The Role Of Marketing Competition On The Pricing Decision Of An Organisation
( A Study Of Selected SME’s In Ethiopia.)

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Abstract
Pricing decision is a crucial decision made by the managers of business enterprises at all levels and has posed a great challenge for Small and Medium Enterprises in Ethiopia. This research work treats the role of competition on the pricing decision on business enterprises, a study of SMEs in Ethiopia. The methodology adopted was the survey and empirical approach, with the administration of questionnaires to some SMEs in Ethiopia, evaluating the effect of competition on the pricing decision of business enterprises. Primary and secondary sources were used in collecting data. It was discovered that there is a relationship between price of similar products and pricing decision. Recommendations were made for the close evaluation of the other factors that influence pricing decision and that SMEs should employ the service of price experts when making pricing decisions.

Key words: Market Competition, Pricing Decisions, SME’s etc.,

INTRODUCTION
Every enterprise at one point or the other is faced with a variety of decisions to make, and these decisions are expected to aid the organization in the attainment of its organizational objectives. The objectives some organizations range from profit maximization to shareholders wealth maximization to cost minimization which is usually the objective of non-profit organizations and the objective of being the market leader. Every decision made by the management of an organization must result in contribution towards goal attainment (ICAN 2006:7).

For any organization that is involved in the production of goods and rendering of services, after answering the question what to produce, and who to produce for, there is need to answer the question how much potential customers will be willing to pay for the good? This difficulty of pricing and other various intervening variables such as cost, competitors’ price, demand, political factors, and environmental factors have been a cause of concern to most small and medium enterprises in Ethiopia.

Pricing decision is a crucial choice every organization has to make, because this will eventually affect their corporate objectives, either directly or indirectly (Monroe 2003:8). For every business entity, irrespective of their line of business and objective, cost minimization and profit maximization is a general factor to be considered and for non-profit making organizations, there will always be the need to reduce cost at all means and to maximize output. A business whether small or big, simple or complex, private or public, is created to provide competitive prices (Ayozie 2008:10). According to Hilton (2005:634), setting the price for an organization’s product or service is one of the most crucial decisions a manager faces, and one of the most difficult, due to the number of factors that must be considered. Some of the factors that influence pricing decisions are demand, competitors, cost, political, environmental, legal and image-related issues. Horngren, et al (1996:428), buttresses this point by stating that managers are frequently faced with decisions on pricing and profitability of their products.

According to Lovelock & Wirtz (2004:151), the principal approach to an effective pricing strategy is to manage revenues in ways that support the firms’ profitability objectives, which leads to the question: how well do various factors that influence pricing decisions complement each other to achieve our overall objective, which is maximization of profit.

Our study aimed to answer the following research questions:

a) Can pricing decision be made without having a good understanding of the organizational objective?
b) How can pricing decisions be made effectively with consideration of the competitors price?
c) Is there any need to consider the cost of production when making pricing decisions?
d) What is the effect of the price of similar products on the pricing decision of an organization?

Our objective in this study was to find out the role of organizational objective on the pricing decision of an organization and to evaluate the effects of the price of similar products on pricing decisions.

The following hypotheses will be tested

H1: There is a significant relationship between pricing decision and the attainment of organizational objective
H2: Pricing decision is dependent on the price of similar products

**REVIEW OF LITERATURE**

Every multinational for-profit business entity is set up with the primary objective of making profits and several considerations underlying their profit motive come to bear in determining the pricing of their goods between associated parties. A business whether small or big, simple or complex, private or public is created to provide competitive prices, but most Ethiopian small business owners lack the knowledge and skills of basic marketing ingredients, such as marketing research, market segmentation and marketing planning and control, which thereafter leads to poor quality products, unawareness of competition, poor distribution, and poor pricing methods (Ayozie 2008:10-12). The poor pricing methods lead to poor product pricing, that eventually affect sales and profitability of the business. In a developing country like Ethiopia, with low income and high levels of poverty, a company that wants to succeed should offer its product at a competitive price. But often, small manufacturers set prices of their products arbitrarily without regard to consumer characteristics in the environment (Ayozie 2008:10-12).

**Theoretical framework of the research**

Pricing is a major subject matter in the management sciences and has been viewed from different perspectives and dimensions. For this study three major backgrounds to the pricing theory will be considered and this consists of the Economists’ perspective, the Accountants’ perspective as well as the Marketers’ perspective. The accountants have given a background look at the study at hand giving it a comparison to how well a relationship can be established between total cost, price and profit. The marketers are mainly concerned with how well price can be set to suit the value the customers will be willing to pay (customer satisfaction). The economists have provided much of the theoretical background to pricing. The theory states that firms should seek the price which maximizes profit and will thereby obtain the most efficient use of the economic resources held by the firm.

From the Accountants’ point of view, pricing theory is based on the concept that a relationship can be established between price, quantity demanded, quantity sold and total revenue. Demand sympathizes with price and therefore varies with it, and if an estimate can be made of demand at different price levels it should be possible to derive a profit maximizing price, and a revenue maximizing price. Except if realistic estimates of demand at different price levels can be made, pricing theory is difficult to apply in practice (Asaolu & Nassar (2007:212).

From the Economists’ point of view, firms should seek the price which maximizes profit and will thereby obtain the most efficient use of the economic resources held by the firm. This price is at that level of sales where the addition to total revenue from the sale of the last unit (the marginal revenue, MR) is equal to the addition to total costs resulting from the production of that last unit (the marginal cost, MC). The economic theory is more concerned with the behavior of aggregates or markets, particularly how persistent and widespread behavior leads to stable results called equilibrium. One important aspect of the economic perspective is to realize that it views the firm as a price-taker rather than a price-maker. This means that management only determines the quantity of a product to produce, and the market sets price through the forces of supply and demand. In contrast to the economists’ point of view, the marketers’ perspective views price as a decision variable, instead of a given variable. In line with the marketers point of view, price is a decision variable influenced by various factors (Lucey 1996:302-303, Monroe 2003:25-27). Pricing is the only element in the marketing mix that creates sales
revenue, the other elements are costs. According to Monroe (2003: 4-5) Price is the amount of money we must sacrifice to acquire something we desire. It is the formal ratio indicating the quantities of money (or goods and services) needed to acquire a given quantity of goods and services:

\[
\text{Price} = \frac{\text{Quantity of money or goods and services received by the seller}}{\text{Quantity of goods and services received by the buyer}}
\]

Prices determine what products and services should be produced and in what amounts. Prices determine how these products and services should be produced, and for whom the products and services should be produced (Lawal et al 2007:157).

For the purpose of this study, pricing will be looked at from the accountants’ point of view, which looks at how a relationship can be established between price and the various factors that affect it.

**Pricing and Organisational Objectives**

Without a goal, it is said that a man will live like a goat, so also without an organizational goal, a company will only be moving round the circle without direction, and it is the overall organizational goal set by the management of a company that serves as the driving force, towards which everyone in the organization will drive towards. In every organization, there is always the general organizational goal, as well as the departmental goal, and the various departmental goals are framed in line with the organizational goal. Various goals are set by the organization and these directly and indirectly affect the pricing policy of the organization, which is expected to be tailored in line with the overall goal. A nonprofit making organization will always look forward to satisfying its customers only, therefore the pricing policy will be towards minimizing cost and customer satisfaction. Some of the objectives and goals set by organizations and the various ways in which they affect pricing decision are as stated below:

1. **Increase Sales**: Organizations’ that want to increase the turnover of their product may need to fix price at a level that the consumer will accept it as being commensurate with the benefits of the product.
2. **Increase Market**: Organizations may set price because of the need to reach out to a particular part of the market, thereby increasing their market size. When this objective is set, price should be set in a competitive manner to attract new customers and retain old customers.
3. **Profit Maximization**: Profit maximization is the main organizational goal for any profit making organization. To achieve this objective, price must be set strategically in such a way that maximizes revenue and minimizes cost.
4. **Market Penetration**: When a producer wants to enter the market, he can adopt this strategy, by setting price below or at par with the price of existing or similar products, not considering the effect it may have on profit.
5. **Company Image**: An organization might want to build up its organizational image, by setting price in such a way that it provides an insight into the quality of the product.

**Factors Affecting Pricing Decision**

When pricing decision is to be made, some factors have to be put into consideration, so that the decision will not affect the overall objective of the company. Some of the factors which must be considered among other things include:

1. **Cost of Production**: For effective pricing, the total cost of production must be fully ascertained, leaving no stone unturned. The fixed cost as well as the variable cost must be determined and all the various costs that may be incurred in the marketing process must be inculcated e.g. advertising expense, transportation, etc. When cost is not fully ascertained, pricing decision becomes faulty and when the price is wrong, it will definitely affect the income of the company and eventually may affect the survival of the business, especially for the new business and also the small and medium enterprises. Alongside with the other factors that affect pricing decision, cost is a factor that must be looked into critically.
2. **Nature of market competition**: The nature of market competition must also be considered when pricing decision is made. For a business that is in a monopolistic market, competition
may not really affect the pricing decision, but a business in the oligopolistic market or a free market, where competition is tense, this has to be considered before price is set. In a situation where the market leader dictates the price and others follow, the price of the market leader must also be considered and in a situation where the price of substitute goods will affect the price of the product, this is very important.

3. **Customers and market segment:** When a producer knows his customers, he will be able to set his prices accurately. The market segment must be carefully identified and the amount they will be willing to pay for the product identified. For the producers of cars, there are different models for different set of people, thus producing varieties for different set of people. There are some products which are mainly for the elites, while some are the masses. A producer of products for the masses will need to consider the per capita income of the people before making his pricing decision.

4. **Demand:** For a new product, there is need to price such product strategically in such a way that it penetrates the market, even it will be at par with the total cost, while for a highly demanded product, an increase in price may not really have a high effect on the demand for such products, so is the need for management when making pricing decisions to consider the demand for the product. Some companies who receive order from customers may decide to reduce their price per unit or increase their discount, when it is noted that demand from a customer is high, and this may be on the other way round, depending on other factors considered by the management.

5. **Consumer behavior and perception:** Consumers attitude and perception about the product must be considered, when making pricing decisions. The company should consider if an increase in price will lead to an increase or a decrease in demand, and vice versa.

6. **Channel of distribution:** The cost of distribution and the channel of distribution must also be considered when the price of a product is to be set. It must be considered if the product will be supplied directly to the final consumer or has to pass through the various channels of distribution. For a product that has to pass through the wholesaler, to the retailer and then to the final consumer, the profit of these middle men as they are called must be considered, so that the final price set by the retailer will not affect demand negatively. In some situations, the producer may need to set a standard price, which is known by the wholesaler, the retailer as well as the consumer.

7. **Macroeconomic trends:** The macroeconomic trends of the country must also be put into consideration when pricing decisions are made. In an unstable economy, where cost of living increases, without a change in the income of the people, an increase in the price of a product may affect demand for that product, so also when there is an increase in the income of the people, increase in the price of a product may not necessarily affect the demand for that product at that point in time.

8. **Company Objective:** When pricing decisions are made, they must be in line with the overall company objectives, as this is what will inform what the pricing objective really is, so that the pricing decisions made will not be against the company objective.

**Pricing Strategies**

The pricing strategies to be adopted by a company differ and are influenced by some of the factors stated earlier in this study. Some of the pricing strategies that may be adopted when pricing decision is made include among others:

1. **Market penetration strategy:** A considerable price reduction in order to gain acceptance and thus create speed for the product in the market.

2. **Market skimming:** This involves setting a product price high initially and later reducing the price to improve sales. It is used mostly for newly introduced products so that consumers will not react negatively to an increased price to meet cost or make profit. When the price is reduced, consumers may see it as an advantage for more patronage. However, this strategy may not work for some products where increased price is attributed to greater prestige.
3. **Loss leader Pricing:** Where a product is sold at a lower price probably at a loss in order to attract customers who might then buy other items at normal price. It is used when consumers resist prices charged by sellers and thus encourage sales of other products by the producer.

4. **Promotional pricing:** Short term reduction in prices intended to attract increase sales. It may be used during dull seasons e.g. the price of soft drinks during rainy seasons are reduced to increase sales.

5. **Demand oriented:** This strategy has to do with setting prices on the basis of demand for the product. When this strategy is adopted, changes in demand will have an effect on the price that that product.

6. **Competitive pricing:** This involves setting prices on the basis of activities of competitors. When using this strategy, the company must be sensitive to changes in the market.

7. **Cost oriented pricing:** This is a strategy that is based on cost of production.

**Pricing Decision and Cost**

In any organization, profit making, nonprofit making, private enterprise, public enterprise, manufacturing or service rendering, before the price of a product or service is set, the cost of putting it in a sellable condition must be considered. Cost is the total amount expended to bring certain products or services to its present condition. It can also be termed as the amount expended to transform raw materials into finished goods. According to Monroe (2003:257) “Indeed, cost is probably the least important factor to consider when setting product or services prices.” Looking at it from the accountants’ point of view, it is noted that there is no direct relationship between selling price and product costs, because of competition and elasticity of consumer demand (ICAN 2006:469, Lucey (1997:306). Cardinaels et al (2004) observed that the more accurate cost data means that participants with activity based costing would be more likely to detect and filter competitors' prices when these prices are a poor reflection of actual costs than would participants with biased cost data.

**Pricing Decision and Competitors Price**

Dockner et al (2004:3) stated that when firms are engaged in strategic competition, a higher speed of diffusion causes the individual firm to decrease the price, thus competition either directly or indirectly has an influence on the price of products, but vary from companies to company, depending on the nature of the product and the industry in which the company operates. In an industry where there are few producers of the product or few market leaders, competition may not be the main factor to consider when setting price, but for small and medium enterprises, who operate in an industry where there are market giants already, their pricing policy will be influenced by the competitors price. In a study carried out by Dockner et al (2004), the result of the analysis conducted shows that in the case of strategic (oligopolistic) competition, the speed of diffusion has an important influence on the optimal pricing policy. It can be said therefore that in a monopolistic market, when essentials are sold, competition is not considered when setting price. Hilton (2005:635) stated that most industries, both market forces and cost considerations heavily influence prices. No organization or industry can price its products below their production costs indefinitely. And no company’s management can set prices blindly at cost plus a markup without keeping an eye on the market.

**METHODOLOGY**

The study adopts a survey research design, which is supported by the hypotheses, research questions and the research objectives stated in the first section of this work. The study uses primary data gathered through the administration of questionnaires and conduct of interviews during September to December, 2010. The interview was done to solicit information from some of the sample respondents. The respondents include managers, accountants, entrepreneurs and marketing managers of business in Ethiopia, with a sample size of two hundred respondents chosen randomly from the entire population size, out of which one hundred and sixty six respondents representing 83% was retrieved. Secondary data was got from the financial report of the major sample company. The data collected were however analyzed using the student t-test and the financial ratio analytical tool.
DATA PRESENTATION AND ANALYSIS
The data will be presented in tables for easy interpretation and the relevant tests carried out on them. The results collected from these analyses will then determine the acceptance or rejection of the hypotheses. Below is the summary of the data collected.

### TABLE 1
Statistics of Respondents to Questionnaire

<table>
<thead>
<tr>
<th>N</th>
<th>Valid</th>
<th>Missing</th>
</tr>
</thead>
<tbody>
<tr>
<td>166</td>
<td>166</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Primary Data

Above is a summary of the total number of respondents interviewed. The table shows that a total number of 166 respondents were interviewed.

This section asks questions that relate with the hypotheses to be tested by the researcher. Below is summary of the responses to the questions asked.

**Question 1: Have you changed the price of your products before?**

### TABLE 2
Response to Question 1

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>153</td>
<td>92.2</td>
<td>92.2</td>
<td>92.2</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>7.8</td>
<td>7.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

From a total of 166 respondents, 153 representing 92.2% disclosed that they have changed the price of their products before, while 13 respondents representing 7.8% disclosed that they have not changed the price of their products before. Thus at one point or the other all the respondents have made pricing decision, 92.2% of the respondents have made pricing decisions to change price, while 7.8% have made the decision not to change price.

**Question 2: If your answer to question 1 is No, why haven’t you changed the price of your product?**

A total number of 13 respondents responded to this question, and because it is an open ended question, where respondents are at liberty to express themselves, with some of their responses as enumerated below:

1. It is a new product;
2. The price is presently competitive;
3. The price is regulated by management;
4. There has not been a significant change in the cost of production;
5. It is the policy of the company not to change price at certain periods; etc.

**Question 3: When fixing the price of your products, do you consider the price of similar products?**

### TABLE 3
Response to Question 6

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>159</td>
<td>95.8</td>
<td>95.8</td>
<td>95.8</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>4.2</td>
<td>4.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

Respondents were asked if they consider the price of similar products when pricing their products and from the data collected, 159 respondents representing 95.8% of the total respondent agreed to this fact,
while 7 respondents representing 4.2% said they do not consider the price of similar products when fixing the price of their products.

**Question 4: If yes, how often do you do this?**

| TABLE 4 |
|-----------------|------|------|---------|---------|
|                | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Valid**       | 97      | 58.4   | 61.0       | 61.0     |
| **Sometimes**   | 48      | 28.9   | 30.2       | 91.2     |
| **At Will**     | 14      | 8.4    | 8.8        | 100.0    |
| **Total**       | 159     | 95.8   | 100.0      |          |
| **Missing System** | 7      | 4.2    |            |          |
| **Total**       | 166     | 100.0  |            |          |

Source: Primary Data

This question tries to measure the extent to which the price of similar products is considered when fixing the price of products. Out of the total of 159 respondents that indicated that they consider the price of similar products when fixing the price of their products, 97 respondents representing 61.0% said they consider the price of similar products when fixing price very often, 48 respondents representing 30.2% said they consider the price of similar products when fixing price sometimes, while 14 respondents representing 8.8% of the respondents indicated that they consider the price of similar products at will.

**Question 4: If no why don’t you consider it?**

This is an open ended question and some of the response from the 7 respondents that said no to question 3 includes:

1. The demand for the product is on request.
2. The product has few producers (competitors)
3. The price of the product is not uniform, because of the variance in quantity and quality.
4. The major determinant for fixing price is the cost of production.

| TABLE 5 |
|-----------------|------|------|------|------|------|
| **Month**| **Gross Profit (ETB)** | **Net Profit (ETB)** | **Operating Expenses (ETB)** | **Sales (ETB)** |
| September | 3,061,050.91 | 2,824,408.91 | 356,343.96 | 5,738,160 |
| October   | 2,455,971.20 | 2,068,965.20 | 506,707.96 | 4,771,884 |
| November  | 2,191,552.20 | 1,800,630.85 | 510,623.31 | 6,141,000 |
| December  | 3,154,538.32 | 2,987,176.82 | 287,063.46 | 7,336,429.30 |

**Note:** Operating Expenses = Distribution Expenses + Administration Expenses (Indirect Expenses + Staff Salary) ETB=ETHIOPIAN BIRR Source: Calculated Data

| TABLE 6 |
|-----------------|------|------|------|------|
| **Correlation of Price Changes and Profitability** |
| **Pearson Correlation** | **Sig. (2-tailed)** | **N** | **Pearson Correlation** | **Sig. (2-tailed)** | **N** |
| Changed Price     | 1    | -.111 | 166  | 1    | -.111 | 166  |
| Pricing profit    | .155 | 1     | 166  | .155 | 1     | 166  |

Source: Calculated Data
From the tables above, there is a significant negative correlation between the two variables (Profit and Price Changes) at 0.05 level of significance. It can be decoded that there is a negative significant relationship between change in price and profit.

### TABLE 8

<table>
<thead>
<tr>
<th>Month</th>
<th>Gross Profit (ETB)</th>
<th>Net Profit (ETB)</th>
<th>Operating Expenses (ETB)</th>
<th>Sales (ETB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>3,061,050.91</td>
<td>2,824,408.91</td>
<td>356,343.96</td>
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</tr>
<tr>
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<td>3,154,538.32</td>
<td>2,987,176.82</td>
<td>287,063.46</td>
<td>7,336,429.30</td>
</tr>
</tbody>
</table>

Source: Calculated Data

To measure the impact of change in price on the profit of organizations, three profitability ratios will be used.

### TABLE -9 Profitability Ratios

<table>
<thead>
<tr>
<th>Month</th>
<th>Gross Profit Margin</th>
<th>Net Profit Margin</th>
<th>Operating Expenses Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>53.30%</td>
<td>49.20%</td>
<td>6.20%</td>
</tr>
<tr>
<td>October</td>
<td>51.50%</td>
<td>43.40%</td>
<td>10.60%</td>
</tr>
<tr>
<td>November</td>
<td>35.70%</td>
<td>29.30%</td>
<td>8.30%</td>
</tr>
<tr>
<td>December</td>
<td>43%</td>
<td>40.70%</td>
<td>3.90%</td>
</tr>
</tbody>
</table>

Source: Calculated Data

From the above calculations, it can be seen that the company had a favourable Gross profit margin of 53.30% in September, which later dropped to 51.50% in October, but in November, due to the change in price of the products, there was a drastic reduction in the gross profit margin to 35.70% and in December, the company picked up and moved to 43%, but was unable to reach the 53.30%. The same trend occurred for the Net profit margin and a close look at the Operating expenses ratio, it can be said that the company had the highest operating expenses ratio in the month of October, which is the month preceding the change in price, thus in the month of November, this ratio reduced to 8.30% but was unable to get to 6.20% which is the figure for September, but in December, the Operating expenses ratio reduced drastically.

### Conclusion:

From the various analyses above, it can be said conclusively that the null hypothesis is rejected and the alternate hypothesis accepted, thus price has a significant effect on the profit of an organization.

### TABLE 10

Correlation of Consideration of Price of Similar Products when pricing

| Similar products | Pearson Correlation | Sig. (2-tailed) | N | Pricing | Pearson Correlation | .461(**) | .000 | 166 | 166 | .461(**) | 1 |

**Note:**

- **t** and **df** values indicate statistical significance.
- **Sig. (2-tailed)** values denote the probability of rejecting the null hypothesis.
- **Mean Difference** values show the average difference.
- **95% Confidence Interval of the Difference** values provide the range within which the true mean difference is likely to fall.
** Correlation is significant at the 0.01 level (2-tailed). Source: Calculated Data

TABLE 11

<table>
<thead>
<tr>
<th>Similar products pricing profit</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>66.610</td>
<td>165</td>
<td>.000</td>
<td>1.04217</td>
<td>1.0113 – 1.0731</td>
</tr>
<tr>
<td></td>
<td>43.530</td>
<td>165</td>
<td>.000</td>
<td>1.12651</td>
<td>1.0754 – 1.1776</td>
</tr>
</tbody>
</table>

Source: Calculated Data

From the table above, there is a positive correlation between the two variables (Price of similar products and price changes) at 0.01 level of significance. It can be decoded that there is a positive significant relationship between the consideration of the price of similar products and pricing decision.

**DISCUSSIONS, CONCLUSION AND RECOMMENDATION**

In conclusion, it can be said that the price of similar products will affect the pricing decision of a business enterprise and as long as every business enterprise aims at remaining in business and also aims at maximizing profit, the price of the product must be fixed with all sense of caution and insight into the future of the business as a going concern entity. A good product pricing will affect the profit of the organization positively, and thus when pricing is not effectively fixed, it will impair the profit of the organization. The following are some of the recommendations proffered by the researcher: The Ethiopian Government should help the small and medium enterprises in providing advisory services, which will also improve their level of productivity and the nation at large. Small and Medium enterprises in should take time out to conduct market research, because this is a toll that can be used for effective pricing. The organizational objective should be visited when making pricing policy, Management of small and medium enterprises should always have adequate information about the cost of production before changing price, The reaction of customers should be considered when fixing and after any significant change in the price of a product, other methods of changing price, like reduction in quantity and quality, introduction of new products, etc. should be adopted by the managers of small and medium enterprises in Ethiopia, and small and medium enterprises should employ the service of price experts when making pricing decisions.

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