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PRICING PRACTICES AS A DETERMINANT OF PERFORMANCE IN BAHIR DAR TEXTILE SHARE COMPANY, ETHIOPIA

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Abstract

The study intended to examine pricing practices in case of Bahir Dar Textile Share Company. Marketing strategies are used to apply product into market and attract customers. Their activity needs to match with every single market in different way and managers need to focus on customers' demands and potential competitors. They have to analyze all factors, which can influence customers' purchasing power and product choice. Organization's success is measured by the amount of selling as well as customer satisfaction and behavior which can be influenced by pricing strategy. The main research methodology adopted is descriptive study. The researcher has collected primary data using questionnaire and interview whilst the secondary data were obtained by document analysis. To collect primary data, purposive sampling technique for employees, random sampling for wholesalers, and time location analysis for customers were used. Both qualitative and quantitative analysis techniques mainly descriptive analysis tables, pie charts and percentage were employed. Findings revealed that the top three factors considered when setting the price of the company products are cost of production, competitors' prices for similar products and desired profit margins. Price sensitivity of customers and selling price of distributors is not taken in to account to set the price. Regarding to discounts and allowances, the company provides cash discount for prompt payment and quantity discount for volume purchase but not trade discounts to distributors for performing distribution functions and promotional allowances for performing some promotional activity. Product is the most important factor and price is second key factor which hampers customer satisfaction and organizational performance. Generally, pricing practices in Bahir Dar Textile Share Company was poor as per the investigation.

Keywords: *Pricing Practice and Strategies, Discount and Allowance Pricing, Bahir Dar, Textile Share Company, Product*

1. Introduction

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1.1. Background of the Study

The global trade in textiles and apparel was ~US$ 680 billion in 2012 growing at a rate of 5% per annum since 2005 which is approximately 4.5% of the trade of all commodities estimated at ~ US$ 15 trillion (ACTIF, 2013:65). Indeed, an analysis of the more successful companies in the world usually confirms their continued use of sound marketing principles. Marketing strategies are plans that specify the impact a firm hopes to achieve on the demand for a product or product line in a given target market (Guiltinan, 1997:169).

The company wants to design and put into action the marketing mix elements that will best achieve its objectives in its target markets. This requires the marketing manager to analyze, plan, implement, and control the strategies of each marketing mix elements. This is because, when a customer makes a purchase or engages in an exchange, what they are responding to is not just to the product, but to the whole range of variables which constitute the offer (Meldrum, 1995:11).

Price decisions must be coordinated with product design, distribution and promotion decisions to form a consistent and effective marketing program. Decisions made for other marketing mix variables may affect pricing decisions (Kotler, 2004: 348). If one of these is missing or wrong from the customer's point of view, a long-term relationship will be difficult to sustain. Effective marketing management weld these variables in to a coordinated whole in the market place in exactly the right combination for the target customers.

1.2. Textile industry in Ethiopia

The textile and clothing (T&C) industries form a major part of manufacturing production, employment and trade in many developing countries (Keane and Willem, 2008:7). Developing countries that are rapidly integrating into the global trade system are among the fastest growing economies in the world, one such example is Ethiopia. Ethiopia is one of the largest and most natural resource rich countries in Africa. (Alderin, 2014:6-7). The textile factory in Ethiopia dates back to 1939 in relation with Italian colonialism era, when the first industrial textile factory was established in Dire-Dawa in the name of Dire-Dawa textile mill. Since 2010, the Ethiopian government has put effort to improve, support, and expand the textile industry, serving the domestic market but mainly with the aim to export and be competitive at the global market (Abrehet, et al., 2015:1).

Bahr Dar Textile Factory is one of the Ethiopian textile factories established in 1961 in the town of Bahr Dar, 570km north of Addis Ababa. It is an integrated company, manufacturing 100 % woven cotton fabrics. It was after the institutionalization and new market economy policy of the current government that textile industry alike other investment ventures become fine-tuned to competitive production direction. Concerning the sector's capital contribution to national export market, generally speaking there is a vivid incremental improvement and growth. Achievement is mainly due to ever-increasing taste and preference by importers for textile productions which basically derive their input from cotton.

Almost all textile factories sustained serious capital, trained manpower, machinery and input supply problems. Bahir Dar Textile Share Company is among these factories which has passed its operation life with the similar problems. According to International Executive Service (2008: 3-5), among the major challenges faced by the Ethiopian Textile and Garment Manufacturers

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Association (ETGMA) is to provide marketing support to its member organizations and using Information Communication Technology (ICT) to increase effectiveness as an organization. Up on request from ETGMA, Volunteers for Economic Growth Alliance (VEGA) of Ethiopia and Africa Growth and Opportunity Act AGOA has conducted a marketing need assessment of the organization and it has prepared detailed terms of reference for the development of a website for ETGMA which is guided by founding objectives of organization and identified needs of its members.

The African Growth and Opportunity Act (AGOA) encouraged substantially new investments, trade, and job creation in Africa. It has helped to promote Sub-Saharan Africans integration into the multilateral trading system, and a more active role in global trade negotiations. It has also contributed to economic and commercial reforms which make African countries more attractive partners for U.S companies (AGOA, 2016).

There are many opportunities for Ethiopia becoming a competitive textile industry with necessary actors and production factors that are related to high labor force of young population and therefore a great opportunity for increased employment in Ethiopia (Berihu&Niguse, 2016:2). Today Ethiopia's garments and textile industry ranks amongst countries like China and Bangladesh in terms of industry output (ABA Rule of Law Initiative, 2017:3). Despite of their productivity, they are not performing well in pricing decision.

Thus, this research aims to study marketing practices of Bahir Dar Textile Share Company in terms of price, identify problems and provide feasible recommendations for improvement of problems identified.

1.3. Statement of the Problem

Ethiopian government has drafted "Sustainable Development and Poverty Reduction Program", in which it identified development and poverty reduction as the primary targets of the government "Agricultural Development-led Industrialization (ADLI)" as its principal strategy. Hence, there is major focus on the development of the cotton/textile/garment sub-sectors in Ethiopia (Chavan, 2010). Aim of this strategy is to help Ethiopia achieve sustainable economic growth and equity, including regional equity and self-reliance or independent national development. Despite these efforts, the performance of the sector is not satisfactory.

According to ETIDI (2012) cited by Aschalew (2017), in many Sub-Saharan African countries, the textile sector has suffered a decline in sales in recent years largely due to the inability to compete in the face of low cost and high quality production in Asia. Textile and Clothing (T&C) industries are very important for a handful of countries, in terms of trade, Gross Domestic Product (GDP) and employment and have contributed significantly in several countries (Keane and Willem, 2008:40). These can have a significant effect to the development of the country.

T&C industries provide opportunities for export diversification and expansion of manufactured exports for low-income countries that can exploit their labor cost advantages and fill emerging niches and meet buyer demands (Keane and Willem, 2008:40). The industries will help to reduce imports of textile if they meet domestic demand and increase exports of textile which have a positive effect on the balance of payment. This will be achieved if the company produces the most quality, performance and innovative features products, set a reasonable price, communicate and deliver its products to the right customer at the right time.

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Price is the strategic marketing variable that has the most direct impact on a firm's sales revenue (Stamate, 2014:3). According to Marsh (1988), cited by Stamate (2014) pricing is a very important element in the marketing mix for it is the only one, which produces revenue. Performance of an organization can be affected by different factors, including poorly designed pricing strategy. Even if an organization has sufficient resources to perform its activities effectively, the defect on the development of its pricing strategy hampers its effectiveness. As of (Dolan and Simon, 1996) cited by (Genessa M., et al., 2014:387) price defines a firm's competitive position in the market and consumers use price to evaluate quality of brand.

However, the studies that have been conducted in the field of pricing with in the marketing discipline are few. Hoffman, Turley and Kelley (2002) cited by Stamate (2014) noted that price remains one of the least researched areas of marketing. Understanding of why Bahir Dar Textile Share Company is beleaguered with problems to set an attractive price which hinders its competitiveness in the textile markets is critical issue to undertake a research. Moreover, the theme has not been adequately studied empirically in case of Bahirdar Textile Share Company. Hence, the study will fill this gap and aims to evaluate pricing practices of the company to identify the major problems which affect its performance.

1.4. Objectives

1. To investigate the major problems of pricing practices.
2. To identify factors that the company considers when setting the price of its products.
3. To pinpoint the types of discounts and allowances used by the company.

2. Methodology

2.1. Research Design

Descriptive type of research design was employed due to the study is conducted to describe the existing characteristics of pricing problems in Bahir Dar Textile Share Company. Moreover, the study is explanatory (analytical) as the aim is to analyze and explain why a phenomenon is happening rather than merely describing the findings.

2.2. Research Approach

As the aim is to get a better understanding of the company's pricing problems, the researcher considered both qualitative and quantitative approaches as more relevant.

2.3. Sources of Data

To achieve the objectives of the study, both primary and secondary sources of data were used. Primary data had been obtained from employees of the company- from top level, middle level and lower level managers and experts. On the other hand, wholesalers and customer of the products of the factory were other sources of primary data. Secondary data had been collected from reports in the company, books, journals, websites, published and unpublished materials.

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2.4. Sample Design

Target populations that the researcher made proper inference were employees of marketing, production, quality control and planning departments, wholesalers and other customer groups of Bahir Dar Textile Share Company. There were 150 professional employees in the selected departments/managerial and non-managerial/and the company has a total of 6 wholesalers, two were found in Bahir Dar town and others (four) in Addis Ababa but it was difficult to know the exact number of customers due to there was not organized and recorded list of these customers.

Based on the nature of the respondents and the need of reliable and relevant data to achieve the stated objectives, the researcher used both probability and non probability sampling methods. Of the non probability sampling, taking into account different factors, the researcher selected purposive sampling technique for employees due to all employees didn't have the same knowledge about pricing practices. Thus, in this type of sampling technique, the investigator had complete freedom in choosing the sample according to respondent's knowledge about the study area. Moreover, purposive sampling is low cost, less time consuming, and as good as probability sampling. The researcher selected the sample based on judgment about some appropriate characteristics required from the sample members. The criteria of selection were:

A. Being professional employee- respondents with educational background of BA or BSC holders and above have given more weight to get reliable information and increase returnable response rates.
B. Their expertise about the study area was also another criterion. The intent is to select the elements that are believed to be typical or representative of the population.

The sampling procedure that had been used for wholesalers and customers is probability sampling. Samples of 3 (50%) of wholesalers were selected using simple random sampling method from Bahir Dar & Addis Ababa. Time- location sampling (TLS), also known as time-space sampling has been used to identify customers. This sampling is used to collect information from hard- to – reach populations but locations are known at which the population of interest can be found or for which it is more efficient to sample at these locations. From each 3 sample branches of wholesalers, 100 customers were taken as a sample by considering pattern of their arrival in mind to distribute the sample elements throughout the population. That is a fixed time interval is set by the researcher and those who arrived within that range of time were taken as a subject of this study from each branch. The remaining 124 customers were taken by assigning another location in Merkato at Military Street both wholesalers, customers and retailers were available in that area.

A sample of 45 (30%) of the respondents were selected. 15 top, middle and low-level managers in different departments had been taken as a sample to have more vivid information about the marketing strategies. Other 30 members of the sample were from experts and experienced employees. The researcher selected 3 wholesalers randomly through lottery method. Finally, the sample size for customers was 424 that is 100 customers from each 3 wholesalers and 124 from Merkato/Military Street/. Sample size of customers was determined based on statistical calculation using 95% confidence level and as there is no previous work done in similar topic to researcher's knowledge, the probability of 50% had been taken.

$$n = \frac{Z^2 * P(1-P)}{e^2}$$

Where Z = level of confidence
e = possible error

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P= Probability for occurrence
1-p = non occurrence
Z= from normal distribution table at 0.05 is 1.96
n= the sample size

$$n = \frac{(1.96)^2 * 0.5 * (0.5)}{0.05^2}$$

n= 385

For non respondents 10% had been added:

385 × .1 + 385
= 38.5 + 385 = 423.5 ≈ 424

Total sample size of customers is 424.

2.5. Data Collection

Cross-sectional survey method was selected using questionnaires and personal interview due to questionnaire requires low cost even for larger sample size and it is free from bias of interviewer whilst interview helps to get vivid information from the respective managers and wholesalers. Questionnaire includes both open ended and close- ended (five points summated rating scale) questions.

The researcher distributed the first questionnaire to customers to get sufficient information about affordability of the price, availability of discounts and allowances and credit facility. The second type of questionnaire is developed for the employees of the organization to acquire sufficient information about: how they set their price- the factors considered while setting their price, types of discounts and allowances and credit facility. Secondary data has been collected from different documents in the company, books and websites.

2.6 Data Analysis Method

The researcher edited, coded and organized the data to make it easy for analysis and SPSS version 20 software was used for analysis. Specifically, descriptive statistics-tables, pie charts and percentages had been used to analyze the data.

3. Results and Discussion

This part dealt with major findings of the study. Questionnaires were distributed to two groups of respondents- employees (45) and customers (424) of the company. Only 37 respondents from employees 'and 307 respondents from customers' returned questionnaire. All the necessary results obtained from the respondents are presented and discussed in this section.

3.1. Target Market

Table 1: Target market identification of the company

Item		Frequency	Percent
Did the company identify its target market?	Yes	9	24.3
	No	28	75.7

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Item		Frequency	Percent
Did the company identify its target market?	Yes	9	24.3
	No	28	75.7
	Total	37	100.0

Source: Survey questionnaire, 2012

Table 1 above indicated that most of the employee respondents which accounts for 75.7% replied that the company didn't identify its target market. Only 24.3% of them declared as the company identified its target market. This shows that the company produces its products without clearly identifying market segments and without clearly defining its target market. The company ignores differences in customer segments and makes its product for the average customer. This implies that, it is difficult to identify price sensitive customers with others to design their products and set their price accordingly.

Local Market: As of the interview with managements, Bahir Dar Textile Share Company shares the local market and the limited quantity of exports with other major mills like Hawassa, Almeda, Kombolcha and others. The company produces similar fabrics by outdated technology machines of spinning, weaving, and finishing and therefore the competition becomes hard on which the company faced serious marketing problems.

Export Market: As of the interview with managements, the company is unable to satisfy the export market in quantity as well as quality. As a result, the export market share is drastically reduced by volume and value. The product is totally insignificant and/or almost no share in the international market; and most of its products are sold in domestic markets due to low quality grade. The factory is unable to satisfy its customer's requirement in quantity, quality and delivery. As a result, the organization has lost a lot of customers in export market.

3.2. Customers' View of the Company's Pricing

Table 2: Customers' opinion towards the credit facility of the company compared to other textile factories

Items		Frequency	Percent	Valid Percent	Cumulative Percent
Credit facility	Very good	31	10.1	10.6	10.6
	Good	4	1.3	1.4	12.0
	Similar	0	0	0	12.0
	Poor	9	2.9	3.1	15.1
	I don't know	248	80.8	84.9	100.0
Total		292	95.1	100.0	
Missing system		15	4.9		
Grand total		307	100.0		

Source: Survey questionnaire, 2012

As can be observed in table 2 most of the respondents (84.9%) didn't know about the credit facility where as 10.6% and 1.4% of them rated as it is very good and good respectively. Only 3.1% said poor. As of the interview with managements, credit facility is offered to the wholesalers and some customers only. That is why majority of customers didn't have information about the credit facility.

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As pointed out by the management, the company did not have direct relationship with customers other than wholesalers. This indicates that, the company was not effective in developing relationship with its customers; identifying their interest, designing and applying attractive pricing strategies in order to improve its organizational performance by satisfying customer needs.

Table 3: Affordability of price of the company

Items		Frequency	Percent	Cumulative Percent
Price of the company products is	Cheap	2	.7	.7
	Reasonable	132	43.0	43.6
	Expensive	173	56.4	100.0
Total		307	100.0	

Source: Survey questionnaire, 2012

As it is clearly shown in table 3 above, 56.4% of the customer respondents confirmed that the price of the company is expensive and 43% of them replied that the price is reasonable. Only 0.7% agreed as the price is cheap. From the result one can conclude that currently the price is expensive for most of the customers.

The factory has two competitive advantages; the first one is proximity of cotton raw material. The major raw material, cotton, is locally available. The company is situated 160 Km from its main supplier, Gondar ginnery. And the second one is Blue Nile River used for production process. Other textile factories get only by extracting underground water and this has different metallic problems to make the water soften it needs time and cost. But in case of Bahir Dar Textile Company, such type of problem is solved by Blue Nile River which is naturally soft. However, this advantage didn't help the factory even to reduce its price to some extent. This implies that the factory has problems which need improvement.

Table 4: Frequency of respondents opinion based on some selected determinants of price

Items		Employees		Customers	
		Frequency	Percent	Frequency	Percent
1. The company provides different discounts and allowances	Agree	25	67.6	2	.7
	Neutral	3	8.1	233	75.9
	Disagree	9	24.3	72	23.5
2. The company provides credit facility	Agree	33	89.2	35	11.4
	Neutral	3	8.1	269	87.6
	Disagree	1	2.7	3	1.0
Total		37	100.0	307	100.0

Source: Survey questionnaire, 2012

The variables mentioned in table 4 above are believed to be the determinants of pricing strategies at different degrees. Comparison of the results of the employees and customers respondents reveals some similarities and some differences. The availability of discounts and allowances were agreed by 67.6% of employee respondents but 75.9% of customer respondents are neutral with the statement. As of the interview with managers, the company offers discounts but not allowances for wholesalers but customers are not aware of this practice since they didn't have direct relationship with the company.

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Another major gap in the views of the two groups of the respondents is provision of credit facility. Almost all (89.2%) of employee respondents agree with the availability of credit facility but 87.6% of customer respondents are neutral. According to the interview with managers and wholesalers, the company is best in providing credit facility. As of the above result, this also shows that the company didn't have direct relationship with its customers.

3.3. Factors Considered to Set Price of the Products

The choice of a product's selling price is one of the most fundamental decisions managers must make. Question is forwarded to management /employees/ about the factors considered when they set the price of the company products.

Table 5: Factors considered when setting the price

Items		Frequency	Percent	Cumulative Percent
1. Price sensitivity of customers is considered	strongly agree	1	2.7	2.7
	Agree	2	5.4	8.1
	Undecided	5	13.5	21.6
	Disagree	7	18.9	40.5
	strongly disagree	22	59.5	100.0
2. Cost of production is considered	strongly agree	17	45.9	45.9
	Agree	20	54.1	100.0
	Undecided	0	0	100.0
	Disagree	0	0	100.0
	strongly disagree	0	0	100.0
3. Desired profit margin is considered	strongly agree	0	0	0
	Agree	19	51.4	51.4
	Undecided	18	48.6	100.0
	Disagree	0	0	100.0
	strongly disagree	0	0	100.0
4. Competitors' prices for similar products are considered	strongly agree	31	83.8	83.8
	Agree	3	8.1	91.9
	Undecided	1	2.7	94.6
	Disagree	2	5.4	100.0
	strongly disagree	0	0	100.0
5. Distributors' selling price	strongly agree	1	2.7	2.7
	Agree	2	5.4	8.1
	Undecided	7	18.9	27.0
	Disagree	6	16.2	43.2
	strongly disagree	21	56.8	100.0
Total		37	100.0	

Source: Survey questionnaire, 2012

As can be seen from table 5 above more than 78% of the respondents didn't agree about considering price sensitivity of costumers during price setting. Only 13.5% and 8.1% of the

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respondents were undecided and agree with the statement respectively. This implies that the company didn't analyze its customer's ability to purchase before deciding the price. Having this result in mind, the company has to emphasize on its pricing strategies and the customers' ability to buy. Pertaining to the cost of production, all respondents replied positively, agree (54.1%) and strongly agree (45.9%) that the company considers cost of production when setting the price. None of them replied disagree `or strongly disagree with the statement which shows that cost of production is the major factor considered to set the price.

The above table item 3 also shows that all respondents who account for 51.4% and 48.6% agree and undecided to the consideration of profit margin which shows desired profit margin is another element considered but it is not major factor. Regarding competitors prices for similar products 83.8% of the respondents strongly agree. Only 2.7% and 5.4% were undecided and disagree respectively. This implies that competitors' price is other major factor considered at the time of price setting which makes the company price taker.

On the other hand, 56.8% and 16.2% of the respondents strongly disagree and disagree for distributors' consideration respectively. This result shows that, the company didn't take into account the selling price of wholesalers and retailers when setting its price. Similarly, as of the interview with managers, the company didn't take in to account distributors selling prices while setting their price. From the result of table 5 above, one can conclude that, the top three factors considered when setting the price of the company products are cost of production, competitors' prices for similar products and desired profit margins.

As of the interview with managers, sales prices of the company's products are based on competitors' prices, but are supposed to be regularly revised on the basis of the cost of production. The production cost of the factory is too high or efficiency of machinery is low and productivity of labor is low. These results high price which always complained by customers, so that competitiveness in the market becomes difficult. As compared with the latest technology, the spinning production cost of BTSC is two times higher than the latest technology of machines regardless of the quality difference.

In case of pricing decisions, the need to understand competitors' price behavior is particularly important, since in many industries a competitive attack can be launched most readily and effectively through the price mechanism. But, as of the interview with managers, the company is unable to compete in price. This is due to very high operational costs, very low productivity of production machineries and high wastage rate in every production stages.

3.4. Discount and Allowance Pricing

As it is revealed on kotler (2004; p, 375) most companies adjust their basic price to reward customers for certain responses, such as early payment of bills, volume purchase, and off-season buying. These price adjustments called discount and allowance offered can take many forms.

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Table 6: Types of discounts and allowances offered

Items		Frequency	Percent	Cumulative Percent
1. Cash discount for prompt Payment	strongly agree	13	35.1	35.1
	Agree	21	56.8	91.9
	Undecided	3	8.1	100.0
	Disagree	0	0	100.0
	strongly disagree	0	0	100.0
2. Quantity discount for volume purchase	strongly agree	14	37.8	37.8
	Agree	20	54.1	91.9
	Undecided	1	2.7	94.6
	Disagree	0	0	94.6
	strongly disagree	2	5.4	100.0
3. Trade discount to distributors for performing some functions	strongly agree	0	0	0
	Agree	2	5.4	5.4
	Undecided	14	37.8	43.2
	Disagree	16	43.2	86.5
	strongly disagree	5	13.5	100.0
4. Promotional allowances for performing some promotional activity	strongly agree	00	0	0
	Agree	3	8.1	8.1
	Undecided	5	13.5	21.6
	Disagree	25	67.6	89.2
	strongly disagree	4	10.8	100.0
Total		37	100.0	

Source: Survey questionnaire, 2012

As can be seen from table 6 above 56.8% and 35.1% of the respondents agree and strongly agree with the provision of cash discount for prompt payment respectively. Only 8.1% of them are indifferent whether the company provides discount or not. This indicates that the company provides cash discount. About 92% of the respondents recognize that quantity discount for volume purchase is provided in the company. Moreover, as of the interview with management

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cash discount and quantity discount are commonly offered to wholesalers. 56.7% of the respondents didn't agree about the practices of trade discounts and other 37.8% are indifferent which implies the absence of trade discount to distributors for performing some functions. Similarly, 78.4% of the respondents didn't agree with the provision of promotional allowances. Thus, the company provides cash discount and quantity discount but not trade discounts and promotional allowances.

To compete successfully against a discount dominated retail environment, apparel retailers and brands are forced to reduce costs and increase economies of scale, or increase prices and redefine their positioning (Standard and Poor's, 2004b). Unless a firm finds alternative ways to compete, the decline in competitive advantages in today's marketing environment will be detrimental to a company's success.

The main pricing objectives of the companies were identified as growth in sales, achievement of the target return and profit maximization (Pathirana and Heenkenda, 2011: 86). These are the main pillars for organizational performance. Thus, the company has to integrate different types of discounts and allowances to increase sales which intern can improve performance.

3.5. Performance of the Company

Table 7: Frequency of employees about the performance of the company

Item		Frequency	Percent	Cumulative Percent
1.Performance of the company is	Very good	3	8.1	8.1
	Good	14	37.8	45.9
	Poor	20	54.1	100.0
	Total	37	100.0	

Source: Survey questionnaire, 2012

As it is portrayed in the above table, majority (54.1%) of the respondents agreed that the overall performance of the company is poor. The remaining 37.8% and 8.1% of them replied that the company's performance is good and very good respectively. This shows that the performance of the company is not as such satisfactory. Regarding to the financial performance, low exports sales volume is attributed to companies'inability to be competent in the international market mainly due to the products' low brand image. Besides, the companies' inability to conduct market research to identify the needs of the market remains their marketing challenge to date (Aschalew, 2017: 213-214).

As of (Ramani & Kumar, 2008) cited by Aschalew (2017) the non financial performances measurements include market share, ability to attract new customers and retaining the existing ones, and the companies' innovation and ability to introduce new products as per the need of the market. Accordingly, there must be a shift from current practices in their marketing strategies including pricing in order for the company to be competitive and relevant, as the government intended.

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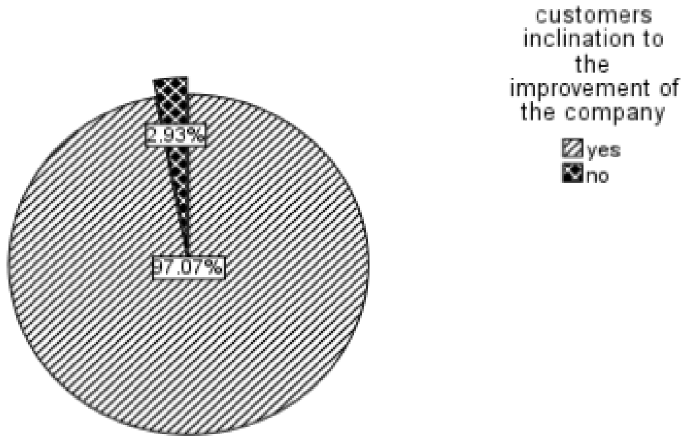

Figure 1: Customers' tendency for the improvement of the company
Source: Survey questionnaire, 2012

As can be seen from figure 1 above 97.07% of customer respondents believes that the company needs improvement. Only 2.93% of them have reverse idea. This implies that, the company needs drastic improvement to achieve its organizational objectives by satisfying customers.

3.6. Customers' Intention to Shift to Products of Other Textile Factory

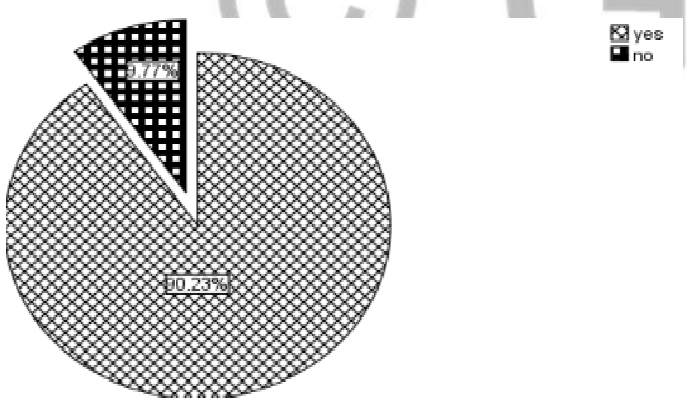

Figure 2: Customers' intention to shift to the products of other factories
Source: Survey questionnaire, 2012

As it is observed from figure 2 above 90.23% of customer respondents have an intention to shift to other factory's products if they get another option that fulfills their interest. Only 9.77% of customer respondents confirmed that they will be loyal customers. This shows that most of the customers need to change the products of the factory if it will not improve its quality and other basic variables such as pricing.

As of the interview with wholesalers, they purchase products of Bahirdar Textile Share Company because of shortage of supply in the market. The company is in risk if competitors start to produce quality products that satisfy the market demand with affordable price.

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4. Conclusion and Recommendation

4.1. Conclusion

For any business firm its product and pricing approaches are the crucial parts of its performance. Thus all business firms should manage these elements effectively. Even if organization's profitability is an outcome of all of its activities, it is greatly influenced by its product strategy since this is the element that can generate sales and pricing strategy since it is the only element that can generate revenue. This study found that the company didn't identify its market segments and target markets clearly. Thus, without specifying a clear target market, it becomes difficult to develop an effective product and pricing strategies.

Low productivity, low product quality, low efficiency and high wastage rate caused by obsolete production machineries and lack of proper machinery maintenance are the main problems of the company. These problems restrict seriously the development of its strategy.

The company follows a cost based and competition based pricing strategy and to some extent it takes in to account desired profit margin, thus it increases the price of its products from time to time. Price sensitivity of customers and distributors selling price were not considered which hinders some groups of customers from using the company's products. The study also found that the company didn't give due attention to offer trade discounts and promotional allowances to distributors to motivate them to perform better sales.

In marketing concept, the aim of every organization is generating profit through customer satisfaction to improve organizational performance. But as per the finding, most of the employee respondents agreed that the performance of the organization is poor. Consequently, customers' inclination to the improvement of organizational performance is high.

4.2. Recommendation

To curb the current situation, it is very essential for the company to build its capacity in all rounds to become competitive enough in quantity and quality in the global market. For the future success of Bahirdar textile Share Company, it will be important to continue to carry out a stringent cost reduction program, but it is to be recognized that cost reduction alone is a dead-end street. The real success will have to come from the development of new markets and new customers. Most of the customers in our country are price sensitive. Therefore, the cost of production should be reasonable to attract and satisfy both current and potential customers. To achieve this, the company has to find ways to change its outdated machineries that mainly results high cost of production, in collaboration with different stakeholders (governmental and nongovernmental organizations).

Marketing research is an essential tool for continuous assessment and improvement of every marketing activity. Thus, management of the company should give emphasis for market research to improve the product quality, price and satisfy customers, which attracts more customers and helps to improve organizational performance.

Bahirdar Textile Share Company has to share experiences with other best and competent textile factories and employ modern systems and skilled man power for the development of quality products and services and set affordable price. Moreover, the company should involve main

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wholesalers in the planning process in order to get supportive feed back since wholesalers have more information about the products and services of other textile factories.

The company should improve its quality through improvement of production machineries, improvement of raw materials purchase, creation of quality awareness to all employees and continuous training, introducing and implementing quality standards for inputs and outputs process to solve the problems of quality phase by phase. For each activity the company should follow the principles of marketing process, based on the principles of “value creation and Delivery sequence”

A) Choose the value:
   - Customer Segmentation
   - Market selection focus (targeting)

B) Provide the value:
   - Product development /developing a good quality product/, employing a creative product designer and developing an attractive package.
   - Service development such as- giving training and incentives for the selected sales peoples of wholesalers in order to motivate them to attract customers.
   - Developing an appropriate pricing system.
   - Distributing (servicing) such as- giving door to door and timely delivery to wholesalers by covering transportation costs.

C) Communicate and deliver the value:
   - Value positioning by using different promotion tools as necessary.
   - Participating in international trade fairs, and exhibitions.
   - Promotion of company profile and products through the company web site and other communication media.

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