

Pricing and the Management of Revenues: Mapping Sustainable Revenue Sources

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Introduction



What do these organizations have in common?

Introduction



The key objectives of appropriate pricing strategies:

- ❑ To increase Revenues
- ❑ If able to control costs increase profits and achieve a certain return on equity and return on investment
- ❑ Maintain and/or increase market share

Basics of Pricing



Generally, from your accounting studies, pricing is supposed to cover the cost of products and services and provide a reasonable return.

The costs incurred are usually, material, labor and production and non-production overheads.

Basics of Pricing - Manufacturing



QS 19-17 Absorption costing and product pricing LO

A manufacturer reports the following information on its product.

Direct materials cost	\$45.00 per unit
Direct labor cost	\$11.50 per unit
Variable overhead cost	\$ 5.50 per unit
Fixed overhead cost	\$ 1.50 per unit
Target markup	40 %

Compute the target selling price per unit under absorption costing.

Target selling price per unit



Basics of Pricing - Service

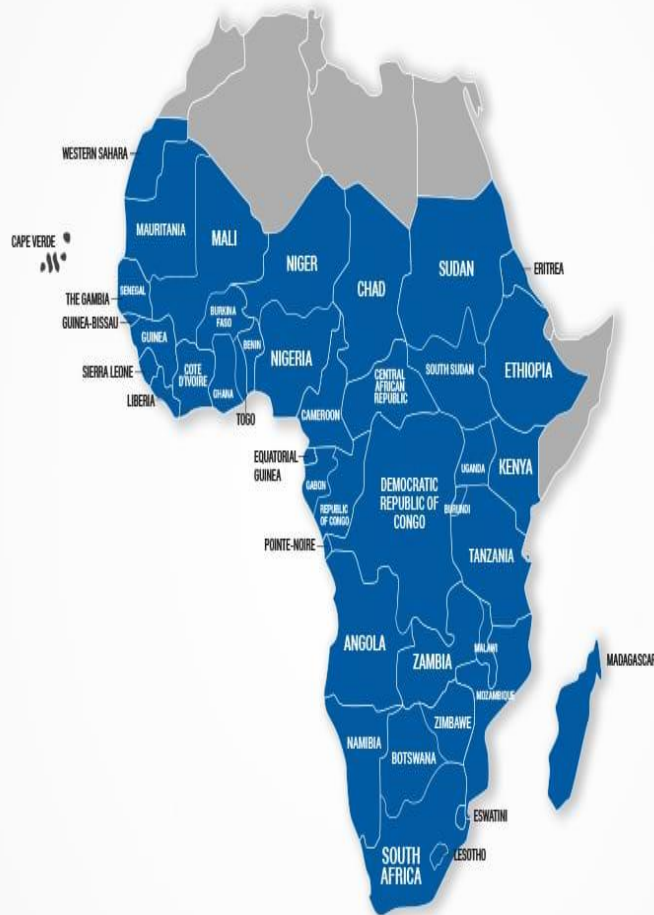


Variable Expenses on a \$200 same day room price

Room Attendant Pay (30 min x \$24 per hour)	\$12.00
Variable Employee Benefits (\$12 x 25%)	\$3.00
Linen Cleaning - per room occ cost	\$2.25
Guest Supplies - per room occ cost	\$3.60
Paper Supplies - per room occ cost	\$0.50
Cleaning Supplies - per room occ cost	\$1.40
Travel Agent Commissions - used an OTA @ 18%	\$36.00
Credit Card Commissions 3%	\$6.00
Brand Fees 7%	\$14.00
Energy Costs (some) (room vs. building) (25% of \$17)	\$4.25
Total Variable Cost	\$83.00
Incremental Profit	\$117.00



Pricing Strategies - Geographical



DSTV Kenya and South African Prices Comparison

Packages	Kenya		South Africa		Difference	
	Kshs.	Rand	Ksh.	Rand	Ksh.	Rand
Premium	8,200	1,059	5,413	699	2,787	360
Compact	3,250	420	2,470	319	780	101
Family	1,890	244	1,541	199	349	45
Access	930	120	767	99	163	21

Pricing Strategies – Promotional Pricing



	BRONZE Plus	SILVER Plus	GOLD Plus	DIAMOND Plus
Bandwidth	5 mbps	10 mbps	20 mbps	40 mbps
Mobile Data	2 GB	4 GB	4 GB	4 GB
Mobile X-net Minutes	100	200	200	200
Mobile SMS	Unlimited*	Unlimited*	Unlimited*	Unlimited*
Monthly Cost	KES. 3,400	KES. 4,999	KES. 6,699	KES. 12,499

Plan	Home Contents (HC)	High Risk Items- (Phones, Laptops, Jewellery etc)	Monthly Premium
	Sum Insured	Sum Insured	
Hero	KES. 250,000	KES. 75,000	KES. 250
Pro	KES. 500,000	KES. 150,000	KES. 475
Fortified	KES. 1,000,000	KES. 300,000	KES. 1,350

Pricing Strategies – Psychological Pricing



Pricing Strategies – Penetration Pricing



Commodity	Naivas	Tuskys	Carrefour	Chandarana
Daima Yoghurt (500ml)		100	98	100
Delamere Yoghurt(500ml)	120	120	120	120
Superloaf Bread(400g)	49	49	48	48
Yellow York Eggs (Tray)		375	383	
Isinya Eggs(Tray)		390	383	

Pricing Strategies – Product Bundle Pricing



Pricing Strategies – Value Pricing



Pricing Strategies – Economy Pricing



Pricing Strategies – Premium Pricing



Villa Rosa Kempinski ★★★★★

[Westlands, Nairobi](#) - [Show on map](#) - 2.7 km from centre

Great value

Superior King Room –
1 bed (1 extra-large double)

Superb
559 reviews **9.1**

1 night, 2 adults
KES 20,240
includes taxes and charges

Breakfast included

Factors to Consider – Macro Environmental Factors



Factors to Consider – Industry Factors



Porter's Five Forces Model



Factors to Consider – Organizational Factors



Manpower

- People required to deliver the work

Money

- The available or required budget

Materials

- Software or other materials

Management

- Senior sponsor to support the project

Minutes

- The timeframe needed to deliver the work

Measurement

- The consistent KPIs or metrics used

Method

- Approaches being used and if out-sourcing is needed

Machines

- Computers or other equipment needed

Mother nature

- Environmental factors that may need to be considered

END



QUESTIONS AND
ADDITIONAL COMMENTS
BASED ON EXPERIENCE