employees of selected FMCG firms, particularly staff members in marketing, finance, accounting, and sales departments.

A sample size of 150 respondents was selected using simple random sampling techniques to ensure fairness and reduce bias. The study utilized both primary and secondary data. Primary data were collected through structured questionnaires administered to respondents. The structured questionnaire titled Pricing Methods and Organisational Profitability Questionnaire (PMOPQ) was used to gather data. The questionnaire was divided into two sections. Section 'A' was on respondents' demographic information, while Section 'B' are questions relating to pricing methods and profitability. The responses were measured using a five-point Likert scale.

For the validity of instrument, experts in marketing and business administration validated the instrument. The reliability of the instrument was tested using Cronbach Alpha reliability analysis, yielding a coefficient of 0.78, indicating acceptable reliability. For the data analysis, descriptive and inferential statistical tools were used. The Pearson Product Moment Correlation (PPMC) was specifically used for the analysis, with the aid of the Statistical Package for the Social Sciences software.

4.0 Data Presentation and Analysis

150 questionnaire copies were administered to the employees of the selected FMCG firms in Calabar, from which 148 were retrieved and used for the analysis. The analysis of the five pricing variables under examination in the study: cost-based pricing, value-based pricing, competition-based pricing, penetration pricing and psychological pricing was done, with descriptive statistics and the Pearson Product Moment Correlation and regression statistics.

4.1 Descriptive Analysis of Pricing Methods and Organisational Profitability

Table 1: Descriptive Statistics of Study Variables

Variables	N	Mean	Std. Deviation	Decision
Cost-based pricing	147	3.70	0.70	High
Value-based pricing	148	4.06	0.61	High
Competition-based pricing	148	3.90	0.65	High
Penetration pricing	147	3.82	0.72	High
Psychological pricing	148	3.77	0.70	High
Organisational profitability	148	3.95	0.63	High

The results displayed in Table 1 reveal that respondents generally perceived the various pricing methods as crucial to organisational performance. For instance, value-based pricing recorded the highest mean score (M = 4.06, SD = 0.61), suggesting that respondents attached considerable importance to setting prices according to customers' perceived value. Competition-based pricing followed with a mean of 3.90, while penetration pricing, psychological pricing and cost-based pricing had mean scores of 3.82, 3.77 and 3.70**,** respectively. Organisational profitability also recorded a relatively high mean score of 3.95 (SD = 0.63). All these descriptive results suggest that the selected pricing methods have positive effect in boosting organizational performance.

4.2 Pearson Correlation Analysis

Table 2: Correlation Matrix of Pricing Methods and Organisational Outcomes

S/N	**Variables**	**1**	**2**	**3**	**4**	**5**	**6**
1	Cost-based pricing	1.00					
2	Value-based pricing	.48**	1.00				
3	Competition-based pricing	.42**	.55**	1.00			
4	Penetration pricing	.39**	.51**	.57**	1.00		
5	Psychological pricing	.36**	.46**	.49**	.52**	1.00	
6	Organisational profitability	.43**	.68**	.59**	.54**	.51**	1.00
p < .01 (2-tailed).							

Table 2 shows that there is a positive relationships between the pricing variables and organizational profitability. Cost-based pricing had a positive correlation with profitability (r = .43), while value-based pricing recorded the strongest relationship (r = .68). Competition-based pricing correlated positively with profitability (r = .59), followed by penetration pricing (r = .54) and psychological pricing (r = .51). The results suggest that increases in the effective application of the pricing methods are associated with improvements in organisational profitability. The relatively stronger correlation for value-based pricing is consistent with the study's proposition that customer-perceived value is an important determinant of profitability.

5.0 Discussion of Findings

The findings demonstrate that pricing methods are important managerial mechanisms through which FMCG firms can influence profitability, competitiveness and consumer purchasing behaviour. Pricing should therefore be viewed not merely as an accounting activity for recovering costs, but as a strategic marketing decision linking costs, customer perceptions, competition and organisational objectives. This agrees with strategic pricing literature, which emphasises pricing capability as a contributor to profitable growth (Liozu & Hinterhuber, 2021; Nagle et al., 2023).

The finding that value-based pricing had the strongest positive effect on organisational profitability indicates that firms can improve financial outcomes by aligning prices with customers' perceived benefits. Consumers evaluate FMCG products not only by production cost but also by quality, convenience, brand reputation, functionality, packaging and other benefits. Firms offering superior perceived value may therefore command favourable prices. Nagle et al. (2023) argue that strategic pricing should focus on customer value rather than simply adding a

margin to cost, while Hinterhuber and Snelgrove (2021) emphasise the ability of value-based pricing to capture part of the economic value created for customers. This finding is particularly relevant to FMCG firms because of the availability of close substitutes. Differentiation through quality, branding, packaging, distribution, innovation and customer experience can provide opportunities to price according to perceived value. Nigerian evidence also indicates that the effects of pricing practices vary with product and competitive conditions (Agbaeze et al., 2020). Thus, incorporating customer value into pricing decisions can help firms protect margins while maintaining customer acceptance.

The finding on competition-based pricing indicates that monitoring competitors and responding appropriately to prevailing market prices can contribute positively to profitability and customer acquisition. FMCG consumers can readily compare similar brands and switch when price differences are significant. However, firms should not simply copy competitors or engage in continuous price reductions, as this can erode margins. Agbaeze et al. (2020) found that competition-informed pricing had a negative significant relationship with supermarket performance and sustainability under their study conditions. This contrast demonstrates that competition-based pricing is context dependent and is most useful when competitor information is combined with considerations of margins, product advantage and market conditions.

The finding that penetration pricing contributes to market share and product awareness reflects the strategy's ability to reduce consumers' financial barriers to trial and encourage switching from established alternatives. Increased trial may subsequently improve sales volume, brand awareness and market penetration, especially for new FMCG products. Evidence from Asaba, Nigeria, also shows a significant relationship between penetration pricing and customer loyalty (Wisdom et al., 2025). Nevertheless, low introductory prices may reduce contribution margins; therefore, penetration pricing should primarily serve as a market-entry or expansion strategy rather than a permanent low-price policy. Firms must determine whether additional volume and market-share gains compensate for reduced margins (Nagle et al., 2023).

The finding that psychological pricing significantly influences consumer purchasing behaviour highlights the behavioural dimension of pricing. Consumers do not always evaluate prices through purely rational calculations. Price endings, promotional framing, bundles and reference prices can influence perceptions of affordability, savings and value. Nagle et al. (2018) similarly emphasise that pricing affects customer perceptions and purchasing decisions. Psychological pricing can therefore be useful for frequently purchased FMCG products where consumers often make relatively quick decisions. However, it should support genuine customer value; misleading or inconsistent pricing practices may undermine trust and long-term profitability.

Taken together, the findings suggest that pricing effectiveness depends on the strategic combination of different approaches**.** Cost-based pricing remains necessary for recovering costs and protecting minimum margins, but cost information alone does not indicate customers' willingness to pay or competitors' positioning. Competition-based pricing provides market intelligence, penetration pricing supports market entry and expansion, value-based pricing reflects customer-perceived benefits, while psychological pricing influences consumers' interpretation of price.

The findings consequently support a contingency-oriented view of pricing, whereby no single pricing method is expected to produce identical outcomes across all FMCG products, market conditions and organisational objectives. This is consistent with Agbaeze et al. (2020), whose findings show that pricing effects are influenced by competitive intensity and relative product advantage. Recent Nigerian evidence also suggests that value-based and other strategically oriented pricing approaches may be associated with stronger financial outcomes than reliance on cost-based pricing alone (Obiajulu et al., 2025; Liozu & Hinterhuber, 2021). This means that effective pricing requires a balance among cost recovery, customer value, competitive positioning, market expansion and consumer psychology. FMCG firms in Calabar and similar markets should therefore avoid dependence on a single pricing formula.

5.0 Conclusion

The findings from this study provide strong evidence that pricing strategies are not merely tactical tools for setting product prices, but strategic determinants of organisational performance, market positioning, and long-term profitability. The study concludes that pricing methods collectively have a significant influence on organisational profitability indicators such as sales growth, return on investment, market share, and customer retention. However, the degree of impact varies across the different pricing approaches. Value-based pricing emerged as the most effective pricing strategy in enhancing profitability, as it aligns product pricing with consumer perception of value, strengthens brand positioning, and increases willingness to pay. This makes it particularly effective in highly competitive FMCG markets where consumers are highly sensitive to perceived benefits and alternatives.

Competition-based pricing was also found to have a strong positive influence on market performance, particularly in terms of market share and customer acquisition. Firms that closely monitor competitor pricing and adjust accordingly tend to maintain relevance and competitiveness in dynamic market environments. Penetration pricing was found to be highly effective during product introduction stages, where it facilitates rapid market entry, increases product awareness, and accelerates sales volume growth, even though it may initially reduce profit margins.

Psychological pricing significantly influences consumer purchasing behaviour by shaping perception of affordability and value, thereby stimulating impulse buying and increasing short-term sales performance. On the other hand, cost-based pricing, while important for ensuring cost recovery and operational stability, was found to have a relatively weaker impact on long-term profitability and competitive advantage when used in isolation.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made for FMCG firms, managers, and policymakers:

1. FMCG organisations should prioritise value-based pricing as a core pricing strategy because it has been shown to have the strongest influence on profitability. Firms should invest in understanding consumer perceptions, preferences, and willingness to pay in order to set prices that reflect perceived value rather than just production cost.
2. Rather than relying on a single pricing method, FMCG firms should adopt a hybrid pricing approach, to ensure both profitability and market competitiveness.

3. Organisations should establish strong market intelligence systems to monitor competitor pricing strategies, inflation trends, and consumer purchasing behaviour. This will enable firms to adjust prices promptly and maintain competitive advantage in volatile markets.
4. FMCG firms should leverage data analytics, customer insights, and digital tools to support pricing decisions. Data-driven pricing models can help organisations better predict demand, optimise pricing levels, and improve profitability outcomes.
5. Penetration pricing should be used selectively during new product introduction stages to gain rapid market acceptance. However, firms should have clear plans for transitioning from low introductory prices to sustainable long-term pricing structures to avoid profit erosion.
6. Firms should incorporate psychological pricing strategies such as charm pricing, price bundling, and promotional pricing to influence consumer perception and encourage impulse purchases.

REFERENCES

Adenigba, S. A., & Akorede, H. Y. (2022). Psychological pricing and consumer behaviour in Nigerian retail markets. Journal of Islamic Economic and Business Research.

Agbaeze, E., Chiemeke, M. N., Ogbo, A., & Ukpere, W. I. (2020). Impact of pricing practice management on performance and sustainability of supermarkets in the urban area of Enugu State, Nigeria. *Sustainability, 12*(15), 6019. https://doi.org/10.3390/su12156019 (MDPI)

Armstrong, G., & Kotler, P. (2019). Principles of Marketing (17th ed.). Pearson Education.

Avlonitis, G. J., & Indounas, K. A. (2006). Pricing practices of service organizations. Journal of Services Marketing, 20(5), 346–356.

Baker, M. J. (2016). Marketing Strategy and Management. Palgrave Macmillan.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99–120.

Brimah, A. N., Salau, A. A., & Adepoju, W. A. (2024). Value-based pricing strategies and consumer buying behaviour in FMCG firms in South-West Nigeria. RUJMASS Journal.

De Toni, D., Milan, G. S., Saciloto, E. B., & Larentis, F. (2017). Pricing strategies and levels and their impact on corporate profitability. Revista de Administração, 52(2), 120–133.

Halidu, D. I., & Igomu, M. D. (2025). Effect of pricing strategy on customers' purchase decisions in FMCG firms in Lokoja. FULafia International Journal of Business and Allied Studies.

Hinterhuber, A., & Liozu, S. (2021). Innovation in Pricing. Routledge.

Hinterhuber, A., & Snelgrove, T. C. (2021). *Value first, then price: Building value-based pricing strategies* (2nd ed.). Routledge. (Hinterhuber & Partners)

Hinterhuber, A., Snelgrove, T. C., & Stensson, B.-I. (2021). Value first, then price: The new paradigm of B2B buying and selling. *Journal of Revenue and Pricing Management, 20*, 403–409. https://doi.org/10.1057/s41272-021-00304-3 (Springer)

Ingenbleek, P., Debruyne, M., Frambach, R., & Verhallen, T. (2003). Successful new product pricing practices. Marketing Letters, 14(4), 289–305.

Kotler, L. & Keller, J. L. (2016). Price-setting policy determinants: Micro-evidence from Brazil, *Economía Aplicada*, 14(2), pp. 169-182.

Kotler, P., & Keller, K. L. (2020). Marketing Management (15th ed.). Pearson Education.

Liozu, S. M., & Hinterhuber, A. (2021). Pricing as a driver of profitable growth: An agenda for CEOs and senior executives. *Business Horizons, 65*(3). (ResearchGate)

Monroe, K. B. (2017). Pricing: Making Profitable Decisions. McGraw-Hill Education.

Nagle, T. T., & Müller, G. (2018). *The strategy and tactics of pricing: A guide to growing more profitably* (6th ed.). Routledge. (Google Books)

***E-ISSN:** 1597-2496*
***Print-ISSN:** 3043-534X*

Nagle, T. T., Müller, G., & Gruyaert, E. (2023). *The strategy and tactics of pricing: A guide to growing more profitably* (7th ed.). Routledge. (Routledge)

Obafemi, O. O., & Oyawa, O. B. (2024). The impact of customer retention on organization profitability in the FMCG sector in Nigeria. British Journal of Management and Marketing Studies, 7(3), 116–129.

Obiajulu, C. B., Azubuko, C. F., & Okpanachi, J. (2025). Exploring pricing strategies and their impact on financial performance of SMEs in Nigeria. *World Journal of Advanced Research and Reviews, 27*(2), 1281–1287. https://doi.org/10.30574/wjarr.2025.27.2.2922

Onu, R. (2017). The financial factors that influence the profitability of SMEs, *International Journal of Academic Research in Economics and Management Sciences*, 3(4), 177-192.

Oyedeji, R. O., Aribaba, F. O., Ahmodu, A. O., Ajao, K. O., & Shittu, S. A. (2022). Cost management practice techniques and performance of FMCG companies in Nigeria. Journal of Accounting and Management.

Penrose, E. T. (1959). *The theory of the growth of the firm*. Basil Blackwell.

Shipley, D. & Jobber, D. (2021). Integrative pricing via the pricing wheel, Industrial Marketing Management, 30 (3), 301-314.

Simon, H. (2015). Confessions of the Pricing Man. Springer.

Tellis, G. J. (2018). Pricing Strategy and Consumer Behaviour. Business Expert Press.

Trihatmoko, R. A., & Purnamasari, D. I. (2019). New product pricing strategy and product performance assessment in fast-moving consumer goods. International Journal of Economics and Business Administration, 7(4), 417–423.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal, 5*(2), 171–180.

Wisdom, I. O., Dudutari, B., Asiagwu, C. E., Nworji, O. W., & Okiemute, E. Z. (2025). Pricing strategies and customer loyalty in FMCG companies in Asaba, Delta State. *Journal of Management Science Research, 12*(1).