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# Effect of pricing strategies on customer retention among small scale metal mechanics and fabrication: A case study of Mwanza City-Tanzania

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**Abstract**— Consumer buying behavior has become polarized phenomenon and this impact their on price decisions as well as performance of the metal fabricators or sellers. This papersought to investigate the effect of pricing strategies on customer retention among small Scale Metals mechanics and Fabricators in Mwanza City, Tanzania. This was guided by three specific objectives which were to: examine the effects of value-based pricing strategy on customer retention among small scale metal mechanics and fabricators, determine the effects of competition-based pricing strategy on customer retention among small scale metal mechanics and fabricator and determine the effects of cost-based pricing strategy on customers' retention among small scale metal mechanics and fabricator. It adopted a mixed approach method .With a target population of 570 small scale metalwork operators, 228 responded to the questionnaire and interviewed seven owners/operators. A multiple regression analysis was utilized to test the relationship between independent and dependent variables. The study found that the adoption of a value-based pricing practice, competition-based pricing practice, and cost -based pricing practice by management has significant impact to small scale metalwork operators. In particular, the study revealed that the use of value-based pricing, competition-based pricing and cost-based pricing strategies has enormous contribution on customer retention among small scale metal mechanics and fabricators in Mwanza City. It was found that the small scale mechanics and fabricators use these pricing strategies interchangeably depending on the market situation.

**Keywords**— value-based pricing, competition-based pricing, cost-based pricing and customer retention.

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## I. INTRODUCTION AND BACKGROUND

Customer retention among small scale metal mechanics has copious efficiency in enhancing development among business people globally. Apparently, numerous studies have attempted to comprehend the relationship between cost and shopper buy choice, assuming that item valuing is a perplexing issue and that there are numerous techniques that influence purchaser insights and buy objectives (Manzur, et al, 2011; Chandrashekara, et al, 2011; Hildago et al, 2008; ). Different examinations have zeroed in on the help business with little spotlight on the item business. For

example Kane (2007) concentrated on the impact of various evaluating methodologies on customer buy choice in the protection business, which is an assistance industry. The review attempted to discover how evaluating systems impact the decision of protection strategy that buyers buy. In the review, it was discovered that customers bought approaches which had lower costs contrasted with more expensive strategies.

Multiple researches on evaluating methodologies and shopper purchase decisions have been conducted in the western part of the world. The investigation of Kopalle et al.,

(2009) furnishes writing audit on retailer evaluating with an attention on the cooperation between estimating systems and serious impacts in Europe. Gauri et al., (2010) took a gander at the structure of on the web and disconnected retail estimating in the created world. There are yet different analysts who have concentrated on the idea of estimating technique in the western world (Jung, (2014); Ellickson et al., 2008).

As indicated by Kotler and Armstrong (2017), price is one of the elements of market mix (4Ps) which accounts for that 20% client's maintenance. Evaluating procedure add to clients maintenance or absconding, the issue of valuing systems corresponding to client maintenance apply to all organizations whether it is in a created nations or agricultural nations such Tanzania, but the degree of use change starting with one country then onto the next country or from one industry to another just as monetary conditions, so the kind of estimating methodologies utilized by association mirror the uniqueness of the economy where it is working.

In overall, there are three types of pricing strategies used to improve business economic conditions: value-based pricing strategies, competition-based pricing strategies, and cost-based pricing strategies (Nagle and Holden 2003; Kotler et al 2006). In any case, even a little value change can cause an enormous response of purchasers. For that reason it is important for an organization to decide the value technique that the organization will utilize and keep up with all through the business life cycle. Al-Salamin and Al-Hassan (2016) underlined that setting cost for an item or administration is one of the enormous test in light of the fact that there are numerous factors not set in stone. The worth capacity of the cost can be additionally trouble to gauge without the broad examination thus a great deal of exorbitant missteps are made numerous business organizations.

In spite of the importance that price has on determining performance of businesses, this marketing mix element has not received due attention from academics and marketing professionals. Most of the focus has been placed on the development of new products, distribution channels and communication strategies. As a result according to Lancioni (2005), this has led to setting pricing decisions without adequate evaluating market and associated cost factors in a given industry. One aspect in the market that is given little attention, is the effect of pricing strategies on customers' retention in small scale industries such as metal mechanics and fabricators who are responsible for setting their price and their survival in the market is dependent upon continuous patronage of few customers.

Pricing goods or services or goods and associated is regarded as the most basic strategy in marketing, and as a result, many businesses base their prices on intuition and the manager's market experience (Simon,1992) and little strategic thought is made when administrating their prices in order to create favorable conditions that lead to profits (Nagle & Holden,2003). In view of these deficiencies, Liozu and Hinterhuber (2012) suggested that there is need for more research regarding the pricing preferences and practices because, according to the authors, less than 2% of all published articles in marketing journals are focused on pricing. An example of studies conducted concerning pricing strategies include that Liozuetal (2011) which was carried out in America whereby 15 small and Medium America companies interviewed 44 of their Managers to address the main three pricing strategies basically on Customer value based pricing strategy( 4 companies),Cost based pricing strategy 6 companies and competition pricing strategy on (5 companies).The result showed that majority of the companies based their prices on cost bases in which they all used contribution and profit margin for setting their prices.

On the other hand, Ndyamukama and Machibya (2015) studied the influence of pricing strategies on customers' retention but only looked at the relationship from employees' perspective. The study found that the various pricing strategies employed by Airtel, Kenya highly affected the rate of customer retention. Early study by Hinterhuber (2008) found that a company's rate of customer retention is highly affected by pricing. The study highlights that the pricing strategies to be used differ depending on the industry, country of operation, available clients and as well as the way companies offer the value of their products and services.

In general, most of the research conducted in both developed and developing countries mentioned above aimed to focus on service satisfaction and quality; however, behaviors influencing customers' willingness to buy were not assessed or addressed. In addition, there is under study concerning the link pricing strategies with customers' retention in Tanzania. Thus, the present study intends to investigate the effect of three pricing strategies on customers' retention in Tanzanian context with particular reference to small scale metallic mechanic and metal fabricator in Mwanza city. Small scale metal mechanics industry is one of the fast growing sector in Mwanza city ,they are involved in the fabrication of metal and Aluminum into products such as security guards, doors windows, home gates as stipulated by the clients. That is the study examined

pricing strategies according to categorization by Nagle and Holden (2003) namely value-based, competition-based and cost-based pricing strategies and their effect on customers' retention.

## II. LITERATURE

### 2.1 Pricing Strategies

As specified earlier, Nagle and Holden (2003) classified pricing strategies into three categories namely value-based, competition-based and cost based pricing models, in which for the purpose of this study, the researcher examined the effect of the mentioned pricing models on customer retention.

#### 2.1.1 Customer value-based pricing strategy

Value based can be defined as the offer of benefits of equal or superior value to the sacrifices incurred by the purchaser for a product and/or service. Inside the potential penances, there is the monetary penance, which is made an interpretation of by the cost to be charged to or really paid by the purchaser (Juran & De Feo, 2010; Porter, 1986; Zeithaml, 1988). Also, the course of significant worth settlement incorporates the change of the outcomes from the authoritative methodology on programs expected to extricate and convey worth to the organization's clients. Furthermore, it recognizes the advantages and expenses (or forfeits) of items and encounters coming about because of the connection between the clients and the association. The predominant worth proposition addresses as a proposal for the clients which builds the worth or takes care of an issue in a superior manner contrasted with those presented by comparative contenders (Payne & Frow, 2014).

#### 2.1.2 Competition-based pricing strategy

Competition-based pricing uses as key data the contenders' value levels, just as conduct assumptions, seen in genuine contenders as well as likely essential sources to decide sufficient evaluating levels to be polished by the organization (Liozu & Hinterhuber, 2012). The principle benefit of this methodology is thinking about the real evaluating circumstance of the contenders, yet its fundamental burden is that the interest related angles for the item are not thought of. Besides, a solid cutthroat concentration among the contenders can expand the danger of beginning a value battle among rivals on the lookout (Kane, 2007).

#### 2.1.3 Cost-based pricing Strategy

Cost-based pricing is the most simple also, well known technique at setting costs for some actual products where is not difficult to assess the expense. By and large, it is the most normal estimating methodology since it conveys a

feeling of monetary perspective (Simonet al., 2008). The expense based valuing includes including an overall revenue costs, for example, adding a standard rate commitment edge to the items and administrations. To begin with, the business level not set in stone, and afterward the unit and all out costs are determined, trailed by actually looking at the organization's benefit destinations lastly setting up the costs. Along these lines, for the experts engaged with this interaction, it is important to show to clients enough worth on items and popularized administrations to legitimize the costs charged by the organization (Urdan, 2005).

### 2.2 Customer Retention Concept

Customer retention is a strategy whose goal is to keep a client and to hold them to the extent that this would be possible. It expects to keep client from abandoning to elective brands or organization. Most supervisors realize that it costs less to keep a current client than securing new ones so client maintenance make incredible financial sense (Cook 2002). In particular, Cook (2002) demonstrated on normal it is assessed to cost fivefold the amount of to draw in another client as it does to keep on old one.

Thusly, to keep beneficial clients bodes well the way to client connection is furnishing unrivaled client worth and fulfillment in light of this many organization will keep their clients fulfilled (Kotler and Armstrong, 2001), This is on the grounds that building long haul relationship is more productive on the grounds that the expense of happening new clients can used to better steadfast client will more often than not spend more and cost less to serve fulfilled client than securing new ones. Kotler and Armstrong, (2001) further contended that despite the fact that the ideal blend of promoting programs is novel to every plan of action, client maintenance is regularly simpler and less expensive than client securing, particularly in stable business sectors with low development rates.

In the past many organizations underestimated their clients as they were no elective wellspring of providers or all providers were similarly insufficient in help or the market was developing entirely quick, to the point that the organization didn't stress over fulfillment of its clients. Today thing have unmistakably changed and with hyper-serious climate, clients these days are value touchy, more requesting less lenient yet are drawn closer by more contenders with equivalent or better offers. As indicated by Kotler and Armstrong (2014) the accentuation is presently on holding and building client fulfillments, Furthermore, According Kotler (2000) there are two different ways to fortify client maintenance one is to raise high exchanging boundaries client are less including to change to another provider when this would include high capital expense high

inquiry cost or less of faithful client limits. The better methodology is to convey high consumer loyalty this makes it harder for contenders to defeat exchanging boundaries by just contribution lower costs exchanging businesses. It is a significant contributing component in the net development pace of independent ventures.

### **2.3 Theoretical framework**

This study adopted the Theory of Reasoned Action (TRA) to guide the study as customers have a tendency of reasoning the price of products based on different perspective including value or price charged by different firms and opt for the lowest price. Hence, entrepreneurs such as metal mechanics and fabricators needs to have the ability to filter their customers' price preferences through reasoning and take actions through deploying appropriate pricing strategies.

#### **2.3.1 Theory of Reasoned action**

The theory of reasoned action (TRA) is a well-established hypothesis created in the last part of the 1950s by Martin Fishbein. Development of TRA by Fishbein and Ajzen happened all through the 1960s and 1970s and has establishment in friendly brain science with respect to shopper conduct (Njite&Parsa, 2005). The Theory of Reasoned Action (TRA) proposes that an individual's conduct is dictated by their goal to play out the conduct and that this goal is, thus, a component of their mentality toward the conduct and abstract standards (Fishbein and Ajzen, 1975). The best indicator of conduct is aim or instrumentality (conviction that the conduct will prompt the planned result). Instrumentality is dictated by three things: their mentality toward the particular conduct, their emotional standards, and their apparent social control. The more ideal the mentality and the emotional standards and the more noteworthy the apparent control, the more grounded the individual's goal to per. The goal to acknowledge or dismiss a specific innovation depends on a progression of tradeoffs between the apparent advantages of the framework to the client and the intricacy of learning or utilizing the framework. This peculiarity can be sensibly clarified by utilizing the Theory of Reasoned Action (TRA) (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980). The TRA suggests that conduct results from the development of explicit goals to act (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980).

As per the TRA model, two main considerations decide social expectations in particular: the individual's insight toward the conduct, and emotional standards. Disposition toward the conduct alludes to the individual's judgment at a specific cost of a specific item that playing out the conduct is fortunate or unfortunate. The emotional standards mirror

the individual's view of prevalent difficulties put on him/her to perform or not to play out the conduct being referred to. As per the hypothesis, perspectives are a component of convictions. As a rule, an individual who accepts that playing out a given conduct will prompt positive results which hold a great disposition toward playing out the conduct. Likewise, an individual who accepts that playing out a given conduct will prompt structure the conduct.

The hypothesis had various components which clarify the mentalities and conduct of a person. The main component in the hypothesis is the ID and estimation of interest in the conduct (Ajzen&Fishbein, 1980). Recognize the wellsprings of purchaser buy choice and how much those sources impact the buy choice. As per this hypothesis, a singular's motivation to settle on a choice is an immediate determinant of the choice (Ajzen&Fishbein, 1980). The second component of the hypothesis is the comprehension of a singular's activities and requires a comprehension of two determinants, the individual and social impacts (Ajzen&Fishbein, 1980). The apparent worth of any evaluating procedure is something individual in light of the fact that each individual places a specific worth on the cost. Understanding the evaluative standard a singular uses in buying an item is one angle the hypothesis of contemplated activity can address (Ajzen&Fishbein, 1980; Njite&Parsa, 2005). Shoppers, overall have more noteworthy affectability to value changes than changes in other item or administration components and accordingly cost is supposed to be a significant determinant of buyer buy choice which prompts maintenance. Valuing data adds to a customer's comprehension of the item or administration introduced and the shopper can settle on an educated choice dependent on that agreement. The review utilized this hypothesis to clarify what evaluating methodology means for purchaser buying choice.

The significant strength of this hypothesis, as clarified by Ajzen and Fishbein (1980), is the way that it very well may be utilized to estimate, explain, and influence individuals' activities since it centers on anticipating and understanding a singular's activity. This hypothesis was valuable in this review since it assisted with getting what drives customer buy choice. It was additionally helpful in deciding the extent to which evaluating techniques could influence buyer buy choice and that would make them rehash the buys or not.

### **2.4 Empirical literature review**

Numerous studies have been conducted in and outside Tanzania concerning the pricing strategies and its relationship to customer retention. For instance, Dawes (2009) did an examination about the effect of real cost increments on client maintenance in an assistance setting in



Pakistan and how the impact of a cost increment is directed by both residency and broadness of the client's relationship. The investigation discovered that residency of rental lodging was related with brought client affectability down to cost increments just as having an ideal direct impact on client standards for dependability. It likewise showed that advertisers should give additional consideration to short-residency and expansive expansiveness clients when executing cost expands slight expansion in rental costs in short-residency lessens client maintenance.

Polo, Sese and Verhoef (2011) led a review to examine the drivers of client maintenance in a changing business sector. Utilizing longitudinal information for an example of 650 cell phone buyers and a split-populace danger model that records for the idea that a few clients who are never in danger of surrender, the creators showed that both the central company's (officeholder) and the contenders' cost and mass promoting apply a huge impact on the likelihood of ending a current occupant relationship. The scientists further observed that the connections between promoting factors particularly valuing techniques utilized and maintenance were not static but rather fluctuate after some time. Cost was by and large less viable in holding clients in the beginning phases of market advancement, which recommends that clients turned out to be more value delicate in later phases of item lifecycle.

Ebodey (2012) conveyed a review in telecom industry among different versatile media transmission organizations (MTN Sudan, Sudatel and Zain Sudan (Mobitel)) in Sudan to decide factors affecting client maintenance. The exploration utilized quantitative system and overviewed 443 college understudies utilizing a self-controlled survey. The autonomous factors comprising of estimating techniques to be specific: serious valuing, multi-dimensional evaluating methodology, level rate evaluating and time based valuing procedures just as seen exchanging hindrances and firms' notorieties while the reliant variable was client maintenance. The information was dissected utilizing graphic and inferential insights. The review uncovered organizations like in most emerging nations have not done a lot to further develop client maintenance techniques in their method of administration conveyance. In any case, the review showed that three elements impacted client maintenance were arranged by significance: on value insights, seen exchanging boundaries and firms' notorieties. Minimal expense initiative and low cost regular valuing procedures were the two principle evaluating methodologies that lead to relative better client maintenance in Zain Sudan (Moitel).

Ndyamukama&Machibya (2015) led a review in Kenya telecom industry concerning Airtel. The point was to find in case there was connection between's estimating procedures and client maintenance. The review overviewed an example of 20 of representatives that work for Airtel (T) Ltd who were associated with the day by day running of the organization and had an immediate touch with the clients. It utilized survey and investigated information utilizing illustrative measurements of free factors comprising of valuing techniques specifically: serious evaluating, multi-dimensional estimating procedure, level rate evaluating, volume based valuing, time based estimating, quality valuing and premium valuing methodologies. The reliant variable was client maintenance. The investigation discovered that there is a positive relationship between's valuing methodologies and client maintenance and accordingly to hold whatever number clients as could reasonably be expected, Airtel expected to think of better estimating procedures that will draw in however many clients as would be prudent.

Uma, Arif and Uma (2019), completed a review to research the connection between evaluating systems and client maintenance in chose organizations in Kurdistan. The scientist utilized quantitative exploration approach and overviewed 87 respondents (shoppers) utilizing survey. The discoveries uncovered that there is a positive and huge connection between evaluating systems and client maintenance in organizations in Kurdistan and market entrance estimating is

## **2.5 Conceptual framework**

The conceptual framework for this research which is as presented in Figure 1 indicates the relationship between independent and dependent variables and reflects the proposed research objectives in this study. The independent variables representing pricing strategies are, in particular, cost plus based, perceived value based and competition based pricing. The dependent variable, on the other hand, is customer retention, which is measured in terms of repeat purchases. Several studies in literature in various industries except in metal mechanic have shown that pricing strategies is one of many factors contributing to customer retention. In more studies in various industries have demonstrated that pricing strategies affect customers retention (Ebodey2012; Ndyamukama&Machibya 2015; Dewes 2009; Polo, Sese and Verhoef, 2011; Uma, Arif and Uma 2019). The proposed study investigated whether various pricing strategies have influenced customer retention in SMEs with particular reference to those involved metal fabrication in Mwanza city.

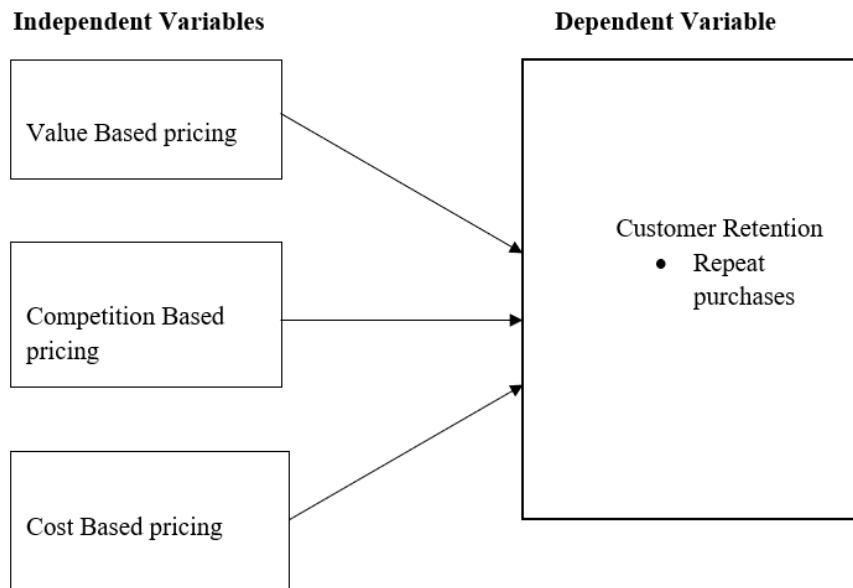


Fig.1: Conceptual Framework

Source: Researcher (2021)

### III. METHODOLOGY

This study adopted a mixed study approach as the examination had what and how sort of exploration questions, the review took on a blended technique approach that join both quantitative and qualitative examination strategies to acquire a superior information and inside and out comprehension of the review theme. This study targeted metal mechanics and fabricators located at satellite industrial sites of Nyakato, Igoma, Buswelu, MeccoNyasaka, and Pasiansi in Ilemela district and Mkuyuni, Buhongwa, Mkolani and City Centre metal works in Nyamagana district. Stratified random sampling was used to select metal work fabricators from the selected homogenous subsets and purposive sampling techniques was utilized for obtaining seven participants for face-to-face personal interview. Quantitative data collected through questionnaire was analyzed using Statistical Package for

Social Science (SPSS version 23.0) in which multiple regression analysis was derived. On the other hand, qualitative data collected through interview was analyzed using thematic analysis with the aid of Nvivo qualitative software which essentially grouped information in terms of themes, meanings and pattern from data.

#### 3.1 Demographic profile

In this study, majority of respondents (29.8% of 228) were aged between 26-35 followed by those aged between 36 and 45, aged between 20-25, aged between 46-55 and the least aged above 55 (See Table 1). More than third quarter (86.4% of 228) of respondents were male and the rest were female. Furthermore, nearly half of respondents (44.7% of 228) hold certificate level of education followed by the ones holding diploma, secondary certificates and bachelor degree (See table 1 for further inspection).

Table 1: Demographic profile (n=228)

Variable	Sub variable	Frequency	Percentage (%)
Age(years)	20-25	54	23.7
	26-35	68	29.8
	36-45	57	25
	46-55	31	13.6
	Above 55	18	7.9
Gender	Male	197	86.4
	Female	31	13.6
Education level	Secondary	47	20.6

	Certificate	102	44.7
	Diploma	59	25.9
	Bachelor degree	20	8.8

Source: Research 2021

#### IV. RESULTS

This part present the discoveries based on the study's objectives including the effect of value-based pricing strategy on customer retention, the effect of competition based pricing strategy on customer retention and the effect of cost based pricing strategy on customer retention among small scale metal mechanics and fabricators in Mwanza City.

##### 4.1 Effects of value-based pricing strategy on customer retention among small scale metal mechanics and fabricators in Mwanza city

Linear regression analysis results indicated that value-based pricing strategy have positive significant influence on

customer retention with the total average of 0.7495 which is acceptable. This implies that value-based pricing strategy contributes to customers' re-purchase intentions, hence in order to retain customers, metal mechanics and fabricators should consider using value based pricing strategy (See Table 2). Multicollinearity test results indicated that the model does not suffer from multicollinearity as VIF is ranging between 1.55-1.88 (See Table

Table 2: Multiple regression results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.760	.184		4.135	.000		
	Value-based pricing	.402	.061	.374	6.571	.000	.645	1.551
	Competition-based pricing	.130	.060	.135	2.157	.032	.531	1.882
	Cost-based pricing	.276	.050	.345	5.528	.000	.537	1.861

The quantitative findings obtained through questionnaire and analyzed using descriptive statistics and multiple regression analysis are in line with qualitative findings through interview. This is because the interviewees have revealed that value based pricing strategy matters in influencing customers' repeat purchases however the quality of products should be high and unique. For instance, one interviewee said that:

*"Value-based pricing is good especially for customers who desire high quality or unique products, nowadays people are motivated to use quality metal products in their construction sites and hence it is important to meet the desired quality of products in order to use value-based pricing. This pricing if done appropriately, our firm can attain customer retention"*

The findings of the current study obtained through questionnaire and interview concur with the findings from other studies. For instance Liozu (2013) revealed that value-based pricing strategy is a more modern pricing approach whereby if a firm achieve to meet expectation of customers can achieve both customer retention and maximize profit. Also consistent with the findings of Ingenbleek, et al (2003) that perceived value-based pricing has enormous contribution to customer repeat purchases and development of business as a whole. Furthermore, these authors demonstrated that the usage of value-based pricing is a key pricing practice for obtaining larger returns and for creating some kind of comparative advantage for the companies' offers.

#### 4.2 Effects of competition-based pricing strategy on customer retention among small-scale metal mechanics and fabricator in Mwanza city

Additionally, various relapse investigation results showed that opposition based valuing methodology have positive critical effect on client maintenance (See Table 2). This infers that the utilization of rivalry based valuing methodology by metal mechanics and fabricators have shown positive outcomes, the business people can win client maintenance. These discoveries are in accordance with talk with discoveries which additionally uncovered that opposition based estimating system is for the most part utilized by metal mechanics and fabricators in valuing their items and has tremendous commitment to clients' re-buy expectations. To put a lot of accentuation on this, one interviewee said that:

*"Generally me and my associates at this firm notice the cost charged by our rivals and charge lower costs as client moving in metal mechanics and manufacture business is normal, thusly we are extremely cognizant with regards to cost charged by our rivals to win more clients and guarantee rehash buys."*

These discoveries agree with the discoveries from other past investigations, for example Liozu&Hinterhuber, (2012) called attention to that considering contenders' cost through serious based estimating approach adds to consumer loyalty and rehash buys, notwithstanding, its inconvenience is that the interest related perspectives for the item are not thought of. Predictable with the discoveries by Diamantopoulos, (2005) that opposition based estimating system is extremely valuable for merchants who wish to amplify the volume of deals because of client rehash buys, this can urge even the contenders to bring down their costs. Nonetheless, a few scientists, for example, Ingenbleeketal.(2010)and Simon et al., (2008) tested that opposition based estimating may result to discounted net revenues and value war when the contenders likewise respond and bring down their costs. Nagle &Holden, (2003) added that utilizing rivalry based valuing is exceptionally perilous as it is extremely difficult for an organization to notice the creation costs caused by their rivals or their overall revenues, so an organization might bring about misfortune while its rivals create gain.

#### 4.3 Effects of cost-based pricing strategy on customers' retention among small scale metal mechanics and fabricators in Mwanza city

Furthermore, multiple regression results also revealed that cost-based pricing strategy have positive significant influence on customer retention. This implies that the use of cost-based pricing by metal mechanics and fabricators contributes to customer retention and encourage re-purchase intentions among customers (See Table 2).

The quantitative findings obtained through questionnaire and analyzed using descriptive statistics and multiple regression analysis concur with the qualitative findings through interview which also revealed that cost-based pricing strategy is also commonly used by metal mechanics and fabricators and has enormous contribution to customer retention. For instance, one interviewee said that:

*Cost-based pricing strategy is very useful as our kind of business involves production, therefore, the price we incur in buying materials as well as other costs involved determines the appropriate price to be charged for a product. This pricing strategy highly ensures profit making as a firm can hardly make loss and if applied properly it brings about fair price which in turn leads to customer retention.*

The findings of the current study are consistent with the findings of Urdan, (2005) that cost-based pricing contributes to customer repeat purchases as it enables the company to show to customers enough value on products and commercialized services; this justify the prices charged by the company and influence customer retention. In line also with the findings of Milan et al, (2013) who revealed that cost-based pricing approach contributes to customer satisfaction and retention at the same time it encourages companies to use better expenditure techniques as pricing is based on cost focus. Similarly, Simonet al., (2008) pointed out that cost-based pricing approach is very simple and popular as carries a sense of financial point of view. Liozu et al. (2011) added that most of companies are basing their prices on costs-based model as it has enormous contribution to the rise of profit margins and sustainable development of an organization.

## V. CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

This paper concludes that the use of value-based pricing, competition-based pricing and cost-based pricing strategies has enormous contribution on client maintenance among limited scope metal mechanics and fabricators in Mwanza City. Firstly it was seen that the limited scale mechanics and fabricators utilizes these evaluating methodologies at times relying upon the market circumstances. These market circumstances incorporates Market data assembled particularly in contest based estimating, costs associated with creation like material, work, warehousing, hardware in cost based evaluating and client needs and worth impression of the item in value based valuing methodology. For example, if their rival charges lower value they use rivalry based evaluating, if cost settle they use esteem based or cost-based, suggesting that there is no authority method of



embracing one static estimating system in value assurance among limited scope metal mechanics and fabricators in Mwanza City. Both estimating procedures are utilized as an endurance instrument by the limited scale metal mechanics and fabricators in Mwanza City since they do rely upon one another directly; The esteem based valuing is mostly used as the estimation of Product worth and it is more normal for administration presented by the fabricators, Secondly the cost based evaluating shows the measure of cash spend for an item and how much the clients will pay for it over and over, and contest put together evaluating is accomplished depending with respect to the expense based evaluating which might be charged relative relying upon your rivals. Thirdly it has been found that value based pricing procedure also has a positive effect on customer retention among clients of small scale metal mechanics and fabricators. This remarkable as clients will pay for goods when they match the value they attach to them. In general competition based pricing had greater influence on customer retention followed by Value based and Cost plus pricing policy.

## 5.2 Recommendations

This paper proposes the following recommendations in order to help small scale metal mechanics and fabricators and other entrepreneurs realize the contribution of pricing strategies such as value-based, competition-based and cost-based pricing on customer retention.

- (i) Small scale metal mechanics and fabricators as well as other entrepreneurs should study their customers' perceptions on the value of products they produce or sell and come out with quality products that their customers are willing to pay for. Also metal developers and owners should share their strategies for mitigating the risk of increasing prices of their metals.
- (ii) The Entrepreneurs including small scale mechanics and fabricators should offer products with unique features and highly valuable in order to take advantage of the value pricing model which is very profitable if done in a right way. By doing so these small scale mechanics will be in a position to compete with larger metal operators and companies as a result this will assure their customers to maintain constant quality.
- (iii) For improvement of competitive market environment, entrepreneurs must maintained the small scale metal mechanics and fabricators should observe the price charged by their competitors in order to take advantage of the competition-based pricing strategy, this

can be done by paying close attention to past fluctuations in competition demand. In small scale business it is not wise to lower your price in order to penetrate to the market the best way is to observe first the whole value of the commodity you are offering and finally you look for your competitors' pricing system. Also for better performance achievement Small scale mechanics should establish a set of superior resources such as skills, abilities and knowledge for effective improvement and increase of customer's repeat purchases.

- (iv) To ensure the business is making profit, small scale metal mechanics and fabricators should first understand their consumer demand within the market, review their costs and finally should calculate well the cost incurred in the production process and set reasonable prices that support profit making.
- (v) To improve Massive education programs such as trainings and workshops should be conducted to entrepreneurs like small scale metal mechanics and fabricators in order to help them determine price strategically using value, competition and cost plus pricing models rather than determining price depending on the circumstances without a specific pricing strategy in place. Also this knowledge will help these small scale Entrepreneurs to understand well which one is a truly price strategy that will meet customers' needs without affecting the whole product line pricing.

## 5.3 Areas for further study

This study opens avenue for future researchers interested to conduct further study related to pricing strategies and its effect on customer retention. Firstly, similar study can be conducted to other small scale entrepreneurs in other sectors such as those dealing with food and butchery products, farming and livestock keeping in order to create awareness of small scale entrepreneurs on pricing strategies. In addition, the same study can be conducted in another geographical area incorporating customer satisfaction as an intermediate variable on the effect of pricing strategies on customer retention.

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