International Economics

Factors Influencing Pricing Decision: Evidence from Non-Financial Firms in Nigeria

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Abstract: This study examines the significant factors influencing pricing decision in Nigeria. The study is based on the appraisal of the factors that influence pricing decision using 100 non-financial companies listed on the Nigeria Stock Exchange (NSE) in 2013. The cross sectional data was obtained from annual reports of the sampled firms which were analyzed based on OrdinaryRegression model. The results revealed that cost of sales has an insignificant positive effect on pricing policy, while company's objective and consumer perception has significant positive relationship on pricing policy. On the external determinants, market demand and availability of close substitute has a significant negative effect on pricing policy while macroeconomic trend and market segment has insignificant negative effect on pricing policy. This study therefore suggests among others that, effort should be made on reducing cost of production in order to maximize profit.

Keywords: Cost of Sales; Company's Objective; Market Demand; Macroeconomic Trend; Consumer Perception

JEL Classification: G32; M21

1 Introduction

Every business organization today is faced with challenges of maximizing shareholders returns and to also remain competitive in the ever changing market. The profit maximization motive and the task to remain in the market pose a burden of duties on managers. One of this huge function is pricing decision. The ultimate goal of any pricing decision is the achievement of the organization set objectives. The objectives of organizations may varies depending on the nature of the business. However, for every profit oriented business, their major goal is profit maximization which can highly be influence by pricing policies.

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Profit maximization can be achieve through different means, firms may focus on cost reduction, increase in market share, entering of new market, setting of high price, etc for their profit maximization objective. In the strategic management school of thought, the business level strategy of any organization can be cost leadership or product differentiation targeted at achieving organization set objectives. The cost leadership strategy can be achieve through minimization of cost than the competitors while on the other hand, product differentiation strategy is targeted at producing high quality product. In the economic theory, it has been argued that irrespective of the type of business level strategy adopted by an organization, the consumers cost leadership product differ from the consumer of product differentiation product.

Pricing as one of the 4 p's in marketing mix is the process of attaching a monetary value to a product or service. Price can also be describe as the consideration given and received by the customer and seller respectively in the exchange of goods and services. Thus, pricing policy is a crucial decision for any business organization. Business organisation survival and profitability depends on its pricing decisions, thus price is the only element in the marketing mix that produces revenue and thus ensures profitability (Kotler and Keller, 2006). Effective pricing decision is tool for achievement of organization set objectives and may be a sufficient conditions to meet the long term organizational goals. Pricing policy, if properly planned and evaluated can be a competitive weapon in the ever-dynamic market. However, it is evident that management has a big responsibility before them in setting and adopting the most advantageous pricing policy.

Hilton, (2005), observed that both the market forces of demand and supply and the cost of production have a significant effect on determining prices. Equally explained that there are other variables that influence pricing decisions which includes; manufacturer pricing objectives, economic situations, level of competition, and availability of close substitute. Thus, price management is a crucial element in marketing mix and competitive strategy and a key determinant of organization performance. Similarly, price is the measure by which consumer (industrial and household) judge the value of an offering, and it strongly impacts brand selection among competing alternatives (Shipley and Jobber, 2001). A rational consumer compare prices before taking buying decision. However, it is pertinent to note that, the price of any commodity should be able to justify it value.

There are varying opinions in literatures as regards pricing decisions, the issue of different companies with the same product of the same quality in the same market offering different prices is still an unresolved issue as there are different argument on the determinants of pricing policy. Although, there are similar factors in literature as regards the determinant of pricing decision. Many organization failure is as a result of inability to offer and take effective pricing decisions. The fact that

pricing decisions is a strategic decisions, many organizations still stumbling around in identifying appropriate factors that influence price.

To the best of our knowledge, most studies on pricing policy are carried out in developed economy, (Cabrales and Martin, 2007; Balaji and Ragavhan, 2007; Ros 2010; Volpe, 2011) while few studies has been carried out in emerging economy (Avlonitis and Indounas, 2005; Popa and Ciobanu, 2014). However, in Nigeria, few studies on pricing policy exist (Obigbemi, 2010) while, to the best of our knowledge all of this studies in Nigeria lack quantitative empirical result. Thus, this call for more research in this area to provide empirical results to fill the knowledge gap.

This present study tends to examine the determinants of pricing policy in Nigeria non-financial sector using 100 listed non-financial firm on Nigerian Stock Exchange in 2013.

2. Theoretical Framework

Sije and Oloko (2013) citing Donald (1985) posited that, when the relative price of something goes up the quantity demanded of that thing will go down. It does not mean that the cheaper goods will be demanded nor does it say that changes in commodity prices change what is demanded (Donald, 1985). The income and prices that consumers face limit their choices, but within these limits the exact amounts of goods (or bads) they choose are a matter of taste (Donald, 1985). A consumer's taste for two goods such as a guitar lesson and beer can be described as a hill of utility (Donald, 1985). It is not always true that subsidies to a price or gifts of goods increase the amount consumed (Donald, 1985).

The way in which a consumer facing the usual offer reacts to a fall in price splits naturally into two parts. On the transport axis, the substitution effect is the move from a relatively lower price to a higher price, the substitution effect is the move from the start to the free point, the income effect being the move from the free point to finish (Donald, 1985 cited in Sije and Oloko, 2013). The real point is that the increase in transport for example bought after a fall in price depends on two features of consumer's indifference map (Donald, 1985). It depends, first on how sensitive he is at a given real income to changes in price, the substitution effect that is how great the curvature of an indifference curve (Donald, 1985) is. Secondly, depends on how sensitive he is at a given price to changes in real income, the income effect that is how much more transport he buys as he moves up to the higher indifference curve (Donald, 1985).

2.1 Determinants of Pricing Decision

The essential factors that influence pricing decision can be categories into two main heading; the internal factors and the external factors. The internal factors includes; cost of production, channels of distribution and the company objective while the external factors includes; market demand, market competition, macroeconomics trends, market segment and consumer perceptions. These factors are consider below;

Internal factors

The internal factors are factors that can be control, determine and process by the organization. This factors are mostly in relation with the organisation business level strategy and greatly influenced by the nature of busniess. The internal factors are;

a. **Cost of Production:** In any pricing decision, the cost of production is major factor that determine the price. This is the cost incurred by the organisation in the production of goods or service. The cost include the fixed cost and variable cost, the cost is mostly refer to as total cost. The cost of production is largely influence by the supplier cost, macroeconomic trends and the nature of business. In an economy with high inflation rate, the cost of production will rise except where the organisation is monopoly of its supply.

b. **Channels of Distribution:** The cost of distribution and the channel of distribution is also a good determinant of pricing policy. 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 must be considered, so that the final price set by the retailer will not affect demand negatively. For some product, producer may need to set standard cost to control for any form of hyper price setting by the wholeseller or the retailer.

c. **Company's Objectives:** The company's objective is also another determinant of pricing decision. Some organisation set a cost plus pricing. In such case, a percentage is added to the cost of production in order to arrive at the price. The arguement here is that, the company's objective is profit maximization and therefore a pricing decision must be one that will consider the profit maximization 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's objective.

External factors

The external factors are those factors that are not within reach of the organisation. They are external because there are many parties that determine and control these factors. The business organization is a party to the external factor and cannot

control or determine the aggregate indicators of these factor. The external factors includes;

a. **Demand:** For a new product, there is need to price such product strategically in such a way that it penetrates the market, even if 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.

b. **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.

c. **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.

d. **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 for the masses.

e. **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.

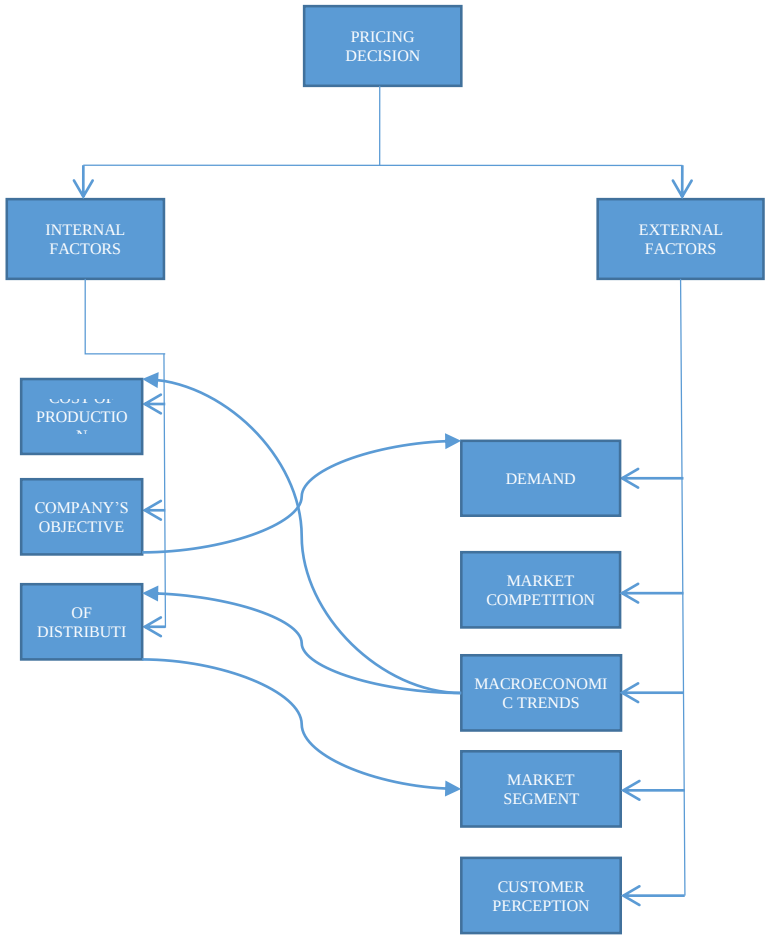

Figure 1. Authors Compilation; Conceptual model on determinants of pricing policy

2.2 Empirical Literature Review

Huang, Hahn and Jones (2004) examine the Determinants of Price Elasticities for Store Brands and National Brands of Cheese using six stores within the period of 2000-2002. The results show that several factors affect price sensitivities and also that shoppers in lower-income stores are more price sensitive than those in higher-income stores. They also suggest that higher market shares have not reduced the price elasticity for store brands.

Kajisa and Akiyama (2004) examine rice pricing policies in Thailand, Indonesia, and the Philippines from 1960-1990. The findings of the study confirms that price stabilization has been a major policy achievement, it also reveals that stabilization

was not necessarily enjoyed or experienced during the study period. The study reveals that political factors such as entry into the GATT, increase in per capita GDP and achievement of rice self-sufficiency are the major determinants of rice pricing policy, but the ways in which these determinant have impacted policy differs among these countries.

Katta and Sethuraman (2005) studied the problem of designing a profit maximizing pricing-scheduling policy for a capacity-constrained firm with a heterogeneous customer base by considering the problem of pricing policy developed for customers arriving at a service facility, with the objective of profit maximizing, when the value of service and time-sensitivity of a customer are private information. The main conclusion they arrive at is that under certain conditions it might be beneficial to pool customers of different characteristics together and treat them equally; this happens because customers themselves select their service class.

Avlonitis and Indounas (2005) explored the pricing that service companies pursue along with the different pricing methods adopted by 170 companies in 6 different sectors in Greece. The data were collected with interview and analysed strictly using qualitative technique. The study reveal that the pricing method adopted by vast majority of the sampled firmd are cost-plus and the pricing is base on market average price and the study also reveals that pricing objectives and pricing method are highly related.

Balaji and Ragavhan (2007) examined the influence of psychological pricing on price rigidity of the retail sector in USA from 1989-1997. The company make use of 10 brand which were analysed using ANOVA. The findings shows a significant difference in the pricing strategies that various brands adopt. The study was concluded that brand drives pricing strategy and that differential pricing strategies is not followed by the stores at the individual level. This observation indicates that pricing strategy is not driven by the store level demand and is determined at a more aggregate level.

Cabrales and Martin (2007) examined price determination in pharmaceutical markets using data from countries and six years period from 1998-2003.The study revealed that market power and the quality of the product has a significantly positive impact on prices. The study shows that the U.S. companies prices are not significantly higher than those of countries with similar income levels.

Ros (2010) examined the main determinants of pricing in the Mexican domestic airline sector using 10 airlines. The data were analysed using ordinary least square (OLS) was used for analysis. The results of the study reveals that the existence of at least one low-cost carrier on a route is associated with prices that are approximately 30 percent lower.

Moura and Junior (2010) studies the frequency of price changes from a survey data on 281 Brazilian companies 2007 and the analysis was carried out using OLS regression. The study revealed that wage duration, the degree of competition, product specialization, the elasticity of demand and economic sector dummies mostly explained price change duration. The empirical results do not refute time dependent models since those are consistent with different price durations across firms; however they refute somewhat commonly used macroeconomic modeling for monetary policy evaluation.

Obigbemi (2010) investigate the impact of change in price on the sales turnover of selected SMEs in Ogun and Lagos State, Nigeria. A qualitative technique was adopted with 200 respondents. The data were analysed using student t-test. The study revealed that there is a relationship between change in cost of sales and turnover and further suggest that frequent and adequate monitoring of SMEs and that the service of price expert should be employed when making pricing decisions by SMEs.

Breitenfellner, Cuaresma and Keppel (2010) examined some thirty potential determinants of crude oil prices for a 26 years period which ranges from 1983-2008. The findings of the study suggest that the significance of individual factors varies over time. i.e. no single factor dominates or remain unchanged during the entire period under review.

Volpe (2011) Evaluating the Performance of U.S. supermarkets by considering pricing strategies, competition from hypermarkets, and private labels. The ordinary least square regression was used in the study to analyse the data. The findings of the study is that performance was significantly improved for stores operating near competitors with similar pricing strategies.

Srinivasan (2012) examined the fundamental determinants of share price in India. The study makes use of panel data consisting of annual time series data over the period 2006-2011 and cross-section data which takes into consideration 6 major sectors of the Indian economy which includes the manufacturing, energy, IT, industrial, pharmaceutical and commercial banking sector making use of the fixed effects model as well as the random effects model to explore the fundamental determinants of share price of different industry groups in India. The findings show that earning per share and price-earnings ratio has been the major determinants of share prices of the above mentioned industries. The findings also indicate that size is a significant factor in determining the share prices of all sectors under consideration except manufacturing.

Stevens (2012) presents the dynamic price-setting problem of a firm that cannot observe market conditions for free. The finding of the study is that, firm optimally selects only infrequently accept policy reviews, and that between the reviews, the firms implements a simple pricing policy that consists of a small set of prices.

Yazdani, Khorsand, Mahdizade and Sharami (2013) assess pricing strategies and goals in industrial marketing by define pricing, also the price setting procedure in industrial marketing is expressed, identifying barriers and factors influencing pricing and pricing strategy. The study classified the factors affecting price into internal and external factors and also highlight four adjusting prices policies as follows; geographical pricing, price discounts and cost deductions, advance pricing and discriminatory pricing.

Sarumathi (2013) focuses on economic concepts in pricing, the factors determining the E- pricing policies and strategies where the only element in the marketing mix that produces revenue is price, and that is the aggregate of all the values that customers exchange for the utility that they enjoy from using the product or service. The managerial tasks involved in pricing product include establishing the pricing objectives, identifying the price governing factors, ascertaining their relevance and importance, determining product value in monetary terms and formulating price policies and strategies and also that the demand and competitive ability of firms are affected by price of the product. The study revealed the factors determining the price of company product and categorizes them into internal factors (the desirable market positioning of the firm, the characteristics of the product, cost of sales, marketing cost and turn around rate of the product etc) and external factors (Bargaining power of the customers, bargaining power of the major suppliers, competitors' pricing policy, government controls, social considerations etc). Popa and Ciobanu (2014) identify the financial factors that impact on the functionality and profitability of SMEs (Small and Medium-sized Enterprises) in Romania using a sample of 35 SMEs from 2009-2012. The ordinary least square was used in analyzing the data and the results shows that managerial decisions on investment can effect decisively the profitability of Small and Median Enterprises especially in a period of economic instability.

3. Research Methodology

This study examines the determinants of pricing policy in Nigeria using 100 non-financial companies listed on the Nigeria Stock Exchange (NSE) in 2013. Therefore, the research is designed to use the quantitative research method and collecting the secondary data from financial statements of the selected firms. The cross sectional data were analyzed based on regression model. The data involved are the ratio of profit after tax to revenue as a proxy for pricing decision which serve as the dependent variable, while cost of sales and company's objectives are proxies for internal determinant and the control variables are demand, macroeconomic trends, market competition, market segment and consumer perception.

3.1 Population and Sample Size

The study population consist of all non-financial firms listed on Nigeria Stock Exchange in 2013. The researcher exclude financial sector due to their distinguish recognition of cost and profit, and they are highly regulated. However, the researchers purposively select 100 companies cut across ten sectors on the basis of accessibility to the needed data and information.

3.2 Variables

As stated earlier, the main aim of the present study is to analyze the determinants of pricing policy in Nigeria non-financial firms. In order to achieve this purpose; pricing policy is a function of; cost of production, distribution cost, company's objective, demand, macroeconomic trends, market competition, market segment and consumer perception. As far as this study is concern, the dependent variable pricing policies is proxy on the proportion of revenue that is profit. While the explanatory variables are the internal factors and the control variables are the external factors. The internal factors are proxies on cost of sales, and profit after tax. We eliminate distribution cost in the model due to the fact that, majority of firms included in the sample operate with low or no distribution cost due to the nature of the operations. The external factors are proxies on inventory which represent demand, this is because demand directly affect the level of inventory in any organisation while other external factors are dummy variables which are more explained in the variable description table below.

Table 1. Description of variables used in the analysis

Variables	**Description**
Dependent Variable	
Pricing Decision (PD)	The ratio of net profit after tax to revenue (turnover)
Independent Variables	
Cost of production (COP)	Natural logarithm of cost of sales
Company's objectives (OBJ)	Natural logarithm of profit after tax
Control Variables	
Demand (DD)	Natural logarithm of closing inventory
Market competition (Dummy 1)	Equal to 1 when there is available of close substitute. Zero when there no substitute and ½ when there are many substitutes.
Macroeconomic trend (Dummy 2)	Equal to 1 if highly affected by inflation, exchange rate, and high interest rate. ½ if lowly affected and equal to 0 if not affected at all.
Market Segment (Dummy 3)	International market =1. Local market = ½. State or regional market = 0.
Consumer perception (Dummy 4)	Strong preference = 1. Preference = 0.5. Weak preference = 0

3.3 Model Specification

The study aimed at examining the determinants of pricing policy in Nigeria. The main independent variables of the study are cost of production, company's objective. While the control variables of the study are demand, market competition, macroeconomic trend, market segment and consumer perception. The models have been developed in consistent with conceptual model on the determinants of pricing policy.

Thus, the econometrics models for this study is as follows;

$PDi = \beta_0 it + \beta_1 COSi + \beta_2 OBJ_i + ei$

$PDi = \beta_0 it + \beta_1 COSi + \beta_2 OBJ_i + \beta_3 INV_i + \beta_4 Dummy1_i + \beta_5 Dum2_i + \beta_6 Dum3_i + \beta_7 Dum4_i + ei$

Where i, is the firm included in the study and $\beta_0 - \beta_7$, are regression parameters, e is the error term.

4. Data Analysis

Table 2. Descriptive Statistics

	Mean	Median	Minimum	Maximum	Standard deviation	Observations
PD	0.05	0.04	-1.92	5.96	0.69	100
COS	6.51	6.49	2.61	8.81	1.02	100
PAT	2.93	5.20	-8.15	8.32	4.89	100
INV	5.72	5.80	2.50	7.61	1.08	100
DUM1	0.60	0.50	0.00	1.00	0.37	100
DUM2	0.53	0.50	0.00	1.00	0.34	100
DUM3	0.60	0.50	0.00	1.00	0.58	100
DUM4	0.46	0.50	0.00	1.00	0.6	100

Source: Authors Computations

The above table shows the descriptive statistics of the variables used in this study. In table 1 above, Pricing decision (PD) has a mean value of 0.05 and a median of 0.04 with a minimum value of -1.92 and a maximum value of 5.96, while the standard deviation show a value of 0.69. The negative minimum value is due from a firm which make loss in the period under the sample. Cost of sales (COS) has a mean value of 6.51 and median of 6.49 with a minimum value of 2.61 and maximum value of 8.81 while the standard deviation is 1.02. Company's objective (PAT) has a mean value of 2.93 and median of 5.20 with a minimum value of -8.15 and a maximum value of 8.32 while the standard deviation is 4.89, the negative minimum value is due from a firm which make loss in the period under the sample. Demand (INV) has a mean value of 5.72 and a median of 5.80 with a minimum

value of 2.50 and maximum value of 7.61 while the standard deviation is 1.08. Availability of close substitute (DUM1) has a mean value of 0.60 and standard deviation of 0.37, macroeconomic trends (DUM2) has a mean value of 0.53 and a standard deviation of 0.34, market segment (DUM3) has a mean value of 0.60 and a standard deviation of 0.58 while consumer perception (DUM4) has a mean value of 0.46 and a standard deviation of 0.36.

Table 3. Correlation

	PD	**COS**	**PAT**	**INV**	**DUM1**	**DUM2**	**DUM3**	**DUM4**
PD	1.00	0.07	0.39	0.01	-0.13	-0.10	-0.04	0.09
COS		1.00	0.38	0.81	-0.02	0.13	-0.09	0.01
PAT			1.00	0.39	0.13	0.00	-0.05	0.00
INV				1.00	0.03	0.00	-0.05	0.10
DUM1					1.00	0.31	0.02	0.26
DUM2						1.00	0.09	0.22
DUM3							1.00	0.10
DUM4								1.00

Source: Authors Computations

Table 2 above shows the correlation matrix among the variable. It was observed that the two explanatory variables has a positive correlation with each other and with the dependent variable. Demand (INV) also has positive correlation with all the variables except market segment (DUM3) which shows a negative correlation. There is problem of multicolinearity between cost of sales (COS) and demand (INV) which show a high positive correlation. Availability of close substitute (DUM1) has a negative correlation with pricing decision (PD) and cost of sale (COS) and positive correlation with all other variables. Macroeconomics trend (DUM2) also has a negative correlation with pricing decision (PD) and positive correlation with all other variables. Similarly, market segment (DUM3) has a negative correlation with pricing decision (PD), cost of sales (COS), company's objectives (PAT) and demand (INV) but a positive correlation with all other variables. While consumer perception (Dum4) a positive correlation with all the variables.

Table 4. Regression Model

	Model 1	**Model 2**
C	0.32	0.58
	(0.43)	(0.45)
COS	-0.07	0.07
	(0.07)	(0.11)
PAT	0.06*	0.07*
	(0.01)	(0.01)
INV		-0.18***
		(0.10)
DUM1		-0.40**
		(0.19)
DUM2		-0.17
		(0.21)
DUM3		-0.03
		(0.10)
DUM4		0.37**
		(0.19)
R squared	0.16	0.25
Adj. R squared	0.14	0.19
S.E regression	0.64	0.62
F statistic	9.54	4.44
Prob. value	0.000	0.000
Obs	100	100

**Significant at 1%, **Significant at 5%, and ***Significant at 10%*

The figures in parentheses represent the standard error of the variables while the other shows the positive or negative coefficient and magnitude of the variables in explaining the dependent variable.

Table 3 above shows the two regression models, the result was based on OLS regression. In model 1 above, insignificant negative effect on pricing decision (PD) with a coefficient value of 0.07, while company's objective (PAT) have a significant positive relationship with pricing decision (PD) with a coefficient of 0.01, this implies that a unit change in company's objective will increase pricing decision (PD) by 6%.

In model 2 above, all the variables were regressed together. Cost of sales (COS) have an insignificant positive effect on pricing decision (PD). Company's objective (PAT), and consumer's perception (DUM4) have a significant positive relationship with pricing decision (PD) significant at 1%, and 5% respectively with a

coefficient values of 0.07, and 0.38 respectively. This implies that, a unit change in PAT and DUM4 will leads to increase in pricing decision (PD) by 7%, and 37% respectively. This is in line with the work of Avlonitis and Indounas (2005) who also posited that company's objective and consumer perceptions have positive effect on pricing decision. On the other hand, demand (INV) and availability of close substitute (DUM1) have a significant negative effect on pricing decision (PD), significant at 10% and 5% respectively with a coefficient values of 0.18 and 0.39 respectively. This means that a unit change in INV and DUM1 will decreases pricing decision (PD) by 185 and 39% respectively. This is in line with work of Balaji and Ragavhan (2007) who also establish a negative relationship with between market demand and pricing strategies, similarly, Moura and Junior (2010) reveals that degree of competition is a determinant in pricing decision. Macrocosmic trends (DUM2) and market segment (DUM3) have an insignificant negative effect on pricing decision (PD).

However, this study reveals that cost of sales has an insignificant positive effect on pricing policy, while company's objective and consumer perception has a significant positive relationship on pricing policy. On the other hand, market demand and availability of close substitute has a significant negative pricing policy while macroeconomic trend and market segment has an insignificant negative effect on pricing policy.

5. Conclusion

This study examined the determinants of pricing policy in Nigeria using 100 non-financial companies listed on the Nigeria Stock Exchange (NSE) in 2013. The cross sectional data was obtained from 2013 annual reports of the sampled firms. The data were analyzed based on regression model. The data were analyzed with the ratio of profit after tax to turnover as a proxy for pricing decision which serve as the dependent variable, while cost of sales and company's objectives are proxies for internal determinants of pricing policy and the external determinats are demand, macroeconomic trends, market competition, market segment and consumer perception. The results revealed that cost of sales has insignificant positive effect on pricing policy, while company's objective and consumer perception has significant positive relationship on pricing policy. On the other hand, market demand and availability of close substitute has significant negative pricing policy while macroeconomic trend and market segment has insignificant negative effect on pricing policy.

It can be deduced that company objective has significant positive influence on pricing decision while the level of demand has significant negative influence on pricing decision in Nigeria. As expected, availability of close substitute has negative significant influence on pricing decision while consumer perception

significantly influence pricing decision positively in Nigeria. This study therefore suggests that, hirms should make effort on reducing cost of production by focusing on cost minimization objectives in order to maximize profit. Corporate organisation should also strategize and focus on consumer perceptions about their product and the preference of the consumers should be put into consideration.

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