DEGREE PROJECT

The Influence of Pricing Strategy on the Growth

A Case Study in Liberia

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I. Acknowledgement

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II. Abstracts

Small and Medium Enterprises (SMEs) play a crucial role in the economic development of any nation. However, due to various challenges, including government policies, cost of production, competition, and market demand, SMEs often struggle to survive and grow. Pricing strategy is one of the critical factors determining SMEs' success. This study examines the influence of pricing strategy on the growth of SMEs in Liberia.

This master's thesis aims to investigate the influence of pricing strategy on the growth of SMEs. In order to investigate the concepts mentioned above, existing literature was reviewed. Following that, a frame of reference was created in order to further investigate these concepts in relation to the case of Liberia. The study adopts a qualitative approach, using a case study design to explore the pricing strategies adopted by SMEs in Liberia and their impact on business growth. Data were collected through semi-structured interviews with SME owners and managers in different industries in Liberia. The data collected were analyzed using content analysis to identify common themes and patterns in the responses.

The study's findings indicate that pricing strategy significantly impacts the growth of SMEs in Liberia. The study found that SMEs in Liberia adopt various pricing strategies such as cost-plus pricing, value-based pricing, and competition-based Pricing. However, the most effective pricing strategy for SMEs in Liberia is competition-based Pricing.

The study also found that other factors, such as cost of production, competition, and market demand, influence the pricing strategy adopted by SMEs in Liberia. Furthermore, the study revealed that SMEs face various challenges in implementing pricing strategies, such as a lack of pricing knowledge and skills, poor understanding of customer needs, and inadequate market research.

Keywords-Pricing, Influencing of pricing strategy, SMEs growth, Liberia.

III. Sammanfattning:

Små och medelstora företag (SMF) spelar en avgörande roll i den ekonomiska utvecklingen i alla länder. Men på grund av olika utmaningar, inklusive regeringens politik, produktionskostnader, konkurrens och efterfrågan på marknaden, kämpar små och medelstora företag ofta för att överleva och växa. Prissättningsstrategin är en av de kritiska faktorerna som avgör små och medelstora företags framgång. Denna studie undersöker hur prisstrategin påverkar tillväxten av små och medelstora företag i Liberia.

Denna masteruppsats syftar till att undersöka prisstrategins inverkan på tillväxten av små och medelstora företag. För att undersöka de begrepp som nämnts ovan har befintlig litteratur gåtts igenom. Därefter skapades en referensram för att ytterligare undersöka dessa begrepp i relation till fallet Liberia. Studien antar ett kvalitativt tillvägagångssätt, med en fallstudiedesign för att utforska prissättningsstrategier som antagits av små och medelstora företag i Liberia och deras inverkan på företagstillväxt. Data samlades in genom semistrukturerade intervjuer med små och medelstora företagsägare och chefer i olika branscher i Liberia. De insamlade uppgifterna analyserades med hjälp av innehållsanalys för att identifiera gemensamma teman och mönster i svaren.

Studiens resultat indikerar att prissättningsstrategin avsevärt påverkar tillväxten av små och medelstora företag i Liberia. Studien fann att små och medelstora företag i Liberia antar olika prissättningsstrategier såsom kostnads-plus-prissättning, värdebaserad prissättning och konkurrensbaserad prissättning. Den mest effektiva prissättningsstrategin för små och medelstora företag i Liberia är dock konkurrensbaserad prissättning.

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Chapter One

1. Introduction

This section presents the background of the research and then presents the problem discussion. The discussion is followed by the purpose of the research, a statement of the research questions, and ends with a presentation of the delimitation of the study.

1.1 Background

SMEs are currently facing one of the most competitive periods in history. The success or failure of businesses highlights the importance of proper management and a clear direction for sustainable growth (Caliendo & Kritikos, 2010). Among various management aspects, pricing strategy plays a crucial role in determining a company's growth. It is increasingly recognized globally that pricing strategies have a significant impact on the success of SMEs, especially in the face of rapid economic and technological changes (Ali & Anwar, 2021; Brynjolfsson & Smith, 2000).

Pricing is a vital element in the marketing plan as it differentiates products or services from competitors with similar attributes. The choice of pricing objectives depends on aspects including profit and revenue maximization, leadership in quality and quantity, survival, and quality leadership influencing the selection of price goals (Dubrovina et al., n.d.)

A business has several pricing goals that exist in a firm, such as profit and sales maximization, market share growth, sales maximization, market share maximization, return on investment (ROI), and long-term viability. These goals are applied to both service and non-service firms (Tallud, n.d.).

However, both Internal and external factors like marketing goals, marketing mix approach, Competition, market environment, and costs have an impact on price decisions (Khan, 2015).

In addition, there are several pricing approaches, such as high-price and adaptable approaches. The high-price approach involves establishing prices based on the value customers are thought to provide, whereas adaptable approaches include price discrimination, price skimming, discounts, penetration pricing, and yield management (Paczkowski, n.d.) Although there are other pricing approaches which include Cost-plus, break-even, value-based, competition-based, product mix pricing, and price adjustment techniques.

In competitive markets, firms employ limited pricing and predatory pricing strategies. Limited pricing is used for competitive entry, while predatory pricing is executed after entry, both based on signaling theory (Mas-Ruiz & Ruiz-Moreno, 2011). Cost-based, competition-based, and demand-based methods influence price decisions. Cost-plus, target return pricing, breakeven analysis, contribution analysis, and marginal pricing are cost-based approaches. Demand-based techniques emphasize price based on perceived value and consumer demands, whereas competition-based methods focus on pricing about rivals (Avlonitis & Indounas, 2007).

In a highly competitive business market, the appropriate pricing strategy is essential to optimizing profits for businesses (Nagle & Müller, 2017). SMEs are vital for economic development but face challenges that hinder their performance and survival, such as poor price planning and inadequate infrastructure (Denton, 2020; K. M. et al., 2023). Pricing directly impacts profitability and cost-effectiveness in the short term and affects various dimensions like market share, product image, and signaling of product quality (Kienzler & Kowalkowski, 2017). The evolving marketing and operating environments have made it challenging for SMEs to compete effectively (Olannye & Edward, 2016).

Effective pricing strategies are crucial for SMEs to improve performance and compete successfully (Hussien, n.d.). The four Ps—Product, Price, Place, and Promotion—are crucial components of the marketing concept, which prioritizes consumer happiness (Kotler et al., n.d.). Establishing a pricing strategy is particularly vital since it drives sales profits in contrast to other marketing mix components (Cant et al., 2016a). The corporate goals and different aspects that must be taken into account when creating price structures determine the pricing approach to be used. Given the lack of conclusive studies on effective pricing strategies, this research aims to investigate the impact of pricing strategy on the growth of SMEs.

1.2 Problem discussion

The business landscape is undergoing a rapid transformation, shifting from a time when companies had the power to dictate the types of products and services offered to a new era where consumers hold the reins and determine what they want to see in the market. However, any business seeking to maximize profit must develop a successful pricing strategy in the highly competitive climate of today, when consumers are given a wide range of options (Tim et al.).

Small and medium-sized businesses (SMEs) are essential for the economic growth of emerging nations (Osano, 2019). Despite their socio-economic importance and the implementation of various policy initiatives by governments worldwide to foster the growth and survival of SMEs, this sector continues to face constraints that hinder their performance and viability. These limitations impede the improvement of the country's economy as a whole. Some of the factors contributing to the failure of small businesses include inadequate price planning, poor infrastructure, difficulties in managing cash flow, and inadequate government interventions leading to subpar road networks (Denton, 2020; K. M. et al., 2023).

Price is one of the marketing mix's most adaptable components, directly impacting a company's profitability and cost-effectiveness (Simon, 2019). It remains a critical variable across industries as the primary regulator of an economy and the determining factor for production costs (Ali & Anwar, 2021). In addition to profitability, market share, product image, and communicating product quality, pricing strategy is also crucial in other areas (Kienzler & Kowalkowski, 2017a). If the chosen pricing strategy fails to respond effectively to opportunities and competitive challenges, or if managers are unaware of the necessity of well-defined pricing strategies to outperform competitors, it puts the growth and sustainability of their organizations at risk (Tim et al.). They must bear the responsibility for such shortcomings. Furthermore, the changing dynamics and intensifying competition in marketing and operating environments have made it increasingly difficult for small and medium-sized businesses to compete (Olannye & Edward, 2016).

According to (Hussien, n.d.) SMEs can effectively fulfill their fundamental roles through appropriate entrepreneurial marketing practices, including the implementation of an effective pricing strategy to enhance performance. In the past, a lack of attention to pricing strategy as a practice-based approach has compromised the competitive edge and overall performance of micro, small, and medium-sized businesses.

Marketing organizations face numerous challenges in achieving their objectives, particularly those related to customer satisfaction. Utilizing the four main components known as the "4 P's" product, price, place, and promotion is the foundation of marketing to attract customers and keep them happy (Kotler et al., n.d.). However, it is typical to see discrepancies and price volatility in consumer products. This is because the cost of an item or service and the advantages or utility that come with it are reflected in the price, which is the worth of the thing, or service stated in terms of money (Cant et al., 2016a). Further, since the price is the only part of the marketing mix that creates profit from sales while the other components incur expenses and increase sales volume, developing a pricing strategy is essential in marketing. The exact objectives that the organization is trying to accomplish dictate the pricing approach that SMEs will use. Therefore, investigating the elements that firms should consider when creating their price structures is crucial, given the variety of pricing techniques accessible. Because past research on successful pricing strategies has shown conflicting results, this study aims to investigate the influence of pricing strategy on the growth of SMEs.

1.3 Research Problem/Statement

Small and medium-sized businesses (SMEs) are an integral part of the economy in many nations, and their pricing policies are crucial to their performance (Gunday et al., 2011). However, pricing strategies for SMEs are complex, as they must consider various market factors and company goals (Suder et al., 2022). The lack of empirical research in this area, combined with the reluctance of business owners to share confidential pricing information, has made it difficult to gain a comprehensive understanding of pricing strategies for SMEs (Ng & Kee, 2012).

In the past, understanding pricing policies could have been improved by company owners' unwillingness to disclose their price methods to economists, especially regarding their affiliations with competitors (G. E. Smith & Woodside, 2009). Unfortunately, academic research on pricing strategies for SMEs has not always coincided with the priorities of business managers. As a result, pricing theory and research have not received much recognition in practice (Hallberg & Press, n.d.; Paul et al., 2017).

Besides, there are several factors that affect pricing strategies for SMEs, including production costs, which can lead to an incorrect understanding of the proper role of cost and the missed opportunities resulting from applying re-utilized pricing formulae. To address this issue, this study seeks to establish the components affecting SMEs' pricing strategies.

By examining the factors that influence SMEs' pricing strategies, this research can help SME owners and managers develop effective pricing strategies that will guide them in achieving their goals while remaining competitive in the marketplace (Scholarworks & Lawrence, n.d.;

Zhang et al., 2021) Additionally, this research can help academics develop pricing theories and research that better align with the concerns and priorities of business managers (Shi et al., 2023).

1.4 Purpose or Research Problem

The main purpose of this research is to investigate the influence of pricing strategy on the growth of SMEs. In order to fulfill the formulated purpose, the following research questions are defined:

RQ 1. How does the cost of production influence pricing strategies for the selected SME companies in Liberia?

RQ 2. To what extent does competition influence pricing strategies for the selected SME companies in Liberia?

RQ 3. How does the market demand for products influence pricing strategies for the selected SMEs in Liberia?

RQ 4. How does government policy influence pricing strategies for SMEs in Liberia?

1.5 Research Question Justification

The research questions proposed in this study aim to explore the influence of pricing strategy on the growth of small and medium-sized enterprises (SMEs) in Liberia. The choice of these research questions is justified by the need to recognize the various components that affect pricing decisions in the context of SMEs, particularly in a developing country like Liberia.

RQ 1. How does the cost of production influence pricing strategies for the selected SME companies in Liberia?

Understanding the impact of production costs on pricing strategies is crucial for SMEs as they often operate with limited resources and face challenges related to cost management. Pricing decisions should account for the cost of production to ensure profitability and competitiveness. Cant et al. (2016a) investigating this relationship will provide valuable insights into how SMEs in Liberia adapt their pricing strategies to accommodate production costs while remaining competitive in the market.

RQ 2. To what extent does competition influence pricing strategies for the selected SME companies in Liberia?

Competition is a significant factor that shapes pricing strategies for SMEs. In a competitive market, SMEs need to determine their pricing strategies to attract customers while maintaining profitability (Kopalle et al., 2009). By examining the influence of competition on pricing strategies, this research question aims to shed light on how SMEs in Liberia navigate the competitive landscape and make pricing decisions to gain a competitive advantage.

RQ 3. How does the market demand for products influence pricing strategies for the selected SMEs in Liberia?

Market demand plays a pivotal role in determining pricing strategies for SMEs. Understanding the relationship between market demand and pricing decisions is essential for SMEs to effectively position their products and services in the market Click or tap here to enter text (K. M. et al., 2023). This research question will explore how SMEs in Liberia consider market demand when formulating pricing strategies, enabling a deeper understanding of their pricing dynamics.

RQ 4. How does government policy influence pricing strategies for SMEs in Liberia?

Government policies have a significant impact on the business environment and can shape pricing strategies for SMEs. Policy interventions such as taxation, regulations, and subsidies can influence pricing decisions (Abor & Biekpe, 2006). Investigating the influence of government policies on pricing strategies for SMEs in Liberia will provide insights into the external factors that SMEs must consider when setting prices and highlight the role of policymakers in supporting SME growth.

These research questions collectively address key aspects related to pricing strategies and their influence on the growth of SMEs in Liberia.

1.6 Delimitations

The study will be delimited to only three (3) SME companies while focusing mainly on the influence of pricing strategy on the growth of SMEs. Also, the study will focus on the cost of production, competition, market demand, and government policy, which are the influencing factors for SME pricing strategy.

Chapter TWO.

2. Literature review

Pricing strategy plays a crucial role in determining the growth of SMEs in a competitive market. To understand pricing strategy and factors that influence the growth of SMEs, this thesis will consider the various pricing strategies and their effect on SMEs. Also, this study will discuss the models and conceptual framework which present the variables under discussion.

2.1. Background

This chapter provides information about the proposed research's theories and concepts. It also consists of empirical literature that explains the existing gaps and conceptual framework that will be developed from existing theoretical knowledge.

2.2 Pricing Strategies

Pricing strategy holds a fundamental position within the marketing mix, encompassing the process of determining prices for products or services that a company offers to its customers. As emphasized by Kotler P & Amstrong G (2018), pricing strategy plays a critical role in determining the value that a company receives in exchange for its offerings. Its significance stems from its direct impact on a company's revenue, profitability, market share, and overall growth. Traditionally, the pricing function has aimed to provide a satisfactory return on investment. Therefore, it becomes crucial for SMEs to adopt effective pricing strategies that align with their business objectives and competitive environment.

Kotler P & Amstrong G (2018) assert that pricing strategy is an essential element of the marketing mix, requiring prices to be set consistently with the company's overall marketing goals. The authors suggest that pricing decisions should take into account various factors, including production costs, product demand, competition, and the perceived value of the product to the customer.

Within the context of SMEs, pricing strategy plays a significant role in their growth and profitability, particularly in emerging markets. Zhao et al. (2021) argue that pricing strategy strongly influences the performance of SMEs, especially in emerging markets, and recommend that SMEs adopt a pricing strategy consistent with their overall marketing objectives, considering the unique characteristics of the market they operate in. Similarly, a study conducted by Ramzan et al. (2021) involving 150 SMEs in Pakistan found that pricing strategy significantly impacted the growth and profitability of SMEs. The authors suggest that SMEs should consider factors such as costs, competition, and customer demand when formulating their pricing strategies.

According to Belyaeva et al. (2020), 56 food and beverage sectors from SMEs discovered that pricing strategy substantially impacted SMEs' success. The adopted pricing strategy typically takes into account the value of products to consumers, where higher perceived value leads to better strategy performance.

One commonly used pricing strategy for SMEs is the cost-plus pricing model, which involves adding a markup to the cost of manufacturing to determine the price at which products are sold (Kotler P & Amstrong G, 2018). However, this straightforward strategy may not be the most effective approach for SMEs, particularly in competitive markets Hill, P. (2013) points out that cost-plus pricing fails to consider market demand, competition, and customer perceptions of value, necessitating the exploration of alternative pricing strategies for SMEs to remain competitive and foster business growth.

The value-based pricing approach, which involves determining prices based on the perceived value of the good or service, is another pricing method used by SMEs (Nagle & Müller, 2017). This strategy takes into account the customer's willingness to pay, the benefits derived from the product or service, and the competitive landscape. Value-based pricing allows SMEs to differentiate their offerings, consider competitors, and generate higher profits. However, successful implementation of this strategy requires a profound understanding of customer needs and preferences, market trends, and the competitive environment.

In the ever-changing world, businesses continually evolve, technology advances, consumer behavior shifts faster than companies can anticipate, and political factors constantly alter the business landscape. To thrive in this rapidly changing environment, businesses must develop new operational methods and reassess their existing pricing strategies. The advent of the internet has made consumers and businesses more price-conscious than ever before (Hinterhuber, 2008). For many businesses, prices serve as the sole source of revenue, while all other elements generate costs. Adjusting prices may seem simple just change a number on a price list. However, the crucial question is whether these changes translate into increased sales and profitability (Nagle & Müller, 2017).

According to many scholars, intelligent and strategic pricing directly impacts a company's long-term profitability, making it a defining factor for success (Nagle & Müller, 2017; Cant et al., 2016a). Managing the product, corporate goals, strategy, governance, culture, and the value provided to consumers successfully are all necessary to excel with pricing because they all directly impact the ultimate price of the product (Simon, 2019). Despite its significance, pricing is often overshadowed by the 3 "P's" of marketing max, such as product, place, and promotion (Cant et al., 2016a). However, neglecting price can undermine a company's profitability due to customers utilizing it as a means of evaluating the offerings of a business (Nagle & Müller, 2017).

However, the only one of the four "P's" that directly affects profit is pricing, with the others mostly having an influence on expenses and sales volume (Nagle & Müller, 2017) According to Hinterhuber, (2008) even a 5% increase in price may increase the EBIT margin by an average of 22%. Despite its evident importance, pricing has not received significant attention from academics, and further exploration of the topic is needed (Nagle & Müller, 2017). This chapter aims to provide an overview of theories and concepts that will be utilized in the proposed research. It also incorporates empirical literature to address existing gaps and establish a conceptual framework based on existing theoretical knowledge.

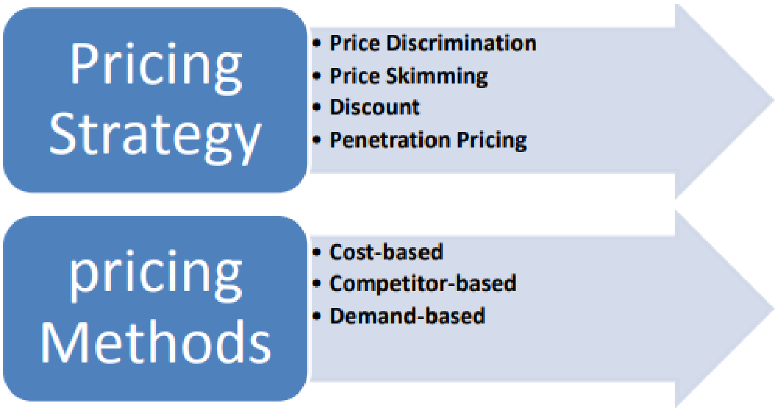

Figure 1: Pricing Strategies and Methods

2.3 Different Types of pricing strategies

2.3.1 Competition-based Pricing

The monitoring and use of competitors' prices as the scale to set price levels is the primary strategy used by companies that use competition-based pricing (Hinterhuber, 2008). According to Hinterhuber (2008), it is essential that companies using this strategy observe and anticipate the actions of existing competitors are potential entrants. However, in markets where there are no direct competitors, companies can implement competitive pricing in marketplaces with comparable goods. Moreover, it is significantly difficult in an industry with similar products and services, particularly in the technology sector. With a competition-based strategy, the focus is on competitors, which is an external factor. This direction of focus happens to be its main advantage (Liozu et al., 2012). The competition-based strategy is frequently advocated by practitioners who insist that clients make purchasing decisions primarily based on pricing. To acquire a competitive advantage, it is essential to participate in price competition (Liozu et al., 2012). Competition-based pricing is relatively straightforward to use, because it allows companies to observe their competitors' pricing strategies and make adjustments accordingly. However, this approach has a drawback—it tends to overlook customer value and willingness to pay (WTP). As a result, competition-based pricing may help in setting prices below the customers' WTP, resulting in missed opportunities for capturing profits. This limitation is similar to the issue encountered in cost-based pricing, where the focus on costs can also result in prices that do not align with customers' perceived value (Liozu et al., 2012).

Expanding on this, competition-based pricing is often seen as an easy and reactive approach. By monitoring competitors' pricing actions, companies can take advantage of their efforts and adjust their own prices accordingly. This strategy places emphasis on keeping up with or undercutting competitors, hoping to attract customers based on lower prices.

Additionally, pricing rivalry can lead to a price war in which businesses lose money as a result of being forced to undercut expenses. According to (Nagle et al., n.d.), "it is a negative-sum game where competition imposes costs on players and can occasionally lead to bankruptcies," which is another drawback of competition-based pricing. As a result, players in the price game are never at an advantage. On the other hand, competition usually has a favorable impact on a positive-sum game like sports. For instance, the intense competition in a soccer match creates revenue for both competing teams, yet neither of them goes bankrupt as a result of the match. High market share is frequently misinterpreted as a metric for competitive success (Nagle et al., n.d.). The profitability of the industry might ultimately be harmed by the negative sum if all rivals had focused their strategies on increasing market share (Nagle et al., n.d.). Additionally, "competition-based pricing operates on the premise that competitors have the best solution and that every choice they make is intelligent." The issue is that relying on this presumption might lead to pricing that is inconsistent with demand across an entire industry (Nagle et al., n.d.).

Companies that are consistently creating lasting competitive advantages benefit from competition-based pricing (Nagle et al., n.d.). Brand and strategic assets are examples of sustainable competitive advantages that are difficult for rivals to imitate directly (Nagle et al., n.d.) For instance, rivals are unable to directly match the volume and efficiency of Amazon's e-commerce platform.

2.3.2 Value-based pricing

The value of the offering is examined to establish the price, whether actual or perceived (Liozu et al., 2012).

Liozu et al. (2012) state that "a company must understand and manage customers' perceptions of value and their WTP" to create a value-based pricing strategy. According to Payne & Frow (2005), "The interconnections among product performance, meeting customer needs, and the overall cost incurred by the customer throughout the lifespan of their relationship are crucial considerations" can be used to describe the customer value of a product or service. It is imperative for companies to recognize that the value delivered to customers has the potential to evolve over time (Nagle et al., n.d.). A value-based pricing approach should, however, take this into account. The economic value of a client is one aspect of the matter. One aspect of customer value is economic value, as (Smith and Nagle & Müller 2017) stated. It includes the cost of the most cost-effective option for the client and the added value the supplier offers over and beyond that option. Businesses can justify charging more significant fees by providing better value than rivals. According to the quotation, a value-based pricing strategy considers consumers and competitors.

2.3.3. Cost plus Pricing

Cost-based pricing has been one of the most common pricing strategies for firms. It was created on a simple knowledge of calculating all costs, both fixed and variables of an offering, and then adding a markup to the total cost (Nagle et al., n.d.). The markup is usually a percentage of the total cost on top of it to determine the final selling price. The markup varies among industries and companies; However, according to Christensen et al. (2016), many firms work with 5% and up to 800% as markups. The prevalence of cost-based pricing can be attributed to a company's inclination toward financial prudence, as observed by (Nagle et al., n.d.). With this strategy, companies can anticipate rates of return as long as things go according to plan. While cost-based pricing may appear straightforward for ensuring profitability in theory, its practical implementation often leads to subpar long-term profitability, as observed by (Nagle et al., n.d.). The main challenge associated with cost-based pricing is the difficulty in determining the cost per unit beforehand in establishing price (Nagle et al., n.d.). The issue arises because fixed expenses are spread out throughout the number of units sold, so the cost per unit is dependent on sales volume. However, the sales volume itself is influenced by price, subsequent in the reciprocal relationship between the cost per unit and the price. Therefore, the cost per unit will be high if the price is too high, resulting in a low sales volume (Nagle et al., n.d.).

This interdependence between price, sales volume, and cost per unit creates uncertainty in cost-based pricing. When the price is not accurately aligned with customer demand or perceived value, it can negatively impact sales volume. As a result, the cost per unit increases, posing a risk of not covering the incurred costs and, ultimately, jeopardizing the company's ability to generate profits (Christensen et al., 2016).

It is not unusual for companies to make unrealistic assumptions when setting prices to counter the potentially low sales volume (Nagle et al., n.d.). Lower sales volume sometimes results in an increase in the cost per unit over time. When this happens due to price, practitioners tend to increase the price even further to offset the additional cost per unit generated by the lower volume of sales. In this case, sales volume will increase more than projected, because prices are set lower since the cost put unit decreases as a result of the economics of scale. As (Nagle et al., n.d.) pointed out, this can give rise to overcharging in weak markets and underpricing in strong ones. Consequently, the price set by a company for its product or service may deviate significantly from reality. Adopting a cost-based approach might result in a price that falls below customers' willingness to pay (WTP), leading to missed opportunities for capturing profits. Furthermore, if WTP is higher, but a rival with a cost advantage sells a comparable product for less, profitability could not exist (Christensen et al., 2016).

Applying a cost-based pricing approach comes with a series of benefits. One is that it is transparent and can be easily communicated to customers (Christensen et al., 2016). If a company increases price by a certain present equivalent to an increase in cost, customers are more likely to understand such price increases (Christensen et al., 2016). Also, the data needed for relevant price adjustments using cost-based pricing is readily available, making its implementation relatively easier (Cant et al., 2016). Nevertheless, it is safe to estimate a narrow cost interval when businesses might not have complete insights into the final cost of their goods. However, the more a company understands its market trends, the more accurate its estimate will be for sales volume and costs (Jonsson & Radeschnig Kandidatarbete; Nationalekonomi, n.d.). Another benefit of cost-based pricing is that it does not rely on exceptional circumstances like value-based pricing tends to, which makes it more stable than other pricing models. Regardless of these benefits, "academia does take into account that cost-based pricing has the weakest method." (Cant et al., 2016a; Nagle et al., n.d.), cost leadership, and cost-based pricing methods are the best choice for companies with cost leadership.

2.3.4. Dynamic Pricing

Talón-Ballestero et al. (2022) defines a dynamic pricing strategy as one "that modifies the price of a product or service during the selling period in order to adapt to changes in the market." With this strategy, the price is mostly influenced by the customers' response (i.e., their willingness to pay). Meanwhile, "prior research on consumers' perceptions of price change in the offline market has demonstrated that price variations affect consumers' attitudes, actions, assessments, satisfaction, and intentions" (Avlonitis & Indounas, 2007). Based on this, it can be said that this strategy can be described similarly to a price discrimination strategy based on customer satisfaction, value, fairness, trust, and loyalty.

As Chen et al. (2020a) explained, it is not uncommon for an online store to raise the price of items when there are few in stock in order to reflect the shortage. While in other instances, store owners would like to change the price because of the competitors' feedback. Prices of remaining items in stock could also be raised to achieve sales goals. Nowadays, many factors affect changes in price. According to Chen et al. (2020a), dynamic pricing is "a pricing strategy that considers both external and internal factors to regulate the selling price of products."

2.4. Models

2.4.1. Transaction cost pricing model

The transaction costs model is a pricing approach that takes into account the expenses associated with conducting a transaction. This model determines the price based on the total transaction cost, encompassing production costs, distribution costs, marketing expenses, and other transaction-related costs. It finds particular relevance in industries such as hospitality, characterized by high transaction costs.

One notable advantage of the transaction costs model is its ability to ensure that the price covers all transaction-related expenses, enabling the firm to generate profits from each transaction and avoid losses. This model is especially effective in highly competitive environments where price wars are prevalent. Zhou et al. (2021) conducted a study comparing the transaction cost model with other pricing models, such as cost-plus, value-based, and dynamic pricing. The research revealed that the transaction costs model outperformed the other models in terms of profitability and revenue generation, particularly in situations of high competition and price wars. Therefore, this study focuses on examining the Transaction Cost model and Bayesian-optimal Pricing Model.

According to Brouthers & Nakos (2004), transaction costs refer to the costs incurred in managing a company's financial scheme. Not like costs of production, decision-makers assess transaction and production costs when formulating company strategies. These costs encompass planning, decision-making, plan adjustments, dispute resolution, and post-sales activities. Transaction costs play a crucial role in business operations and management (Williamson, 2007). They include activities such as negotiating trade agreements, transferring ownership of goods and services, monitoring trade conditions, and enforcing agreed-upon terms through legal or social means (Lioliou & Willcocks, 2019).

According to Williamson & Coase (1989), when the price of managing a product through a market exchange exceeds the cost of coordinating production within the firm, people tend to organize production on small and medium-sized scales. This observation characterizes the neoclassical model, which contrasts organizational models with market dynamics. The neoclassical approach emphasizes small and medium-sized enterprises focusing on persistent earnings to measure relatively than approving the concept of increasing returns to scale. The model provides a realistic and compatible framework for applying ideas through concepts like substitution margins and conventional economic analysis instruments. Due to the complexities of market structures, businesses often replace the entrepreneur who oversees the production process to simplify transactions in an organizational setting.

Organizations' main aim is to decrease and reduce transaction costs by employing price mechanisms, such as pricing strategies. These strategies encompass various approaches such as determining relevant prices, negotiating costs, and adhering to written contracts for each transaction (Chavalle & Chavez-Bedoya, 2019; Zhang et al., 2021). It is essential for the government to regulate taxes, rationing, and price control because it impacts the growth of small and medium enterprises, as they are not internally subjected to such transaction costs (Yao & Ye, 2018). Consequently, the growth of small and medium-sized businesses depends on the number of transactions organized by entrepreneurs (Haddad, n.d.). To minimize cost increases, it becomes crucial to monitor prices and ensure they align with the cost of conducting transactions in a real market. Small and medium enterprises with multiple internal transactions across various small plants witness an increase in transactional complexity.

2.4.2 Bayesian Optimal Pricing Model

Bayesian-optimal pricing refers to a pricing strategy that leverages Bayesian inference to determine the most optimal price for a product or service. This approach incorporates prior knowledge and beliefs about the market and customers into the decision-making process. Particularly for small and medium-sized enterprises (SMEs) seeking growth and expansion, Bayesian-optimal pricing has proven to be a valuable tool. Zhou et al. (2021) conducted a field experiment with a small online retailer in China, implementing a dynamic pricing strategy based on a Bayesian approach. They discovered that the retailer was able to achieve a 9.9% increase in revenue over six months, demonstrating the potential benefits of Bayesian-optimal pricing for SMEs.

In the service industry context, Lu et al. (2017) examined the use of Bayesian-optimal pricing and demonstrated through a simulation model how incorporating customer information and preferences into pricing decisions can lead to improved revenue outcomes. This suggests that SMEs operating in service industries can benefit from adopting Bayesian-optimal pricing strategies.

Another application of Bayesian-optimal pricing is observed in online advertising, as explored by (Wurfel et al., 2021). The authors developed a model that utilizes Bayesian inference to determine optimal bidding strategies for online ad auctions. The study indicated that incorporating prior knowledge about the value of ad impressions and the behavior of competing advertisers can result in more effective bidding and better outcomes for SMEs.

Liu et al. (2023) define Bayesian-optimal pricing as an algorithmic pricing approach where sellers determine prices based on probabilistic assumptions about buyer valuations in small and medium-sized firms. This pricing mechanism allows organizations to determine appropriate pricing strategies in advance without heavily relying on bids from actual buyers. The model assumes that the buyer's valuation follows a known probability distribution and makes use of Bayesian reasoning to make informed pricing decisions.

The Bayesian-optimal pricing model operates on a probabilistic basis, assigning probabilities to different potential outcomes and adjusting them based on new information. It incorporates the probability of various outcomes and the expected returns associated with each decision to inform the pricing choice. This model finds wide application in industries such as oil and gas, technology, and hospitality, where high levels of uncertainty are prevalent. Notably, one of the key advantages of the Bayesian-optimal pricing model is its capacity to incorporate prior knowledge and experience into the pricing decision-making process, allowing businesses to make informed decisions and mitigate costly errors. It is especially advantageous in situations with limited data availability, where decisions must rely on expert judgment.

In a comparative study conducted by Zhou et al. (2021), the Bayesian-optimal pricing model was evaluated against other pricing models, including cost-plus, value-based, and dynamic pricing. The research found that the Bayesian-optimal pricing model outperformed the other models in terms of revenue generation and profitability. Additionally, the study highlighted the model's effectiveness in situations characterized by high levels of uncertainty, such as the petroleum industry.

2.5. Models Application

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2.5.1. Cost of Production

One of the primary goals of businesses is to maintain a profitable customer base, making cost a crucial factor to consider when determining pricing strategies. Defining the cost is challenging as it requires consideration of both fixed and variable costs. Organizations need to account for variable costs, contribution to fixed costs, and estimate profits based on predicted sales levels to ensure all costs are met, and the desired profit level is achieved in the long run (Cant et al., 2016b). However, adhering to this approach in the short term can be challenging, as pricing must remain competitive and flexible within a dynamic market environment (Cant et al., 2016b). While fixed and variable costs are determined, there can be instances where a product needs to be sold at a lower price during different stages of its life cycle to increase sales volume for a specific period.

The discussion has mainly focused on internal and external factors to consider when developing a pricing strategy. The relationship between the price of a service or product and its quality significantly impacts a company's corporate image, either positively or negatively. Therefore, it is important to delve into this relationship and its impact on businesses.

According to Pitelis (2019), Cost is a significant determinant of pricing strategies for small business enterprises as the firm's cost structure sets the pricing limit. It is crucial for small and medium-sized businesses to estimate the cost of manufacturing a product and understand how costs behave over time and in terms of quantity produced. Additionally, different manufacturing firms operate at varying efficiency levels, reflecting their cost structures. A firm's cost structure may be higher than the sector average due to factors such as higher reject rates, a lack of coordination between departments, sub-optimal plant capacity utilization, and more.

Kienzler & Kowalkowski (2017b) suggests that cost establishes the minimum price a company can charge for its products or services. Companies that want to include production, distribution, and selling costs in their prices should achieve a return rate that reflects their efforts and risks. Many companies strive to become "low-cost" in the sector by setting prices that result in high sales and profit margins (Tim et al.). It is also essential for a company with fixed and variable costs to determine which costs vary with production outcomes and which do not (Indounas, 2006).

2.5.2. Competition

In terms of pricing, SMEs must have an understanding of their competitors' actions. When a product is initially introduced, high introductory prices can attract competitors to enter the market with a closely related product or service at a lower price (Cant et al., 2016a). For already existing products or services, SMEs need to consider the impact of price changes on other businesses and anticipate how competitors will react. By anticipating competitors' responses to price changes, SMEs can determine the changes they can withstand. For example, if SMEs change prices, will competitors maintain their prices? The state of the industry in which a business operates significantly influences the impact of competitors on pricing strategies (Cant et al., 2016b). In an oligopolistic industry with a limited number of sellers offering a specific product, SMEs may price their products or services relative to their competitors (Cant et al., 2016a). Determining the number of competitors in the industry provides valuable information on predicting their reactions to price increases, enabling the company to set an appropriate price.

According to Jankelová et al. (2021), competition has a significant influence on pricing strategy. Even if a firm is the market leader, it must anticipate competitors' reactions to price changes. Competitors can respond to their leaders or choose to ignore in maintaining or lowering prices. Therefore, when deciding on a pricing strategy, marketers must consider their competitors' reactions. Pricing strategies between two SMEs can result in a price that is anywhere between the monopoly price and the perfectly competitive price, depending on the behavioral assumptions underlying the model. Various factors impact the type and intensity of competition, which include the number and size distribution of competitors, sector growth rate, structure and storage costs, existing barriers, market firm importance, divisibility, significant market firms, and extent of product distinction (Porter, 2008).

According to Lu et al. (2017), competitive pricing means setting a product's price in line with what competitors are charging. This strategy is commonly used by businesses to thrive in competitive environments. Another strategy is cost-based fixed profits, which involve adding fixed profits to the production cost (Tim et al.). Demand pricing establishes a price-volume relationship, while markup pricing involves adding a percentage profit to the product's wholesale price (Chen et al., 2020). Competitive pricing focuses on the consumer as the primary target, taking into account competition and price sensitivity (Anderson & Simester, 2013). Managers are responsible for formulating prices that cover production and overhead costs, ensuring measures are in place to yield profits and maintain long-term business profitability (Yao & Ye, 2018).

2.5.3. Market Demand

The impact of any pricing strategy on a company's marketing objectives is determined by the level of demand it generates (Kotler & Armstrong, 2013). The demand curve depicts the connection between pricing strategy and current demand. When demand is low, it is evident that demand is inversely proportional to price. The demand curve indicates that pricing determines the quantity of purchases. However, this also means that customers are more inclined towards lower-cost products. As a result, businesses need to understand their customers' price sensitivity as well as the tradeoffs they are determined to make between price and product characteristics (Kotler et al., n.d.).

Small and medium-sized businesses should grasp how to interpret demand elasticity and its shift in response to price changes. If demand changes significantly, it is considered elastic. Consequently, the higher the growth in volume, the greater the need for price reductions. In a market with substitute products and dominant competitors, buyers often believe that higher prices do not favor them, leading to slow adjustments in their purchasing behavior. On the other hand, in an elastic demand market, sellers are compelled to lower their prices to stimulate demand, resulting in higher revenue generation in the long run. It is essential to note that this concept applies when the cost of production rises proportionally to the number of units sold. Cost determines the lower limit of price demand, while competition determines the upper limit (Hicks & Teo, 2011).

The elasticity of demand varies depending on the type of product, and it can change over time and across different price ranges. It may also differ for price decreases versus price increases. Assessing customer response to price changes should consider the overall market size. While a lower price may increase demand, it does not guarantee market commitment. The price of a commodity determines its demand, reflecting how much buyers desire a particular product or service. The quantity demanded represents the price that customers are willing to pay for a specific product, and it is this figure that defines the demand relationship. Similarly, the supply of a product is determined not only by its own price but also by the prices of similar products in the market. The quantity supplied demonstrates how much suppliers are willing to provide at a given price.

Changes in the quantity demanded occur due to two reasons. First, a unit change in price causes a movement along the demand curve, resulting in a change in the quantity demanded according to the law of demand. This implies that a greater number of products will be purchased at a lower cost. Second, increasing levels of income and market fluctuations can cause a significant shift in demand, resulting in an increase or decrease in the quantity demanded at the same price (Torrington, 2009). The variation in product demand in relation to its price can be revealed by statistical analysis of historical data on prices, quantities sold, and other factors (Pitelis, 2019). Longitudinal or cross-sectional data can be used for computation, requiring technical expertise to develop a statistical model. Therefore, various tests should be conducted to establish a conclusive relationship between a product's demand and its price. Surveys can also be conducted to estimate the amount of units' consumers would purchase at a proposed price.

Each price set by a company will result in a different level of demand, and businesses often estimate demand by considering the price and quantity required (Kotler P & Amstrong G, 2018). This is particularly relevant in monopolistic markets where different prices influence demand. When businesses face intense competition or change their pricing strategies, the market becomes more vulnerable to other factors that cause demand to fluctuate.

2.5.4. Government Policy

Government policy plays a significant role, either positively or negatively, in shaping the environment for SMEs. According to Mashizha et al. (2019), government laws aim to influence the relationship between SMEs and a nation's economic growth through wealth creation and job creation. Government support agencies and institutions are established to facilitate and enhance the situation of SMEs regarding government support, implementation, and funding policies (Benzazoua Bouazza et al., 2015). These agencies strive to create a favorable environment for entrepreneurs by enacting guidelines that regulate policies supporting and addressing the challenges faced by SMEs, which are crucial for a nation's industrialization.

According to (Kotler et al., n.d.), the political environment includes the laws, government agencies, and pressures that impact and restrict the activities of organizations and individuals in a society. Regulations are designed to ensure fair competition and protect both businesses and consumers. They aim to create a level playing field for all competing companies and safeguard consumers from unfair trade practices while ensuring their safety.

Policies are general statements or understandings that guide decision-making and ensure consistency with and contribution to objectives (Lu et al., 2017). They help address issues before they become problems, eliminating the need for analyzing the situation every time it arises and aligning other plans. Policies enable managers to delegate authority while maintaining control over their subordinates.

Regulations are typically intended to protect consumers from various market issues, and the cost-benefit analysis and price setting should be applied to ensure the desired outcomes (Kungu et al., 2014). Data shows a close relationship between regulations and price increases, indicating that government regulations impact product prices over time, resulting in a 10% increase. Increased regulations can contribute to inflation, which adversely affects households, especially those with lower incomes. Additionally, regulations have been found to be positively correlated with price volatility, raising concerns about their impact. These findings call into question the notion that regulations serve as a form of social insurance by raising prices while decreasing volatility. It is essential to note that these results do not take into account state regulations; if state laws have a similar impact on consumer prices, the overall regressive impact on poor households may be even greater (Chandra & Fealey, 2009).

2.6. Operationalization of Concepts.

2.6.1 Cost of Production

This is an important indicator of product pricing in small and medium-sized enterprises because the firm's cost structure is the pricing limit. Manufacturing firms need to calculate both their production costs and the cost of producing a product. For manufacturing managers, developing reliable costs to use in pricing decisions can often be a frustrating process. Many products tend to be produced in the same factory, and the final price department's cost allocation can often be arbitrary. Products that are simple to manufacture and have low material costs often assume too much of a facility's overhead, making it difficult for the marketing manager to price to meet market conditions.

2.6.2. Competition

In this context, the interested parties are small business entrepreneurs in the emerging manufacturing sector competing against a fixed base, which constitutes limited resources. The significance of competition cannot be overstated because the reaction of various manufacturing firms is felt when the leading manufacturers in the market change their pricing strategy, such as by reducing their prices. Hence, small and medium-sized businesses must be cognizant and monitor pricing activities to remain competitive.

2.6.3. Market Demand

The impact of market demand on SME growth can be analyzed by examining factors such as revenue growth, profitability, and market share. Understanding market demand is crucial for SMEs to identify opportunities and respond to changes in customer needs. It helps SMEs develop effective marketing strategies and innovate their products or services to meet market demand, which can lead to sustained growth.

Industries of manufactured goods need to be aware of demand price elasticity. Understanding price elasticity will enable manufacturers to respond to price changes, which will have a significant impact on product pricing in small and medium-sized enterprises.

2.6.4. Government Policy

Government guidelines are fundamental organizational tools that serve as a checklist for work and activities, ensuring that a specific task is undertaken and completed uniformly and objectively. The impact of government policies on SME growth can be analyzed by examining factors such as revenue growth, profitability, and market share. It helps identify which policies are beneficial or detrimental to SMEs' growth and what policies can be implemented to support their growth. Regarding pricing strategies for small and medium enterprises in Liberia, poorly strategized price policies that need to consider consumers' rights, concerns, and complaints result in low sales of that particular product.

2.7 Emerged Frame of Reference

The frame of reference aims to provide a deeper understanding of the research questions in the first chapter and how it is built upon the previous literature presented throughout chapter 2. However, there are various theoretical aspects and models that have been identified and have been studied to determine the correct fit for the study. Extant literature has shown how SMEs are faced with a challenging business environment, including a lack of infrastructure, limited access to finance, and unstable political and economic conditions. Therefore, understanding the factors that influence pricing strategies for SMEs is crucial to their growth and success. This justification will explore four research questions and provide relevant citations and references to support the claims.

RQ 1: The cost of production is a crucial factor in determining the pricing strategy for SMEs in Liberia. A study by Eniola & Entebang, (2015) found that the cost of production primarily influences pricing decisions in SMEs. The authors further noted that SMEs often lack the resources to undertake cost-cutting measures such as bulk purchasing and outsourcing, which can affect pricing decisions. Therefore, SMEs may have to price their products higher to cover their production costs, which can impact their competitiveness.

RQ 2: Competition is also a critical factor that influences pricing strategies for SMEs in Liberia. A study by Mashizha et al. (2019) found that competition significantly impacts pricing decisions in SMEs. The authors noted that SMEs often face intense competition from larger firms that have better pricing power due to their economies of scale. Therefore, SMEs may have to price their products lower than their competitors to gain market share and maintain competitiveness.

RQ 3: Market demand is another important factor that influences pricing strategies for SMEs in Liberia. According to a study by Quoc Trung (2021), market demand is a key driver of pricing decisions in SMEs. The authors noted that SMEs must adjust their prices to meet the demands of their customers. This may involve lowering prices to attract more customers or increasing prices to match the perceived value of their products.

RQ 4: Government policies can also impact pricing strategies for SMEs in Liberia. A study by S. Tchamyou et al. (2019) found that government policies such as taxation and regulation can affect pricing decisions in SMEs. The authors noted that high taxes and excessive regulation can increase the cost of production, which can lead to higher prices for SMEs. Additionally, government policies such as subsidies and incentives can influence pricing decisions by reducing the cost of production and allowing SMEs to price their products competitively.

Overall, SME companies that have a good understanding of these factors can develop a competitive pricing strategy that meets their customer's needs while remaining profitable.

Table 1: Emerged frame of reference

Concept	Operation Definition	Source
Cost of Production	The cost of direct materials, direct labor, and any other expenses directly related to the manufacturing cost of the product, along with a reasonable and systematic allocation of fixed and variable production overheads.	(Cant et al., 2016b)
Competition	Competition is defined as a process in which several parties compete with one another in an effort to accomplish an objective that cannot be shared or held in common by the parties and in which the methods of participation and goal-achievement are subject to a set of rules, guidelines, or restrictions.	(Cant et al., 2016b)
Market Demand	Market demand refers to the amount of a product or service that customers want to buy at the current price	Hicks 2011
Government Policy	Government policies are general statements or understandings that guide in decision-making and ensure that the decision will be consistent with and contribute to objectives.	Lu et al. (2017)

(Authors' own construct)

Cost of production, competition, market demand, government policy, and pricing strategy are all important factors that influence the growth of SMEs.

Firstly, the cost of production is a critical concept in determining the pricing strategy of SMEs. As argued by Assefa (2019), firms need to understand their production costs to set appropriate prices that would ensure profitability. The study also found that reducing production costs could increase the competitiveness of SMEs. Thus, an understanding of the cost of production is necessary to develop effective pricing strategies that would help SMEs grow.

Secondly, competition is another crucial concept that influences pricing strategy and SME growth. As noted by Rammal et al., (2014), competition could have a significant impact on SMEs' market position and performance. Therefore, SMEs need to understand their competitors' pricing strategies to remain competitive in the market.

Thirdly, market demand is a key concept that influences SME growth and pricing strategy. As highlighted by Adewale (2013), SMEs need to identify their target market and understand their customers' needs and preferences to develop pricing strategies that would attract and retain customers. Thus, an understanding of the market demand is critical in developing pricing strategies that would promote SME growth.

Fourthly, government policy is another important concept that influences SME growth and pricing strategy. As argued by S. Tchamyou et al. (2019), government policies could have significant impacts on SMEs, particularly in developing countries. For instance, tax policies could affect SMEs' profitability and pricing strategies. Therefore, an understanding of government policies is necessary to develop pricing strategies that would ensure SME growth.

Finally, pricing strategy itself is a crucial concept that influences SME growth. As noted by Adewale (2013), pricing strategies could affect SMEs' profitability, market position, and growth prospects. Therefore, SMEs need to develop effective pricing strategies that would promote growth.

In conclusion, the concepts of cost of production, competition, market demand, government policy, and pricing strategy are all critical in determining SME growth. Understanding these concepts is necessary to develop effective pricing strategies that would promote SME growth.

Conceptual Framework

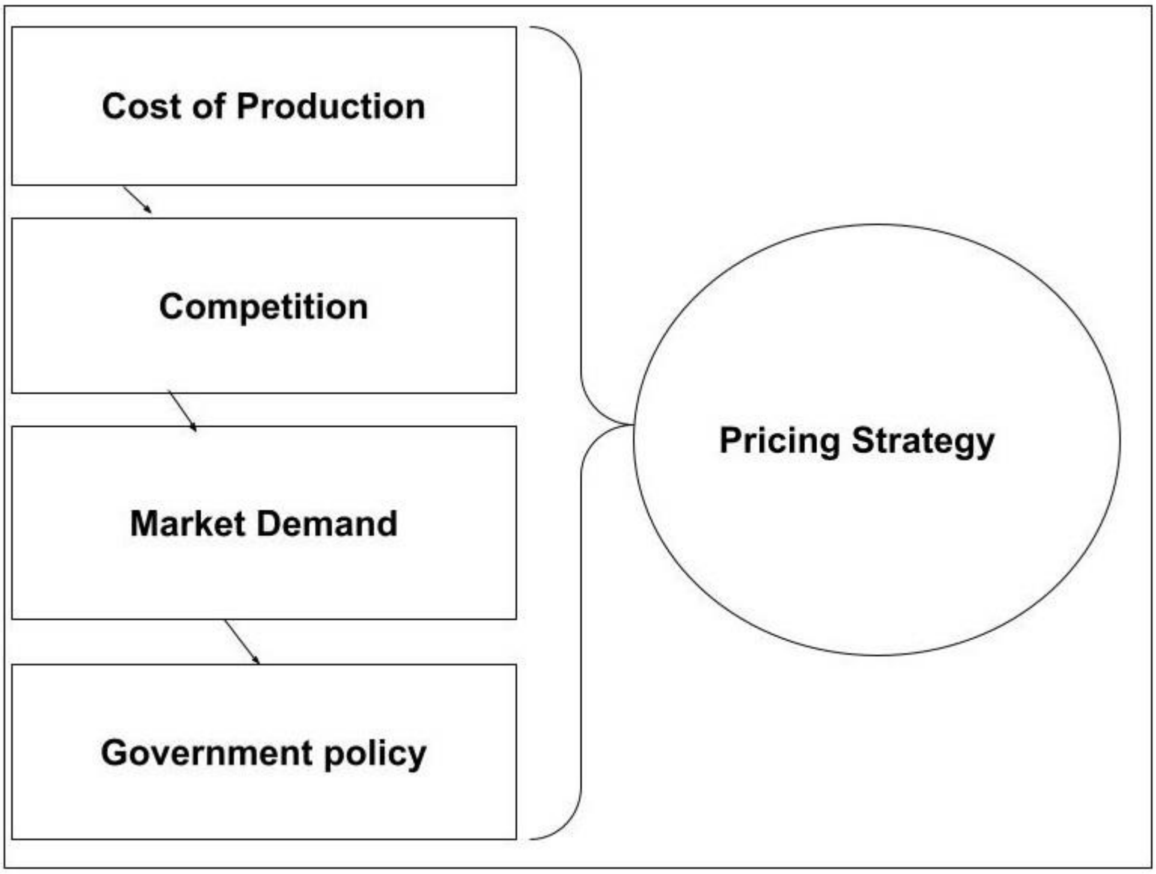


Figure 2: The operationalization model adopted from the emerged frame of reference (Authors' own construct)

Chapter Three

3. Methodology

This chapter discusses the research methodology used to carry out this study. It all starts with the purpose, approach, and strategy. Afterwards, sample selection and data collection occur. The chapter concludes with a discussion of data analysis and quality standards.

3.1 Research Purpose

The research questions in a study play a crucial role in determining its purpose. According to Saunders Mark et al., (2019), studies can be categorized as exploratory, descriptive, or explanatory. An exploratory study is particularly valuable when there is limited existing research on a problem, as it aims to delve deeper and gain a comprehensive understanding. Exploratory research generally has a broad focus and employs open-ended questions to explore the overall environment (Saunders et al., 2012). Additionally, exploratory studies seek to answer "what" or "how" questions, providing clarification and understanding of specific problems, theories, or issues (David & Sutton, n.d.).

Descriptive studies, on the other hand, are designed to present an accurate profile or portrayal of a particular situation, event, or group of people. These studies aim to answer questions related to "when," "where," "what," and "to whom (Saunders, Mark et al., 2019). Descriptive studies often complement exploratory research, where a detailed description precedes or follows an open-ended investigation. This combined approach is referred to as descriptor-explanatory studies (Edgren & Käkönen, n.d.).

In the case of this thesis, the purpose is exploratory. The study intends to contribute new insights by examining the influence of pricing strategy on the growth of small and medium-sized enterprises (SMEs) in Liberia. The existing research in this area, especially concerning SMEs, is limited. Thus, the thesis aims to shed new light on this phenomenon and seek insights without having precise knowledge of the problem (Saunders, Mark et al., 2019). Exploratory research is particularly suitable in situations where some facts are known, but additional information is required (Sekaran et al.; R., 2013).

3.2. Research Approach

The primary aim of this study is to adopt an exploratory focus, which can be accomplished through either a qualitative or quantitative approach (David & Sutton, n.d.). Quantitative studies involve the measurement of numbers and variables, while qualitative studies utilize words and open-ended questions for categorization. In this particular study, the intention is to employ a qualitative approach in order to gain deeper insights and provide a descriptive understanding of a specific problem. According to Huyler and McGill (2019), qualitative research entails the emergence of questions and procedures, data collection in the participant's natural setting, inductive analysis from specific facts to general themes, and the researcher's analysis of the data's meaning.

Qualitative research is closely associated with inductive methods, as highlighted by (David & Sutton n.d.). Inductive methods are exploratory in nature and primarily focused on understanding the individual meanings and complexities of a given situation (Huyler & McGill, 2019). A distinguishing characteristic of qualitative research is that meanings are expressed through words rather than numerical data (Saunders et al., 2007). Taking a deductive approach, the emphasis is on developing a more comprehensive theoretical understanding (Saunders et al., 2007). Furthermore, when collecting data from a qualitative standpoint, interviews and observations are commonly used methods (Rashid et al., n.d.). This approach aligns with the research questions and objectives formulated in connection with existing theories (Yin, R. K. 2009).

Based on the criteria outlined above, a qualitative approach is the most suitable for investigating the influence of pricing strategy on the growth of SMEs. The research questions in this thesis are formulated in connection with existing models and conceptual frameworks. However, due to the specific focus on pricing strategies, there is an opportunity to gain additional knowledge about the pricing strategies employed by SMEs and their impact on growth. While all the relevant pieces of information are available, utilizing a qualitative approach will allow for their integration and synthesis.

3. 3. Research Strategy

When considering the research approach, it is crucial to determine the appropriate strategy that the researcher will employ in order to address the proposed research questions. According to Saunders et al., (2007), several essential elements should guide the selection of the research strategy, including the research questions themselves, existing knowledge of the topic, the timeframe of the study, and the availability of participants. These factors play a significant role in shaping the choice of research strategy. As a result, researchers have the flexibility to formulate multiple strategies that can be used independently, in combination with other strategies, or merged together. For example, it is possible to combine a case study with a survey or vice versa.

Yin, R. K. (2009) identifies five research strategies that researchers can employ: experiment, survey, archival analysis, history, and case study. Each of these strategies offers distinct advantages and can be utilized depending on the specific research context. Additionally, (Saunders Mark et al., 2019) emphasize that certain research strategies are better suited for qualitative studies, while others are more appropriate for quantitative studies.

Yin, R. K. (2009) further suggests that three conditions should be taken into account when determining the most suitable research strategy: the nature of the research question, the level of control the researcher has over the actual behavioral event being studied, and the degree of focus on the current event within the research. These conditions serve as guiding factors for selecting the most appropriate research strategy for a given study. In summary, the choice of research strategy should be guided by careful consideration of the research questions, existing knowledge, timeframe, and access to participants. Researchers have the flexibility to select and combine various strategies, with different strategies being more suitable for qualitative or quantitative studies. The nature of the research question, level of control, and focus on the current event are key factors in determining the most appropriate research strategy.

Table 1 illustrates the relationship between research strategies and these three conditions, providing a helpful framework for researchers to make informed decisions.

Table 2. Relevant Situations for Different Research Strategies

Method	Form of Research Question	Requires control of behavioral events	Focus on Contemporary events
Experiment	Why, How?	Yes	Yes
Survey	How many, Who, where, what, how much?	No	Yes
Archival Analysis	How many, Who, where, what, how much?	No	Yes/No
History	Why, How?	No	No
Case study	How, why?	No	Yes

Source: Yin (2009)

3.3.1 Unit of Analysis.

In the context of "The Influence of Pricing Strategy on the Growth of SMEs: A Case Study in Liberia," the unit of analysis is critical to the success of the research (Malhotra & Peterson, 2001). Therefore, the case needs to be well-defined to facilitate the application of the theoretical framework in analyzing the empirical data (DeVaney, 2016). To define the case, the research question "What is my case?" needs to be answered. Based on the purpose of this thesis, the unit of analysis is the SMEs in Liberia, and the focus is on the six industries selected, which comprise six (6) management team members that are made up of three (3) Executive members and three (3) Non-Executive members. This choice of unit of analysis is well-suited to the purpose of this thesis and aligns with the existing literature (Matusov, 2007).

3.4. Sample Selection

The respondents for this study were chosen with the goal of understanding the problem and effectively answering the research questions in mind, which is consistent with the principles of qualitative research (Huyler & McGill, 2019). The target population was defined as managers from three specific companies in Liberia to fulfill the study's purpose. According to Saunders Mark et al. (2019), judgmental sampling is the process of choosing cases that best serve the research questions. Certain selection criteria will be used in this study.

Initially, email inquiries will be sent out to identify the most appropriate contact person within each company. The researcher will ensure that the interviews are conducted with individuals who possess the highest level of qualifications and knowledge regarding pricing strategy within their respective companies. A total of six respondents, with two representatives from each of the three selected SME companies, will participate in the study.

Furthermore, the researcher will aim to include respondents who possess in-depth knowledge about the subject under investigation. It is important to obtain a diverse range of perspectives as each respondent may offer unique insights into the factors influencing pricing strategy on SME growth in Liberia. The data collection process will focus on understanding the respondents' perceptions and understanding of the concept of pricing strategy. The goal is to obtain descriptive and informative answers, which will be achieved through the use of semi-structured interviews (Saunders Mark et al., 2019).

According to Saunders et al., (2007), it is essential to employ an interview guide in such cases. An interview guide consists of a set of specific themes and questions that the interview intends to cover in order to address the study's purpose. However, utilizing an interview guide in this manner allows respondents the freedom to formulate their answers in a comprehensive manner. The interviews are expected to last approximately 25-40 minutes, with the interview guide serving as a foundational tool.

All interviews will be conducted face-to-face, as Carr & Worth (2001) suggest that face-to-face interviews yield reliable results. Once the interviews are completed, they will be transcribed to facilitate a more thorough analysis of the respondent's answers. The interview respondents represent different companies but share a common attribute of possessing knowledge about pricing strategy. The selected SME companies operate within the hospitality, petroleum, and information technology industries. The table below shows the sample selection and industry type.

Table 3: Respondents' selection

No.	Company name	Respondents	Industry
1.	A	2	Hospitality Industry
2.	B	2	Petroleum Industry
3.	C	2	Technology Industry
Total		**6**	

(Authors' own construct)

3.5. Data Collection

In research, an interview is a conversation between two or more people, and there are three types of interviews: structured interviews, semi-structured interviews, and unstructured interviews (Saunders et al., 2007). Structured interviews use a set of questions that are the same for each interview. The questions are asked exactly as they are written, with no room for deviation or additional inquiries outside of the script. In contrast, semi-structured interviews are open-ended and guided by themes and loose questions rather than a strict script (Saunders et al., 2007). These interviews are adaptable, allowing researchers to ask follow-up questions and change the direction of the conversation as needed.

In the context of exploratory research, the most suitable types of interviews, according to (Saunders Mark et al., 2019 & Carr & Worth, 2001), are either semi-structured or unstructured. This is because exploratory research primarily focuses on qualitative and thematic data (Edgren & Käkönen, n.d.). Structured interviews, which tend to have a quantitative orientation, are not well-suited for this type of research. In this thesis, semi-structured interviews will be considered the most appropriate approach. They provide contextual flexibility while still maintaining some structure through pre-established questions linked to the theoretical framework (Edgren & Käkönen, n.d.). This allows for relevant questions related to the study while also giving interviewees the opportunity to expand beyond the research topic if necessary. As DeVaney (2016) suggested, qualitative interviews (referred to as semi-structured interviews in his terminology) are about building relationships between the researcher(s) and the interviewee. This makes them particularly suitable for social sciences, especially when exploring theoretical relationships. The semi-structured interviews will be conducted with the researcher taking on the role of a moderator, facilitating the conversation.

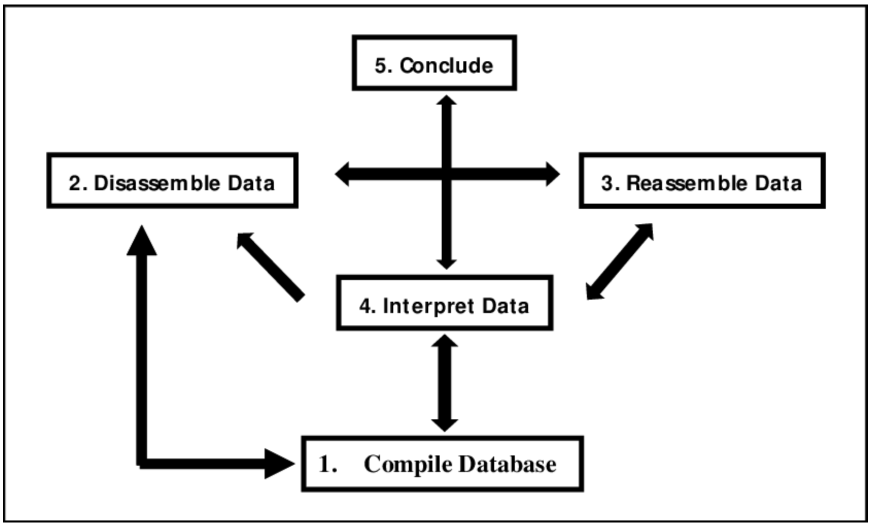
Overall, by adopting semi-structured interviews, the researcher aims to strike a balance between providing guidance and allowing for the exploration of diverse perspectives and insights related to the topic of the study. This approach acknowledges the importance of capturing in-depth qualitative data while maintaining a degree of flexibility during the interview process.

3.6. Data Analysis

The empirical data obtained from the interviews conducted with managers of the three selected companies was transcribed into written text and subjected to a thematic analysis. The aim of this analysis was to identify common themes and perceptions regarding the influence of pricing strategy on SME growth. Thematic analysis, as highlighted by Braun & Clarke (2006), is a widely utilized method in qualitative research that effectively manages qualitative data by identifying, analyzing, and discovering patterns within the collected data. The authors emphasize that themes, in this context, capture essential aspects of the data in relation to the research question and represent patterns or meaningful responses within the dataset.

Yin, R. K. (2009), proposes a comprehensive framework for analyzing qualitative data, encompassing five distinct phases. These phases serve as a guide for a rigorous and systematic analysis process. They are as follows:

Figure 3: Five qualitative data analysis cycles (Yin, 2011)



Compiling the Database: In this phase, the researcher organizes the data by structuring it in a database or other appropriate software, facilitating easy access and management. **Disassembling the Data:** Here, the researcher breaks down the data into smaller chunks, often through coding or labeling. This process involves identifying and categorizing meaningful units within the data. Reassembling the Data: The goal of this phase is to organize the smaller data chunks into themes or patterns. This can be achieved through the creation of graphical lists, arrays, or thematic frameworks. Interpreting the Data: This phase involves critically analyzing the data, identifying themes, and developing a new narrative. The researcher engages in a deep exploration of the data to uncover underlying meanings, connections, and insights. Concluding: The final phase involves drawing conclusions based on the interpretations and analysis conducted in the previous stages. The researcher connects these conclusions back to the research questions, providing a comprehensive understanding of the topic.

Given that the primary objective of this thesis is to investigate the influence of pricing strategy on SME growth, the analysis method employed will primarily be qualitative, as discussed in the aforementioned process.

Moreover, this analysis approach shares similarities with thematic analysis but incorporates more elaborate steps. Thematic analysis is widely recognized as a valuable method for analyzing qualitative data (Guest et al., 2012). Unlike statistical coding, thematic analysis delves beyond surface-level analysis, exploring both explicit and implicit relationships and themes within the data. Guest et al. (2012) define a theme as "a unit of meaning that is observed in the data by a reader of the text." In the context of this thesis, themes will derive from the interviews, specifically how different interviewees mention and discuss pricing strategy. This approach aligns with an inductive thematic analysis, where themes and codes are derived from the data itself.

By applying thematic analysis within the framework proposed by (Yin et al., 2009). The researcher can effectively explore and interpret the qualitative data collected from the interviews. This analysis method allows for a comprehensive examination of the themes, patterns, and insights relevant to the research questions, contributing to a deeper understanding of the relationship between pricing strategy and SME growth.

3.7. Country Selected

The research phase of this study was conducted in Liberia, a developing country in Africa known for its Small and Medium Enterprises (SMEs) that play a crucial role in the country's economic growth and development. SMEs in Liberia not only create employment opportunities but also contribute significantly to the overall economic progress (Dugasa et al., 2020). However, despite their importance, several factors have hindered the effective implementation of pricing strategies for SMEs, impacting their long-term growth. Therefore, it is vital to investigate the factors influencing pricing strategies to understand their influence on SMEs' growth.

The main objective of this research is to examine the impact of pricing strategy on the growth of SMEs in Liberia. The study focuses on three selected SMEs representing different industries: Company A in the hospitality industry, Company B in the petroleum industry, and Company C in the technology industry. By studying these diverse SMEs, a comprehensive understanding of the influence of pricing strategy on their growth can be obtained.

Before conducting the interviews, thorough preparations were made. The selected participants were informed in advance about their selection and the purpose of the study. They were also informed about the expected duration of the interview, which would last approximately 30 to 40 minutes. This advance notice allowed the participants to plan and prepare for the interview effectively. The researchers ensured that the participants were fully aware of the study's goals and setting, providing them with a clear understanding of the research concept. This approach aimed to make the participants feel comfortable and willing to actively participate during and after the interview.

Furthermore, the researchers obtained informed consent from all participants, ensuring that they were aware of how their shared information would be used and the potential benefits and risks associated with it. Respecting the participants' rights, the researchers agreed to maintain the anonymity of the participants as requested. Additionally, recording the interview was deemed essential as it enables a more accurate and detailed representation of the participants' responses compared to relying solely on human memory recall of spoken words (Denscombe, 2010).

In addition to the obtained consent, there was also an agreement to publish the agency name and adhere to a code of conduct and non-disclosure agreement, signifying the researchers' commitment to upholding ethical standards and safeguarding the confidentiality of the participants' information.

By conducting this research in Liberia and examining the influence of pricing strategy on the growth of three selected SMEs from different industries, valuable insights can be gained regarding the challenges and opportunities faced by SMEs in implementing effective pricing strategies. This knowledge can contribute to the development of strategies and interventions that promote the sustainable growth of SMEs, ultimately benefiting the overall economic landscape of Liberia.

3. 8. Quality Standards

Ensuring the high quality of research is of utmost importance in any thesis, as it guarantees that the evidence and conclusions presented can withstand rigorous scrutiny (Saunders Mark et al., 2019). Conducting research entails uncertainties, making it challenging to determine the accuracy and correctness of the findings. However, by establishing a robust and well-structured research design, the likelihood of obtaining misleading or deceptive answers can be minimized (Saunders, Mark et al., 2019).

To enhance the credibility and trustworthiness of a study, two fundamental concepts come into play: reliability and validity. These concepts are commonly employed in research to ensure the integrity and accuracy of the collected data and subsequent interpretations.

Reliability pertains to the consistency and stability of the research findings. It involves the ability to obtain consistent results when the study is repeated under similar conditions or with similar participants. A reliable study minimizes the potential for random errors and provides confidence that the findings are not merely the result of chance or inconsistency in data collection and measurement.

Validity, on the other hand, focuses on the extent to which a study truly measures what it aims to investigate. It examines whether the research accurately captures the intended constructs and provides meaningful and relevant insights. A valid study ensures that the collected data aligns with the research question and purpose, thus increasing its relevance and accuracy.

By employing rigorous measures of reliability and validity, researchers can enhance the overall quality of their study and bolster the trustworthiness of their findings. Establishing a strong foundation in these concepts enables researchers to conduct robust analyses, draw accurate conclusions, and contribute to the existing body of knowledge in their respective fields.

3. 9. Reliability

Reliability refers to the degree to which the data is consistent and accurate. According to Saunders Mark et al. (2019), reliability ensures that if a new researcher were to replicate the study and do the same steps, they would arrive at identical conclusions. Also, it aims at minimizing possible errors and biases in the study. In order to authenticate if the researchers' qualitative concept is highly reliable and for other researchers to experience the same result, Yin, R. K. (2009) states that there should be proper monitoring of documentation used for data collection.

Ensuring reliability is essential in addressing bias and error (Saunders et al., 2012). In this study, four types of threats can arise from bias and error: participant error, participant bias, researcher error, and researcher bias. Participant error refers to factors that may adversely affect participants' performance during data collection, specifically regarding sensitive timing. Participant bias relates to anonymous and security concerns that may hinder participants' ability to provide accurate and truthful responses. Researcher error encompasses a lack of preparation and misinterpretations by researchers during qualitative data collection. Lastly, researcher bias concerns the incorporation of the researcher's own subjective opinions when interpreting participants' responses (Saunders et al., 2012).

To effectively address these threats, several measures were implemented within the research design. To minimize the threat of participant error and bias, respondents were granted the freedom to select interview times and dates based on their availability, ensuring a conducive environment that could influence their responses. Interviews were conducted through a digital platform, not only providing convenience and overcoming geographic constraints but also allowing participants to engage in a discussion within their preferred environment, free from external pressures. Additionally, interviews primarily took place in English, which is relevant to the defined population in Liberia. In order to mitigate researcher error and bias, thorough preparation was conducted before each interview, ensuring effective and thoughtful interviews aligned with the study's objectives. Consensual recording and subsequent transcribing were carried out after each interview.

By adapting the statement to fit the thesis research on pricing strategy and SME growth in Liberia, the revised version maintains relevance and coherence with the specific research context.

By making these modifications, the statement is tailored to the thesis research's specific objectives and geographical scope, ensuring relevance and coherence with the study on pricing strategy and SME growth in Liberia.

3.10. Validity

Validity is a crucial method that demonstrates the credibility and trustworthiness of research. It encompasses the consistency and accuracy of the collected data, ensuring that it effectively measures the variables under investigation and aligns with the research question and purpose (Yin et al., 2009). Furthermore, a more comprehensive understanding of reliability and validity can be attained through further exploration. In the realm of social science empirical research, four standard tests are commonly utilized to establish and evaluate research quality, with three of them applicable to exploratory studies: Construct validity, External validity, and Reliability (Yin et al., 2009).

Construct validity, as defined by Saunders Mark et al. (2019), pertains to the extent to which a study's research accurately captures the expected outcomes. Yin, R. K. (2009) offers three strategies to achieve a high level of construct validity, including the utilization of multiple sources of evidence during data collection, maintaining a rigorous chain of evidence, and involving reliable sources in the analysis of a case study. By adopting these approaches, researchers can enhance the validity of their study by ensuring that the measured constructs effectively represent the intended phenomena.

Internal validity, on the other hand, focuses on identifying the factors that cause differences in variables and aims to improve the quality of causal relationships between them. It is important to note that exploratory or descriptive research methods may not fully address internal validity concerns, as they are more relevant to descriptive studies (Saunders Mark et al., 2019; Yin et al., 2009). Nevertheless, in the context of an exploratory study, researchers should consider measures to account for the internal form of validity, even if it is not the primary focus.

Lastly, external validity examines the extent to which a study's findings can be generalized and applied to various contexts (Saunders, Mark et al., 2019; Yin et al., 2009). It ensures that the research outcomes have broader implications beyond the specific study setting and can be relevant to other situations. By assessing external validity, researchers can determine the extent to which their findings can be extrapolated and applied to real-world scenarios.

Since this research adopts an exploratory approach, the application of internal validity is limited. Nonetheless, three tactics recommended by Yin (2019) were employed to enhance the degree of construct validity. Firstly, the data collection process involved gathering primary data through interviews, and employing appropriate techniques. Additionally, secondary data collection encompassed peer-reviewed journal articles specific to the Liberian context, methodology textbooks, and reliable statistical sources, ensuring high reliability and information quality. Secondly, throughout the research report, sources of evidence are cited and provided, establishing a coherent chain of evidence. This includes proper citations, an interview guide appendix, and a list of interview questions. Lastly, the study underwent development and scrutiny in consultation with an academic supervisor to ensure objectivity and adherence to scientific standards. Regarding external validity, a discussion on generalizability can be framed around several factors. The limited sample size inherently constrains the generalizability of the findings. The defined population focuses on SMEs in Liberia, emphasizing the specific context of the study.

In summary, validity serves as a vital method to establish the credibility and accuracy of research. Construct validity, internal validity (to the extent applicable), and external validity are key dimensions that contribute to research quality. By implementing strategies to enhance construct validity, considering internal validity measures in exploratory studies, and evaluating external validity, researchers can strengthen the validity of their findings and ensure their applicability to broader contexts.

3.11. Ethical Consideration

Ethical considerations play a crucial role in research, ensuring that the study does not cause harm or infringe upon privacy (Saunders Mark et al., 2019; Edgre et al., n.d.) highlight four principles that are essential in social research and provide a comprehensive framework for addressing potential ethical concerns. These principles encompass aspects such as the respondents' well-being, confidentiality, consent, privacy, and the avoidance of fraud or withholding important information.

In the context of this thesis, it is important to recognize the potential risks of violating these ethical principles during the interviews and subsequent use of the collected data. In order to mitigate these risks, several measures will be implemented. Prior to the interviews, the respondents will be fully informed about the purpose of the study and their participation rights. They will be explicitly informed that they have the right to withdraw from the study at any time, decline to answer specific questions, and maintain anonymity. This ensures that respondents are aware of their rights and can make informed decisions regarding their involvement in the research.

By providing this information and obtaining informed consent, the researchers aim to establish a respectful and ethical relationship with the respondents. Respecting confidentiality and privacy are of utmost importance. The researchers will handle all data with strict confidentiality, ensuring that responses and personal information are kept secure and anonymous. Data will be stored and accessed only by the research team, with proper measures in place to protect privacy.

Additionally, transparency and openness will be upheld throughout the research process. The researchers will avoid any form of fraud, pretense, or withholding of important information that could compromise the integrity of the study or mislead the respondents. Any potential conflicts of interest will be disclosed, and the research process will be conducted with honesty and integrity.

By adhering to these ethical principles and providing clear information to the respondents, the research aims to maintain the well-being, confidentiality, informed consent, and privacy of the participants. These ethical considerations are essential for conducting responsible and ethical research, ensuring that the rights and dignity of the respondents are protected throughout the study.

Chapter Four

4. Analysis and Finding

This chapter delves into the comprehensive analysis and presentation of the findings obtained from the research study; the background section serves as a foundational framework for understanding the research study, and the discussion focused on the analysis and interpretation of the empirical findings obtained from the research study.

4.1 Background

The involved interview session focused on six respondents. The first respondent was the co-founder and CEO of the respective company with nine years of work experience. Besides, the participant had been involved in the pricing aspect of consumer services, where the company mainly offers technological solutions and services. The second respondent was the co-founder and vice-president of administration and finance of the respective company, with over five years of working experience handling administration and finance services.

The respondent has been involved in the pricing aspect of the company, particularly in the services. Similarly, the third respondent had nine years of working experience as the co-founder and CEO of the respective company, overseeing various business activities like training, placement, and recruiting. Besides, the CEO has been involved in pricing aspects based on the company's financial size in the middle class. The fourth respondent was the Chief Operating Officer for about seven years and has been involved in pricing the company for the services rendered to the relevant clients. The fifth respondent was the respective company's CEO, the administrative head. Besides, the participants had about ten years of working experience with sufficient pricing knowledge in service but also offered physical commodities. The sixth and last respondent was the general manager of the respective company with about eight years of working experience. Also, the respondent has prior knowledge about the pricing of products and services in the petroleum sector.

Four themes were considered in the analysis based on the involved interview sessions with the six respondents. The respondents came with similar consideration factors based on competition, cost of production, market demand, and government policy. Thematic analysis has been followed based on several procedural approaches required to satisfy the research questions and objectives. The analysis followed a transcription that will be attached in the appendix, coding, analysis, overall themes, and the written report as outlined in this section. Themes were searched, reviewed, and redefined to ensure a viable reporting part necessary to link the involved literature with the findings of this study. This aspect was to ensure that the findings were valid and reliable for future and current works. Consent was considered throughout the sessions, and the participants could halt the continuation of the interview whenever they wanted.

4.1,1. RQ 1. How does the cost of production influence pricing strategies for the selected SME companies in Liberia?

The cost of production is based on service type based on the service provider or IT solution, where cost could be consistent for the offerings considering the need of people to deliver the service or product. In the case of a website, the company could require a web hosting service provider together with an email hosting service provider. In the case of infrastructure setup, the company is required to pay for materials and related things. Studies also indicate that a company should calculate all fixed and variable costs related to the product or the service ((Nagle et al., n.d.). The labor cost is usually fixed, but others vary, like the material needed for infrastructure and software licensing. Regardless of the increment in the production cost, it is necessary to understand the cause of the rise and act accordingly. Respondent One stated, "For example, when the cost of electricity goes up in the country, or taxes go up, or transportation goes up, we can easily talk to clients and say this is the situation since the contract expired in two months when we are renewing, we want to increase it a little." A similar case has been represented by Respondent 2 in the case of production costs and how they impact pricing strategies.

Respondent 6 indicated that different services are provided by the company ranging from cooks and drivers to cleaners or nannies. Production involves background checks of the staff together with training and medical check-ups. Besides, the company focuses on different elements before it reduces its prices regardless of price reduction by the involved competitors. The company periodically reviews the pricing strategy, and when input is greater than input, the prices are readjusted to account for the new overheads. Production cost is also based on how the company can pay its staff in the office based on the overheads incurred.

According to Respondent 4, the company engages in intermediaries, for instance, a need for a nanny. Therefore, many elements and people are required for its daily business activities.

Therefore, the cost of the product is usually high before the company acquires the ultimate service needed. Also, the company is impacted by tax laws that affect the pricing strategy of the company, together with laws controlling staff. Whenever the production cost reduces, the company could reduce its prices based on a more detailed internal and external assessment of factors. Furthermore, the company could increase prices whenever production costs are high to ensure profit margin consistency.

Respondent 3 indicated that the involved company offers various services and products. Besides, the cost of production is increased by the many training and replacements carried out to ensure high quality in production. Similarly, the company would reduce prices whenever production cost is lower to increase its market share. However, the whole business model is assessed and evaluated before the readjustment of prices is done. Moreover, when the production cost is high, the prices are set higher to maintain their profit margin and financial balance but will rely on the potential of the firm to pay for the production.

4.1.2. RQ 2. To what extent does competition influence pricing strategies for the selected SME companies in Liberia?

Company C (Co-founder & CEO) has several competitors in the market, and the company is among the top three entities in the market. The company was found to have average prices for its services or products compared to the competitors. However, the price-setting process is based on projects and biddings made. This is similar to (Nagle et al., n.d.), who indicated that consumers make prices when there are no competitors. According to Respondent 1, there are cases when clients solicit proposals and later find out that the companies' quotation is higher than the competitors. Negotiations are made with the competitors to avoid price wars that could be detrimental to business activities. Studies indicate the need for a competition-based strategy based on the price of consumer products or services, making it a crucial element for competitors (Liozu et al., 2012). According to the respondent, reputation is critical in setting the prices above or below the competitors while considering new entrants. Respondent 2 gave similar accounts of the competition level of the company regarding the level of competition.

The involved respondents indicated the existence of high competition in their industries since companies are providing similar products. However, some respondents, like Respondent 6, indicated the presence of an agency model in a relatively different market competition. Some companies are among the leading in their respective locations, according to Respondent 6. The respondent indicated, “In Liberia, we have this social issue where staff will go and do not want to come back to work again. Moreover, when that happens, the clients will feel insecure and do not want to do business with us.” Pricing strategies are not only based on competitors, but some internal factors like labor policies are critical. A similar case has been outlined by Respondent 5 in terms of competition.

According to Respondent 3, Liberia has many competitors in the company’s line of business. The respondent claims that “some companies try to provide similar services, but the way we do ours is what distinguishes us from other competitions.” However, the company has a different business model to differentiate its products and services based on replacing unsatisfactory employees. Besides, the participant believes their company is the leading organization in terms of competition. The company has ensured that its consumers are secure. Furthermore, the company does not set its prices based on competitors but has a different business model making it unique in the respective sector. Also, the consumer tends to shift to competitors whenever the prices for products or services are lower than the company. In the case of Respondent 4, they thought that there were many competitors, but their company dominated all of them, including some who have been in the market longer than their company. In some cases, the company’s prices are higher than competitors based on various internal and external aspects. The company carries out surveys to understand its consumers and pricing strategies.

4.1,3. RQ 3. How does the market demand for products influence pricing strategies for the selected SMEs in Liberia?

According to Respondent 1, the market demand for their services is high, particularly driven by the need for technological advantages in organizations (Tim et al.). The company adjusts prices whenever sales are reduced, taking into consideration the enterprise realization. Respondent 1 also noted that other SMEs, sole entrepreneurs, and large corporations require technology, and a reduction in sales is sometimes due to budgetary constraints rather than a lack of need for technology. The company's approach includes offering payment plans or a free trial period. Respondent 2 also highlighted a similar case of market demand and regulations.

Respondent 6 indicated a high market demand for its products or services, with a scale of about 8 out of 10. The company adjusts prices based on sales performance and economic situations. The respondent mentioned that adjustments are made depending on the periodic demand in different seasons. Stable consumers cater to the company's costs and expenses during the low-demand seasons (Kandil, 1995).

According to Respondent 5, the demand for the company's products or services is high, with a scale of 10 out of 10. The organization adjusts prices based on market conditions, increasing prices during high demand and reducing them when demand is lower. Weather conditions also influence demand, with lower demand during rainy seasons due to limited travel (Huyler & McGill, 2019).

Respondent 3 stated that the market demand for the company falls between 7 and 8 out of 10, indicating a high demand but with few customers willing to pay for the products or services (Tim et al.). The company adjusts prices based on current economic events and demand fluctuations. Stable consumers help maintain productivity during low-demand periods, and there is an increase in demand during certain seasons, such as December and January.

In the case of Respondent 4, the demand for the company's products or services received a rating of 8 out of 10, indicating high demand in Liberia. The demand is seasonal and influenced by the country's weather conditions (Huyler & McGill, 2019).

4.1.4. RQ 4. How does government policy influence pricing strategies for SMEs in Liberia?

Respondents 1 rated government regulations in the respective industry as a moderate 5 out of 10 (T. J. (Tim et al.). The government has not implemented policies to set prices for the services provided (Khurshid et al., 2022). Additionally, there are no government subsidies for the services or products (Brown et al., 2018). The taxes imposed by the government include a revenue tax of 4% and a Goods and Services Tax (GST) of 10% (Kandil, 1995).

Respondent 2 also indicated below-average government regulations in the industry, similar to Company C. There are no pricing regulations that affect prices or sales, and no subsidies are available to reduce the prices of products or services. VAT taxes are set at 10% for medium businesses and 4% for small businesses (Ma et al., 2021).

Similarly, respondent 3 rated government regulations in the industry as 5 out of 10. Company C. is impacted by labor policies requiring full-time employees to receive a minimum wage of

$150 per month. However, no subsidies are offered by the government in the sector, similar to Company C. VAT taxes are also applicable to the company (Indounas, 2006).

Respondent 4 also rated government policies in the industry as a moderate 5 out of 10. Labor regulations have an impact on the pricing strategies of the company. VAT is the main tax considered by the company (Tim et al.).

Other respondents indicated a scale of 4-6 out of 10 in terms of government involvement in the business. Labor regulations are in effect, and VAT is the primary tax considered. The issue of minimum labor requirements leads to higher prices (Brown et al., 2018).

4.2. Discussion

Based on the above results, competition has been observed as a critical theme that has been discussed based on the competitors' prices. Prices are based on competitor prices, but other internal and external factors should be considered when setting up prices, as (Nagle et al., n.d.) outlined. Some of the involved respondents validated this claim by indicating that the competitors' prices did not impact how they set prices in their companies. Competition should not be the only factor involved in setting prices for the involved business in the region. Consumers are also critical in this process and should be prioritized and consulted to acquire the necessary feedback to set prices. However, studies indicate that a competition-based strategy focusing on prices for consumer services and products could be crucial components for rivals (Liozu et al., 2012). The involved industrial sector has high competition considering that many organizations are offering similar products and services. High competition becomes advantageous for consumers since they acquire high-quality products or services at reduced prices. However, it is essential to note that competitive success is measured by high market share, but a negative sum could be realized when all the competitors focus on market-share maximization (Nagle et al., n.d.).

Besides, the cost of production is dependent on the type of services or products generated by the company. There are different types of costs where some are consistent, whereas others are implicated by certain laws like minimum labor wages. Cost of production is a crucial element in price determination by a company where the lower the cost of production, the lower the price of services or commodities. Therefore, this could be made reliable by the fact that the connection between product performance, consumer satisfaction, and the overall cost to the client generates the relationship life cycle of the product (Payne & Frow, 2005). The higher the cost of production, the higher the prices of the commodities and services generated by a given company. However, other factors should be considered since, in some cases, the cost of production could be an internal case. Therefore, the competitors' pricing rates should be considered regardless of the high production costs. Some respondents indicated that regardless of the high cost of production, the prices did not change significantly. Besides, Christensen et al., (2016) indicate that there is no guarantee that costs will be covered; hence, no guarantee that the organization will necessarily make profits.

The market demand of the involved companies is generally high based on the markets' needs under consideration. Most of the involved participants operated in technological firms, and based on the current technological advancements, the involved products and services are in high demand. The demand in the market has been critical in setting prices for the respective organizations under consideration. Therefore, the higher the demand experienced in the market, the higher the prices of the services and products. This aspect validated the element of dynamic pricing by Pitelis (2019), given that the prices of the services or products are adjusted based on the seasonal change in demand. Based on the obtained results, the higher the demand, the higher the prices. However, other internal and external factors should be considered when setting the prices, for example, the prices of the competitors and the cost of production. Similarly, past scholars have indicated that customers' perception of price change in the offline market has shown that price fluctuations influence customers' attitudes, behaviors, evaluations, satisfaction, and intentions (Lu et al., 2017). Organizations should understand all factors in play before setting their prices since small deviations could lower the company's market share and profit margins.

Government policy has been a critical element in setting prices of the involved companies that could be negative or negative to the market share and profitability. Besides, (Zindiye et al., n.d.) indicates that government policies are focused on limiting the connection between the nation's economic growth and small- and medium-sized enterprises via job creation and wealth creation. Similarly, government policies are meant to support business organizations by providing favorable environmental laws and establishing a comfortable business environment (Tim et al.). However, in the specific case under consideration, labor laws that limit employee wages have had a critical impact on the cost of production and, consequently, the final prices of the products or services (Anderson & Simester, 2013). Additionally, the value-added tax

(VAT) imposed on all organizations plays a fundamental role in price determination, as it varies based on the size of the organization (Yao & Ye, 2018).

Scholars have defined the political environment as the combination of policies, pressures, and government agencies that limit and influence the operations of individuals and organizations in society (Indounas, 2006), Government subsidies, for example, can be crucial in price setting (Ma et al., 2021). However, in the case of the involved companies or countries, the governments do not provide any subsidies that could assist in reducing prices for consumer services or products.

Chapter Five

5. Conclusion and Recommendation.

This chapter serves as the concluding part of the research study. It presents a comprehensive summary of the key findings, followed by practical recommendations for marketers and stakeholders. Additionally, this chapter discusses the theoretical contributions of the study, identifies its limitations, and suggests potential areas for future research.

5.1 Conclusion

The analysis reveals that competition is a critical factor in pricing decisions, as evidenced by the emphasis placed on competitors' prices. However, it is important to note that while some respondents acknowledged the influence of competitor prices, others indicated that they did not consider them when setting prices in their companies. This suggests that competition should not be the sole determinant of pricing strategies in the region. Instead, businesses should prioritize consulting and gathering feedback from consumers to ensure pricing aligns with their preferences.

Studies suggest that a competition-based pricing strategy can be crucial for rivals in the industry, especially in the consumer services and products sector, where there is high competition. This can benefit consumers, who can acquire high-quality offerings at reduced prices. However, it is worth noting that focusing solely on market-share maximization can lead to a negative sum outcome, highlighting the need for a balanced approach to competition (Nagle et al., n.d.).

The cost of production is an important factor in price determination. varying depending on the type of services or products generated by a company. Lower production costs generally result in lower prices for services or commodities. However, it is necessary to consider other factors alongside production costs, as in some cases, the cost of production may be an internal matter. Respondents mentioned that prices did not change significantly despite high production costs. It is essential to consider factors such as competitor pricing rates, as they may still be relevant despite high production costs. Furthermore, it should be noted that there is no guarantee that costs will be covered, and profitability is not guaranteed (Christensen et al., 2016).

Market demand plays a significant role in pricing decisions, particularly for companies operating in technological sectors. The high demand for products and services in these markets justifies higher prices. Dynamic pricing, as advocated by Pitelis (2019), aligns with this concept by adjusting prices based on seasonal changes in demand. However, it is crucial to consider other internal and external factors, such as competitor prices and production costs, when setting prices. Price fluctuations have been found to influence customers' attitudes, behaviors, evaluations, satisfaction, and intentions, further highlighting the need for a comprehensive understanding of all factors involved (Lu et al., 2017).

Government policy emerges as a critical element impacting pricing decisions for the involved companies. Labor laws that restrict employee wages have a significant impact on production costs and, consequently, the final prices of products or services. Additionally, the value-added tax (VAT) imposed on organizations varies based on their size and plays a fundamental role in price determination. Government policies can both positively and negatively affect market share and profitability. While supportive environmental laws and a comfortable business environment can benefit organizations, policies aimed at limiting the growth of small- and medium-sized enterprises can be detrimental (Tim et al., & Simester, 2013).

In conclusion, pricing decisions should consider a balanced approach that incorporates competition, consumer preferences, production costs, market demand, and government policies. While competition and market demand are significant factors, they should not be the sole determinants. Organizations should prioritize consumer feedback, optimize production costs, stay informed about government policies, and consider all relevant factors to develop effective pricing strategies.

5.2. Recommendation for Marketers

Many factors have been observed to impact the level of prices set by various organizations involved in the report. Therefore, SMEs comprehensively focus on all the external and internal factors before making pricing decisions that could be negative or positive to the company's profitability or market share. For the continuous survival of SMEs in Liberia, the following recommendations can be useful:

Customer-centric pricing strategy: While competition and competitor prices play a role in pricing decisions, it is important to consider other internal and external factors, including customer preferences and feedback. Prioritizing customer satisfaction and involving them in the pricing process can lead to better pricing decisions. (Liozu et al., 2012).

Cost optimization for competitive pricing: The cost of production significantly influences pricing decisions. Lowering production costs enables companies to offer competitive prices to customers. However, it is crucial to consider other factors alongside production costs, such as competitor pricing rates, to ensure a comprehensive pricing strategy. (Payne & Frow, 2005; Christensen et al., 2016).

Dynamic pricing based on market demand: Market demand plays a critical role in setting prices. Higher demand generally leads to higher prices for products and services. Implementing dynamic pricing strategies that adjust prices based on seasonal changes in demand can optimize revenue generation. However, it is important to consider various internal and external factors, including competitor prices and production costs, in conjunction with market demand. (Pitelis, 2019; Do et al., 2023).

Advocacy for favorable government policies: Government policies have a significant impact on pricing decisions, either positively or negatively. Engaging with relevant government agencies and advocating for favorable policies can help mitigate pricing constraints and create a more supportive business environment. This includes advocating for favorable labor laws and taxation policies, as well as seeking subsidies or incentives that can assist in price determination (Chavalle & Chavez-Bedoya, 2019; Anderson & Simester, 2013; Yao & Ye, 2018; Lu et al., 2017; Indounas, 2006).

By implementing these strong practical contributions, marketers can navigate the challenges posed by competition, production costs, market demand, and government policies. This will enable them to develop pricing strategies that are customer-centric, cost-efficient, responsive to market dynamics, and supported by favorable regulatory frameworks. Ultimately, these strategies will contribute to sustainable business growth and profitability.

5.3. Theoretical Contributions.

Building upon the findings, a comprehensive theoretical framework can be proposed to guide pricing decisions in the context of competitive markets. This integrated pricing framework considers various factors, including competition, cost of production, market demand, and government policies, to achieve optimal pricing strategies.

Competitor-Based Pricing Limitations: While competition and competitor prices are important considerations in pricing decisions, it is crucial to acknowledge the limitations of solely relying on this approach. Competitor-based pricing should be complemented with a broader set of internal and external factors to ensure effective price setting (Nagle et al., n.d.). This perspective emphasizes the need to move beyond a myopic focus on competitors' prices and consider other elements for robust pricing strategies.

Cost-Based Pricing and Product Performance: The cost of production plays a significant role in determining prices, as lower production costs enable companies to offer competitive prices (Payne & Frow, 2005). However, the relationship between product performance, customer satisfaction, and cost to the client forms the foundation for the product's lifecycle. Therefore, companies should not solely rely on cost-based pricing but also consider other factors to strike the right balance between pricing and customer value.

Dynamic Pricing and Market Demand: Market demand serves as a crucial driver for price determination. Higher demand generally leads to higher prices for products and services, and dynamic pricing strategies that adapt prices based on seasonal changes in demand can optimize revenue generation (Pitelis, 2019). However, to ensure pricing effectiveness, organizations must consider a holistic approach by incorporating other factors, such as competition and production costs, alongside market demand fluctuations.

Government Policy and Pricing Implications: Government policies can significantly impact pricing decisions, either positively or negatively. Labor laws, environmental regulations, and taxation policies influence the cost of production and, consequently, the final (Chavalle & Chavez-Bedoya, 2019; Anderson & Simester, 2013; Yao & Ye, 2018). Understanding the implications of government policies and engaging with relevant stakeholders can help organizations navigate pricing challenges and make informed decisions.

The proposed integrated pricing framework recognizes the interplay between competition, production costs, market demand, and government policies, emphasizing the need for a comprehensive approach to pricing decisions. By considering these multiple dimensions, organizations can develop more effective pricing strategies that balance customer value, market dynamics, and profitability.

5.4. Limitations.

The thesis "The Influence of Pricing Strategy on the Growth of SMEs: A Case Study in Liberia" investigates the impact of pricing strategy on the growth of SMEs in Liberia. While the study provides valuable insights, it also has several limitations that need to be considered. These include;

Sample and Generalizability: The findings and conclusions drawn from the study may be limited by the specific sample of companies and participants involved. The study focuses on a particular industrial sector and may not represent the broader market dynamics or pricing strategies employed in other industries or regions.

Self-Reported Data and Bias: The data collected for the study relied on self-reported responses from participants, which introduces the possibility of response bias or subjective interpretations. Participants' perceptions and experiences may not always accurately reflect the actual pricing practices within their organizations, potentially impacting the validity and reliability of the results.

Limited Factors Considered: While the study acknowledges the importance of considering multiple factors beyond competition, such as consumer preferences and costs of production, the research primarily focuses on competition, cost of production, market demand, and government policies. Other influential factors, such as macroeconomic conditions, technological advancements, or industry-specific regulations, are not extensively explored, limiting the comprehensiveness of the analysis.

Limited External Validity: The study's findings are specific to the involved companies and their respective markets, which may have unique characteristics and dynamics. Therefore, caution should be exercised when generalizing the results to different industries, geographic regions, or market contexts.

Absence of Subsidies Analysis: The study acknowledges the potential impact of government subsidies on pricing but does not explore or analyze the absence of subsidies in the context of the involved companies or countries. This limitation restricts a comprehensive understanding of how subsidies or their absence can influence pricing decisions.

Research Gap: The study references existing literature, but it does not explicitly discuss any gaps or limitations within the literature itself. Identifying and addressing gaps in prior research would have enhanced the study's contribution to the field and provided a more nuanced understanding of pricing dynamics.

In conclusion, while the study "The Influence of Pricing Strategy on the Growth of SMEs: A Case Study in Liberia" provides valuable insights into the relationship between pricing strategy and SME growth in Liberia, it is not without limitations. Future research should consider using larger sample sizes, more robust research designs, and incorporating additional factors that may impact SME growth to build upon the findings of this study.

5.6 Area for future research.

One area for future study could focus on the impact of pricing strategies on the financial performance and sustainability of SMEs in Liberia. This study could examine how different pricing strategies, influenced by factors such as cost of production, competition, market demand, and government policy, affect key financial indicators such as profitability, revenue growth, and cash flow management. By analyzing the long-term financial outcomes of SMEs in relation to their pricing strategies, researchers can provide valuable insights into the optimal pricing approaches that contribute to sustainable growth and success in the Liberian SME sector.

Furthermore, future research could look into the role of pricing strategy in improving the competitiveness and market positioning of SMEs in Liberia. This could entail looking into how pricing decisions are influenced by factors such as cost of production, competition, market demand, and government policy, and how they affect SMEs' ability to differentiate themselves, attract customers, and gain a competitive advantage in the market. Understanding the relationship between pricing strategies and market positioning can help SMEs develop effective pricing strategies that are in line with their competitive objectives and market dynamics.

Furthermore, an interesting area for future study could examine the perceptions and behaviors of consumers toward pricing strategies implemented by SMEs in Liberia. This research could delve into consumer preferences, price sensitivity, and the impact of pricing strategies on purchasing decisions. By gaining insights into consumer perspectives, researchers can provide recommendations on pricing approaches that resonate with the target market and facilitate the growth of SMEs in Liberia.

Overall, these future areas of study would contribute to a deeper understanding of how pricing strategy influences the growth and success of SMEs in Liberia, offering valuable insights and practical guidance for both researchers and practitioners in the field.

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Appendix A - Informed Consent Form

Researchers:

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Master Students in International Business

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Information about the research:

You are invited to participate in a research study about the influence of pricing strategies on the growth of SMEs. The purpose of the study is to have practical experience, a broader perspective, and more details on the factors that influence the pricing strategy of SMEs in Liberia.

Participation in research:

Participation in this research is voluntary. You may withdraw at any time without consequences of any kind or loss of benefits to which you are otherwise entitled. If you agree to take part in this research, you will participate in an interview about your experience and opinions regarding the pricing strategies of an SME. The time required to conduct the interview is estimated at 35-60 minutes. If you do not wish to answer any of the questions during the interview, you may say so, and we will move on to the next questions. No risks and discomforts are associated with participating in this research. Your records will remain confidential and be disclosed only with your permission or as required by law. Reports of study findings will not include any identifying information. The researchers will manage and destroy all data on their personal computers after the study. Your signature on this consent form indicates your agreement to participate in this study.

Signature of participants:

I have read and understood the written details regarding this research and freely consent to participate in the project.

Signed (name, surname, signature) ____

Signature of the researchers:

We confirm that the details provided in this form are correct, and we shall keep the requested confidentiality:

Signed (name, surname, signature) ____

Signed (name, surname, signature) ____

Appendix B Interview Questions

Question	Motivation
Background	
1. What is your position in the company? 2. Could you briefly describe your role? 3. How long have you been working with the company? 4. Have you been involved with the processes of pricing your products/services? 5. Does your company offer products or services or both?	To find out about the participant's experience and area of knowledge to understand better his/her perspective on responses.
Competition	
6. Are there competitors in your current market, or are you the only player? 7. Listing you and 4 other competitors on a first (1st) to fifth (5th) ranking, where would you rank your company? 8. How would you place the prices of your product or service against competitors (lowest, highest, or average)? 9. Has a competitor ever offered their products or services below average market price value? If Yes, how did your company respond? 10. Assuming you are pricing a new product/service, would you price it below or above your competitor? Why? 11. Do customers choose to buy from you or your competitor based on the prices of your products/services? (e.g., selecting the lower-priced offering)	To find out and reveal how competition affects the pricing strategy of the SME
Cost of Production	
12. What all are involved in bringing your product/service to the customer? 13. Would you reduce the price of your product/service if your cost of production reduces? Why? 14. If your cost of production increases, would you increase the price of your product/service to maintain profit margins, or would you maintain the price and accept profit margin cuts?	To find out and reveal to what degree the cost of production affects the pricing strategy of the SME

Market Demand	
15. On a scale of 1 - 10 (10 being the highest), how would you rate the average market demand for your product/service? 16. Do you adjust the prices of your product/service when sales drop below projections? 17. If yes, do you increase prices or reduce prices? 18. Are there times in the year when demand for your product/service is high/low? (e.g., holidays, different weather, etc.) 19. If yes, what does the company do in response to the effect of seasonal demands?	To find out and reveal to what degree the market demand influences the pricing strategy of the SME
Government Policies	
20. On a scale of 1 - 10 (10 being the highest), how would you rate the level of government regulations in your industry? 21. Are there policies that set the market prices of the products/services you offer? 22. Does the government provide subsidies to keep the prices of your products/services more affordable? 23. If yes, how are the prices regulated? Is there a specific price, a price ceiling, or a price floor? 24. Do pricing regulations that affect the company's business result in losses? If yes, how do you cope with the losses? 25. Are there government taxes included in the price of your product/service? 26. If yes, what are the taxes included and their percentages?	To find out and reveal to what degree the government policies influence the pricing strategy of the SME
Others	
27.	