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**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY  
COLLEGE OF ARCHITECTURE AND PLANNING  
DEPARTMENT OF BUILDING TECHNOLOGY**



**DETERMINANTS OF SERVICE PRICING STRATEGY: THE  
PERSPECTIVE OF QUANTITY SURVEYING PRACTICING FIRMS IN  
GHANA**

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in partial fulfilment of the requirements for the degree of  
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## DECLARATION

I hereby declare that this submission is my own work towards the MSc. and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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## ABSTRACT

In developing pricing strategies, managers typically take into account a wide array of factors, including those that are internal to the firm as well as those that are external to its operations. However, little attention has been paid to how managers consider these factors and how these affect their ultimate choice of pricing strategy. The aim of this research was to establish the critical factors that presumably underpin the service pricing strategies adopted by Quantity surveying Practicing (QSP) firms in Ghana. In order to achieve the aim, four objectives were set which include: establishing pricing objectives of Quantity Surveying Practicing firms, exploring the pricing methods of QSP firms, identification of pricing strategies adopted by QSP firms as well as the factors influencing the adoption of these pricing strategies. This research took the form of literature review and survey using questionnaire approach. A descriptive research methodological approach was adopted for the study. Information for the study was gathered firstly through the use of books, journals and professional magazines and secondly, through questionnaires that were sent to Quantity Surveying Practicing firms. Responses to the questionnaire were collected, collated and analyzed. From the literature review and the analysis of the survey results, the findings of the study reveal that the pricing objectives, which are pursued by the QSP firms, are fundamentally qualitative rather than quantitative in their nature with a particular emphasis on clients' needs satisfaction. However, the pricing methods, which are adopted by the majority of the firms, refer to the traditional cost-based methods whiles Good, better, best pricing strategy was the most important pricing strategy adopted by the QSP firms. The study also revealed that market structure, pricing objectives, industry standards, expected profit earnings and competitor's prices were found to be the most important factors that underpin firms in their pricing decision. Furthermore, these decision-



making factors combine to affect the specific pricing strategies service the firms employ in determining prices. The context of the study is an obvious limitation to the ability to generalize these findings, suggesting the need for future research that replicates the current study in other countries. However, this research that sheds light on the factors influencing pricing strategy does not only expands the body of knowledge about pricing decisions, but it also offers a more informed decision making context to pricing managers.

**Keywords:** Pricing strategies, Pricing methods, Pricing objectives, Quantity Surveying Practicing (QSP) firms





## DEDICATION

I wholeheartedly dedicate this work to the Almighty God for his protection; my family (my husband–Francis Afful Afoakwah, and child, Jayden Joseph Afful) for their unconditional love and my friends (Emmanuel Acquah and Bridget Owusu-Ansah) for their good counsel.

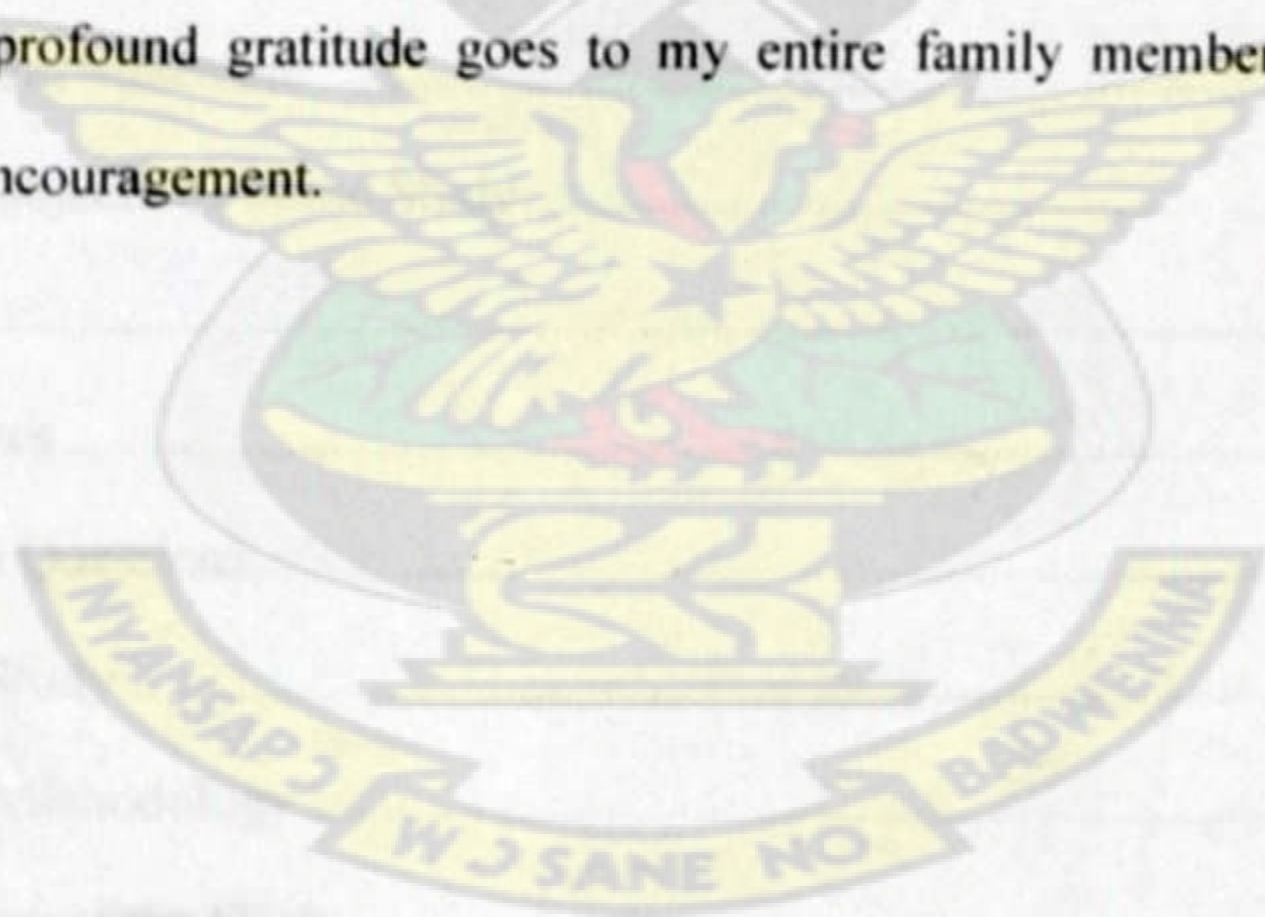
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### 1.0 Introduction

This chapter provides an overview of the study which highlights the research objectives and the background of the study.

The study is set against the backdrop of the current educational challenges in Kenya. The

chapter also addresses the objectives of the study and the scope of the research.

The chapter is organized as follows: Section 1.1 discusses the research objectives, while

Section 1.2 provides a brief overview of the study area.

Section 1.3 discusses the research methodology, while Section 1.4 discusses the data

analysis and interpretation.

Section 1.5 discusses the conclusions and recommendations.

Section 1.6 discusses the limitations of the study.

Section 1.7 discusses the significance of the study.

Section 1.8 discusses the ethical considerations.

Section 1.9 discusses the acknowledgments.

Section 1.10 discusses the references.

Section 1.11 discusses the appendices.

Section 1.12 discusses the glossary.

Section 1.13 discusses the index.

Section 1.14 discusses the conclusion.

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## CHAPTER ONE

### INTRODUCTION TO THE RESEARCH

#### 1.0 Introduction

This chapter provides an overview of the thesis which highlights the research in terms of the background of the study and the statement of the research problem. The next main section addresses the purpose of the thesis by explaining the main aim and objectives of the research. It also outlines the key research questions which guided the inquiry. The next section indicates the scope of the thesis. It describes the key elements considered in the study and the geographic area to which the study is confined. This is followed by the methodology of the research and also briefly addressing the significance of the research. Finally, the organisation of the research is being discussed.

#### 1.1 Background

Zawdie and Langford (2000) observes that good infrastructure projects can help enhance growth process by raising productivity, alleviate poverty by responding to the needs of the poor for better health, education, housing, transport, and water and power supply services. Against this background, several countries at various levels of socio-economic development have recognised the need and importance of taking measures to improve the performance of their construction industry in order to meet the aspirations of its developmental goals (Ofori, 2000). This is in line with the agreements reached and reported by the CIB Task Group 29 (1999). According to Ofori (2000), the report agreed that “construction industry development is a deliberate process to improve the capacity and effectiveness of the construction industry in order to meet the demand for building and civil engineering products, and



to support sustained national economic and social development objectives (CIB, 1999)". The engagement of professional service providers within the built environment mainly; Quantity Surveyors(QS), Architects, Planners, Valuers, Project Managers, Construction Managers, Engineers, Facility Managers and Builders which represent one of the major pools of skilled technical resources in the country will also ensure that technical designs, engineering and construction works are of good quality and cost-effective(Musa *et al.*, 2010).These skilled resources also play an important role in ensuring that the country remains technically competitive and efficient. According to Musa *et al.*, (2010) and Oladapo (2006), these professionals are traditionally responsible for pre-contract planning services (i.e. project design, production of tender and contract documents and selection of suitable contractor etc), contract planning services (including project supervision and management, claims management, etc) and post-contract planning services (including project closure, commission, maintenance and facility management).

Within the remits of these professional practices and services, Quantity Surveyors (QS) play a critical role in planning, managing and controlling project cost. The roles of quantity surveyors have been diversified into several areas (Zakaria *et al*, 2006). The QS is instrumental in relating and relaying project cost information to the client and other project parties including contractors and other professionals (Adebola, 2006). Right from conception, through the design and construction stages and indeed throughout the life of the project, the consultants and other stakeholders rely strongly on reliable cost information from the QS in order to discharge their contractual and technical obligations in a professional and objective manner (Musa *et al.*, 2010). These services all have to be provided while ensuring the safety, well being and



comfort of the public using the facility. Therefore, these professionals have obligations to both the public and their clients and this requires effective communication and a relationship of mutual respect and trust between the client and the service provider.

However choosing a pricing objective and associated strategy is an important function of consulting firms which are integral part of business planning process. Moreover, Shipley and Jobber (2001) opined that pricing is an element of the marketing mix that produces revenue for the firm. Kiesling and Hansen (1993) suggested that products and services must be priced in accordance with a cost structure; taking cognizance of (both fixed and variable) costs, market, and distribution costs (Owusu-Manu *et al*, 2012). The price you assign will impact how clients view your services and their subsequent decision to purchase. Price also helps differentiate products/services from other competitors (Giddens *et al*, 2005). To develop a formal marketing plan, performing some of the research necessary for marketing to determining the pricing strategies is critically important.

However, the knowledge to be gained from this research will offer a more informed decision making context to pricing managers.

## **1.2 The Problem Statement**

Quantity Surveyors (QS) are one of the key players in the construction industry. Their firms are service based that provide consultancy and manage financial related issues for their clients. The QS will be servicing their clients from appointment until project concludes with a certain amount of professional fees which in turn, be use to sustain their firms. Thus, the survival and eventually the growth of the firms shall



depend on the number of projects they service and the securing of new projects before one in hand ends, without any intermission (Davies *et al.*, 2005).

There are many QS firms in the industry and each is competing with one another to sustain in the industry. This is exacerbated with the increment in the number of new companies entering the market on yearly basis (Isik *et al.*, 2009). According to DeNisi *et al.*, (2003), the open market due to globalization and the fast pace of change in terms of information technology means competition is no longer localized. All over the world, QS are now involved in variety of projects ranging from homes, airports, power stations, highways, sports stadium to offshore oil rigs. The development of QS has identified a shift in emphasis from cost to value with many QS firms extending the range of services that they offer clients. In this dynamic industry, QS firms need to look for project opportunities instead of waiting for project to come to them (Davies *et al.*, 2005). The firms should enhance their professionalism and status in order to maintain their competitive advantage (Davies *et al.*, 2005). They also need to adapt to changes in work patterns, develop new markets and cultivate superior advantages over their competitors in order to maintain their competitive position and ultimately their profit making (Harun and Abdullah, 2006). The role and scope of services of QS firms are continuously expanding concurrent with the latest demands required by clients and the construction industry Harun and Abdullah (2006) and no longer contained within the basic or traditional services offered by previous generation. With the increasing challenges and expectations in the industry, QS firms should seek improvements in every area of the business (Papulova and Papulova, 2006), understand the competitive environment



there are in and adapt pricing strategies that is most efficient (Siskina *et al.*, 2009) and profitable in short and long run.

Strategic pricing plays an important role in consumer purchasing behaviour and decision making process (Myers *et al.*, 1997). Globally, pricing is one of the most important elements of marketing mix, that generates revenue and determines a company's survival (Yaprak *et al.*, 2001). There seems to be a lack of interest among researchers on this issue, this assertion is supported by Nagle and Holden (1995) who concluded that pricing is the most neglected element of the marketing mix. Within this context, the empirical research that has been conducted on the field of pricing is very limited, while this is even more evident in the case of services. However, the distinctive characteristics of services (intangibility, heterogeneity, perishability and inseparability) necessitate a closer look at the way at which services are priced (Hoffman *et al.*, 2002).

However, problems persist which centre around the sector's lack of harmonization, structure and unionization. Its absence of a generic pricing framework is another challenge; and parties can disagree on appropriate pricing modalities. Clients often feel that consultants over-price their services; while consultants sometimes feel they are under-pricing, to the detriment of their business (Owusu-Manu *et al.*, 2012). Given this lack of empirical research, this research tries to contribute to this neglected topic by investigating the strategies that service organisations; precisely Quantity Surveying Practicing firms adopt in order to set their prices This research therefore sought to fill the gap. It is hoped that the adoption of its findings is likely to improve service pricing in the built environment and precisely among QS Practicing Firms.



### **1.3 Aim and Objectives of the Study**

#### **1.3.1 Aim**

The main aim of this research is to establish the critical factors that presumably underpin the service pricing strategies adopted by Quantity Surveying Practicing (QSP) firms in Ghana.

#### **1.3.2 Objectives**

In an attempt to achieve the overall research aim as stated above, the following specific objectives are articulated:

1. To establish the appropriate pricing objectives of Quantity Surveying Practicing firms.
2. To explore the service pricing methods adopted by Quantity Surveying Practicing firms;
3. To explore the service pricing strategies adopted by Quantity Surveying Practicing firms; and
4. To identify the underlying factors that influence service pricing strategies of Quantity Surveying Practicing firms.

### **1.4 Research Questions**

The following key research questions are articulated to facilitate the enquiry:

- What are the possible pricing objectives that Quantity Surveying Practicing firms pursue along with the pricing methods they adopt in order to set their prices?
- What are the pricing strategies adopted by QSP firms in arriving at their pricing decisions?



- What are the underlying factors that influence service pricing strategies of QSP firms?

### 1.5 Scope of Study

All the economic sectors are facing keen competition for survival and sustenance; and the construction industry is not an exception (Ojo, 2011). Many construction professionals face difficulties in setting prices for services that they render. There is strong evidence that suggests there is no scientific process or method for the pricing of consultancy services (Amstrong and Green, 2011). It is also believed that the current practice of professional bodies setting the fee levels has led to the under pricing or over pricing of consultancy services (Department of Finance, 2011). Consultancy firms for that matter QS firms have been rendered bankrupt as a result of this practice by the setting of fees in which professional members do not have much input (McGaw, 2007). Since, QS practitioners form a very crucial part, and play crucial roles in the delivery of construction projects hence the focus on the QS practitioners is of much vitality. The research will heavily concentrate on registered QS firms exclusively in Ghana. The research will be within the Greater-Accra and Ashanti Regions of Ghana because of their large concentration within these two regions.

### 1.6 Research Methodology

Utilizing desk study and field work, this research will adopt a quantitative approach of enquiry leaning towards positivist tradition. As a first step to the enquiry, a critical literature review will be conducted to unearth the theoretical pricing strategies and methods as well as pricing objectives adopted by service firms. This would facilitate



in the exploration of critical factors underpinning pricing strategies adopted by Quantity Surveying Practicing (QSP) firms. The review will source credible and scientific data from the extant literature through journals and books.

The next step will involve the drawing of the sample frame which will target Quantity Surveying Practicing firms operating within the catchment zones of Greater- Accra and Ashanti Region by using convenience sampling technique. The enquiry will largely depend on survey questionnaires to assemble empirical data from the field. The questions in the questionnaires shall include close-ended questions and ranked on a Likert scale rating to allow easy categorization and synthesis. The secondary analytical tools shall be the relative importance index (RII) which will be used to rank identified factors according to their place value or influences on the delivery of projects. This is to identify the significance of the identified factors or variables.

### **1.7 Significance Of The Study**

A number of different authors have underlined the importance of pricing decisions for every company's profitability and long-term survival (Alvonitis and Indounas, 2005). For instance, Nagle and Holden (1995) point out that *"if effective product development, promotion and distribution sow the seeds of business success, effective pricing is the harvest. Although effective pricing can never compensate for poor execution of the first three elements, ineffective pricing can surely prevent those efforts from resulting in financial success"*.



Within this context, the empirical research that has been conducted on the field of pricing is very limited, while this is even more evident in the case of services and more over in the built environment. However, the distinctive characteristics of built environment, precisely the QSP firms necessitate a closer look at the way at which services are priced.

Given this lack of empirical research, this research tries to contribute to this neglected topic by investigating the factors that presumably underpins the pricing strategy of Quantity Surveying Practicing firms in Ghana as well as the pricing methods they adopt in order to set their prices. The outcome of the study will be very vital to Quantity Surveyors in Ghana. As a pioneering research, the study shall form the basis to spur for further research. It will also be beneficial to QSP firms that want to maintain its competitiveness in meeting the global demands and to stay in the construction industry.

### **1.8 Organization of the Study**

The structure of the thesis (report) shall be divided into five (5) interdependent chapters, and shall conform to the following outline. Chapter 1, labelled “General Introduction to the Research”, presents the background to the research and states the problem meriting research efforts. The research questions, research aim, objectives, and scope are all contained in this chapter. Chapter 2 shall contain the literature review. The review shall provide and extended coverage on earlier works. Chapter 3 shall focus on the research methodology. It will begin to explore the philosophical dimensions of the research and situate it within its appropriate philosophical tradition methodological jurisdiction. Detailed discussions will be provided by the data



collection analytical tools that would be employed. Chapter 4 shall present the empirical analysis of data from the field survey that answered all the research objectives and questions. Chapter 5 which shall be labelled “Conclusions and Recommendations” shall wrap up the entire research endeavour by reviewing the main contributions of the research to knowledge. Policy recommendations and limitations of the study shall also be outlined. Pointers as to where future research attempts should be directed shall also be clearly defined.



Figure 1.1: Conceptual Framework of the Study



1.9 Conceptual Framework

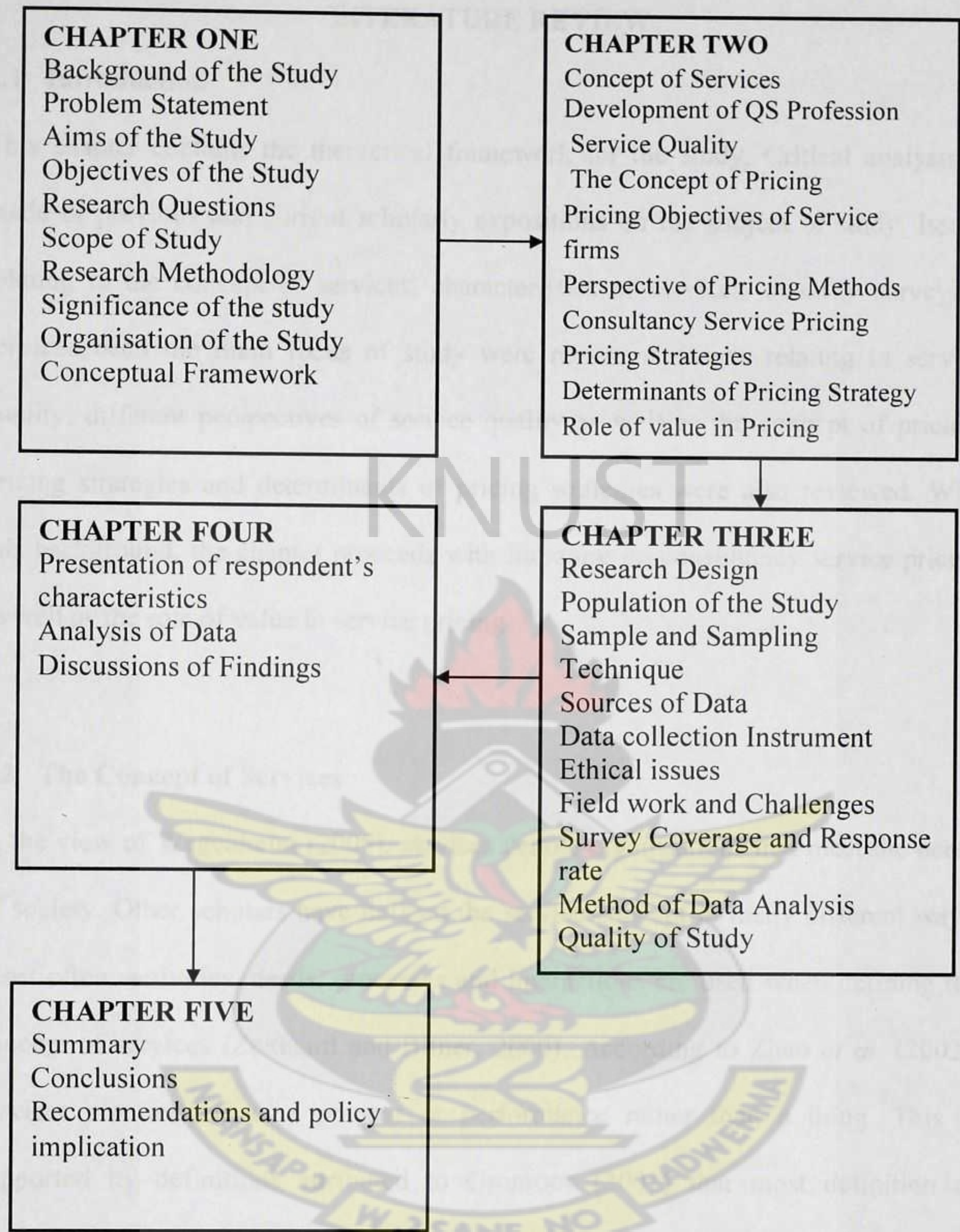


Figure 1.1: Conceptual Framework for the Study



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter contains the theoretical framework for the study. Critical analysis is made of previous and current scholarly expositions on the subject of study. Issues relating to the concept of services, characteristics of services, quantity surveying services been the main focus of study were reviewed. Issues relating to service quality, different perspectives of service quality as well as the concept of pricing, pricing strategies and determinants of pricing strategies were also reviewed. With this background, the chapter proceeds with literature on consultancy service pricing as well as the role of value in service pricing.

#### 2.2 The Concept of Services

In the view of Wagenheim (2005), services denote organisations that meet the needs of society. Other scholars have defined the service concept in many different ways. Most often, activities, deeds, processes and interactions are used when defining the concept of services (Zeithaml and Bitner, 2000). According to Zhao *et al.* (2002), services are defined as a process or performance rather than a thing. This is supported by definitions attributed to Gronroos (2001) that most definition of services focus on the customer, and on the fact that services are provided as solutions to customer problems. In this regard, services are frequently described as “intangible” and their output is viewed as an activity rather than a tangible product; a distinction that results in confusion, because much service output has a substantial tangible component.



However, Sutherland (2007) clarifies the confusion by stating that customers do not buy goods or services in the traditional sense. Rather they purchase an offering and value which may comprise many components, some of which are activities (services) and other being things (goods). In sum, services refer to intangible benefits or acts that people receive.

Over the past few years, the service sector has become the dominant element in the economies of many nations (Herath and Gupta, 2005). According to Lovelock and Wirtz (2007), services make up the bulk of today's economy and also account for most of the growth in new jobs. This indicates that the service sector has become the bedrock of the economies of most nations. Lovelock and Wirtz (2004) indicated that the size of the service sector is increasing in almost all economies around the world. As national economy develops the relative share of employment among the various components of the service industry changes dramatically.

In terms of the categorization of the services industry, many economies embrace a diverse and complex range of organizations and enterprises including national and local government: for example, education, health, social security, police, the military, transport, legal and information among others; non-profit private services: for example, charities, churches, research institutions or foundations, mutual societies and art foundations; and for profit private services such as utilities, hotels, airlines, restaurants, solicitors, retailers, entertainment, banks, insurance companies advertising agencies, consultancy firms, market research companies and communications (Herath and Gupta, 2005).



### 2.2.1 Characteristics of Services

In spite of the assertion that the traditional distinction between goods and services is long outdated, services exhibit certain characteristics that set them apart from goods. Literature has long recognised that services have certain distinctive qualities or characteristics (Svensson 2006). According to Sohal and Wong (2002), services exhibit four unique attributes which are intangibility, inseparability, perishability and heterogeneity.

In the view of Apte and Martin (1994), a feature that distinguishes services from manufacturing is co-production, which means that in general, both employees and customers play roles in jointly creating services. Brown (2007) supports this by positing that service production, distribution and consumption are simultaneous processes.

Van Iwaarden *et al.* (2003) postulate that each of the unique characteristics provided by services has various implications for services marketers or managers. In terms of intangibility, services cannot be patented legally and new service concepts can therefore be copied by competitors. Decisions about what to include in advertising and other promotional materials are challenging as in pricing. Heterogeneity poses the challenges that ensuring consistent quality is daunting. Quality actually depends on many factors that cannot be fully controlled by the service provider. Inseparability makes the customer involvement in the production process susceptible to affecting the service outcome. Lastly, perishability makes demand, forecasting and creative planning difficult. All these notwithstanding, service providers, would have to operate their businesses to ensure efficient service delivery to their customers.



## **2.3 Development of the Quantity Surveying Profession**

The origin of Quantity Surveying as a profession dates way back in the 17th century during the restoration of London after the Great Fire in 1666, though the first reference to a Quantity Surveyor is found in the Bible in the book of Luke 14:28 which says “Suppose one of you wants to build a tower, will he not first sit down and estimate the cost to see if he has enough money to complete it. Before 1666, masons, carpenters and other craftsmen were paid by the day, but because of the large amount of labour needed to reconstruct the city after the fire, it was decided that each craftsmen be paid for the quantity of his trades work. This meant that instead of being paid a wage, the tradesmen were paid for the amount of masonry, carpentry or any other craft ship contained in the building. In essence one had to study the drawings and measure the quantity of work of each trade contained in the building and at the same time prepares an estimate for the total cost of the building. Hence, from that humble beginning, the Quantity Surveying profession evolved.

### **2.3.1 Quantity Surveying Services**

Quantity Surveyors are important members of the design and construction teams in both private and public sectors of a nation. Their pivotal roles in project development and delivery are well acknowledged (Mogbo, 1998). Quantity Surveyors ensure that resources are utilized to the best advantage of the society by providing financial management for project and cost consultancy services to the clients, designers and contractors during the construction process.



According to Nigerian Institute of Quantity Surveyors (NIQS) (1998), Quantity Surveyors are concerned with financial probity in the conceptualization, planning and execution of developmental new and refurbishment works. The institute listed the major services of consultancy practice in project development chain to include: Preliminary and final budget estimate; Contract documentation and procurement; Contract administration; Cost Modelling and Final accounts. However, apart from providing cost advice and information, quantity surveyors also value the work as it progresses. These services are referred to as traditional services (Smith 2004). Anyadike (2001) breaks down the quantity surveyors' services according to stages involved in construction operations.

Anyadike (2001) revealed that quantity surveyors perform different contractual and technical duties at various project developmental stages. For example at the inception, when the project developmental activity is to determine the feasibility and viability of the scheme, the quantity surveyors prepare preliminary cost estimates to aid the stakeholders to perform their duties. Other services of the firms termed non-traditional by Akintoye (2001) are feasibility studies, life cost analysis, programming, taxation advice, arbitration /mediation, expert witness/appraisal insurance valuations, risk management, quality management, value management, project/construction and facility management. According to Smith (2004), the profession has made significant inroads at providing cost management services to other industries such as petro-chemical, manufacturing, mining, aeronautical and transport sectors.



**Table 2.1: Schemes of Works and Quantity Surveying Services**

S/NO	Stage	Activity	QS Service
1	Conceptualisation/Inception	Consultation (feasibility/viability studies)	Clients outline requirements (initial cost indication)
2	Determination of general requirement (scope, user's requirements, special features)	Development of Brief	Budgetary Planning
3	Revision and amendments to schemes and final designs	Development of design, finalization of details	Cost Plan
4	Delivery of production drawing	Tender invitation and tendering	Contract documentation
5	Tender evaluation/Appraisal of client	Tender processing and award of contract	Tender reporting and representation of client
6	Review of work method/sequence	Construction Implementation (process)	Cost check and control, cost/value control
7	Verification of detects	Finished production	Final costs from finalized accounts
8	Commissioning	Handing-over	Conclusion of Accounts

**Source: Anyadike (2001)**

## 2.4 Service Quality

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001). There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations (Asubonteng *et. al.*, 1996).



Lovelock and Wirtz (2007) review service quality from their definition of the customer; "People and organizations in the environment who acquire goods or services from an organization." They further go on to explain that service quality can be inferred from the following references as propounded by Zeithaml and Bitner (2000). Service quality differs from quality of goods, in that services are intangible. This presents a challenge to marketers; Services cannot easily be communicated to customers, and hence quality may be difficult for customers to assess. Services are characterized as being intangible, perishable, produced and consumed simultaneously and heterogeneous. A major challenge for companies is to deliver service quality consistently.

Swanson and Kelley (2001) have also contributed to the meaning of service quality. They emphasized that service and product quality is in the mind of the customer. This they say means that measuring quality requires talking to the customers. For companies to understand how customers perceive their quality, they must measure customers' satisfaction with their products and services. According to Swanson and Kelley (2001) what is delivered is as substantial as how it is delivered. Svensson (2006) clarified that many a time managers become so involved with all the procedures, processes and contexts for service, that they tend to overlook that there is also something called the "core service". Schneider and Bowen also argued that fancy facilities, modern equipment, stylish uniforms and terrific signs can never countervail bad or mediocre food, poor financial advice and an appropriate joke.

From the literature reviewed, service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are



greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Svensson, 2004).

#### 2.4.1 Different Perspectives of Service Quality

The word *quality* means different things to people; according to the context. Harris (2003) identifies five perspectives on quality.

1. **The transcendent view of quality** is synonymous with innate excellence: a mark of uncompromising standards and high achievement. This view point is often applied to the performing and visual arts. It argues that people learn to recognize quality only through the experience gained from repeated exposure. From a practical standpoint, however, suggesting that managers or customers will know quality when they see it is not very helpful.

2. **The product-based approach** sees *quality* as a precise and measurable variable. Differences in quality, it argues, reflect differences in the amount of an ingredient or attribute possessed by the product. Because this view is totally objective, it fails to account for differences in the tastes, needs and preferences of individual customers (or even entire market segments).

3. **User based definitions** start with the premise that *quality* lies in the eyes of the beholder. These definitions equate quality with maximum satisfaction.

This subjective, demand-oriented perspective recognizes that different customers have different wants and needs.



4. **The manufacturing based approach** is supply based, and is concerned primarily with engineering and manufacturing practices. In service, it can be said that quality is operations driven. It focuses on conformance to internally developed specifications which are often driven by productivity and cost containment goals.

5. **Value based definitions** define *quality* in terms of value and price. By considering the trade –off between performance (or conformance) and price, quality comes to be defined as “affordable excellence”.

## 2.5 The Concept of Pricing

In theory there are mainly two different views on pricing; economic view and marketing view. These two different views are being supported by neoclassical economic thinking and behavioural pricing research respectively (Estelami and Maxwell, 2003). Marshall developed the theory of how price influences customer's behaviour, called “Neoclassical Theory.” The theory states that customers have different tastes and preferences, and choose among products to maximize satisfaction or utility (Monroe, 1999). Utility according to Monroe (1999) means want-satisfying power that resides in the mind of buyer and is common to all products and services. Since it is assumed that prices serve only to indicate the amount of money that buyers must give up to acquire a product/service, how much to acquire of a particular product/service depends on the relation between the marginal utility of acquiring an additional unit and the price of that additional unit. Furthermore, the assumption of diminishing marginal utility implies that buyers are capable of ranking all



alternatives in terms of increasing preference, and that they purchase first the most preferred product (Monroe, 1999).

Marketing theory also states clearly that price is one of the 5 P's (Product, Positioning, Place, Promotion and Price) that contributes to the marketing mix in order to get potential customers' attention, motivate them, and get them to buy products or services. The marketing strategy helps define, promote and distribute a product, and maintain a relationship with customers. Pricing, as part of the marketing mix, is essential and has always been one of the most difficult decisions in marketing because of heightened competition, gray market activities, counter-trade requirements, regional trading blocks, emergency of intra-market segments and volatile exchange rates (Knetter, 1994).

Maxwell (2002) indicated that consumers have different perception of the products depending on the price. Therefore, pricing products for consumers is a difficult task, mainly because a high price may cause negative feelings about products, and also a low price can be misleading on other products features such as quality.

### **2.5.1 Incremental Importance of Price**

The importance of price as a marketing mix instrument went unquestioned for several decades, with the 1990s witnessing an even stronger interesting pricing issue, putting price at the forefront of all marketing actions. According to Nagle and Holden (1995), pricing is very essential since all marketing comes to focus on the pricing decision.



Nagle and Holden (1995) indicated that United States as well as West European companies rank pricing as more important than other marketing-mix elements. Price distinguishes itself from other marketing mix instruments in that it captures some of the value created by the firms' other marketing activities by generating 'cash'. According to Nagle and Holden (2002) if effective product development, promotion, and distribution sow the seeds of business success, effective pricing is the harvest.

Other typical characteristics of price are its flexibility (it takes relatively little time to change it), its speed of effect (price yields fast reactions from customers and competitors), and the force and magnitude of the reactions it entails. These properties have made price a particularly relevant weapon in times of increased competition, fast technological progress and proliferation of new products, and changing economic and legal conditions (Tzokas *et al.*, 2000). Yet, while price may be crucial in coping with these situations, few managers know how to price effectively.

Yaprak and Solberg (2001) indicated that among price, product, and promotion, the greatest of them is price. It is also the least talked about and the least understood. Correct pricing decisions can be a matter of commercial life and death. Meanwhile companies often fail to develop coherent pricing strategies, and also marketers find themselves at loggerheads with financial colleagues over what price should be. Given the complex and multifaceted nature of prices, and the importance of price as a marketing instrument, a systematic approach to 'strategic' pricing is critical .



## 2.6 Pricing Objectives of Services Firms

According to Roth (2001), a thorough understanding of product attributes and the market is key to pragmatic pricing and further, that pricing objectives must synergize with business goals. Tzokas *et al.* (2000) indicated that pricing objectives are directions for action and that to have them is to know what is expected and how the efficiency of the operations is to be measured.

Diamantopoulos (1991) suggests that pricing objectives can fall under three main headings relating to their content (nature), the desired level of attainment and the associated time horizon. Avlonitis and Indounas (2005) opined that as far as their content is concerned, both quantitative and qualitative objectives can enter the objective functions of firms. The quantitative objectives can be measured easily and include those objectives that are related to the firm's profits, sales, market share and cost coverage. On the other hand, the qualitative ones are associated with less quantifiable goals such as the relationship with customers, competitors, distributors, the long-term survival of the firm and the achievement of social goals.

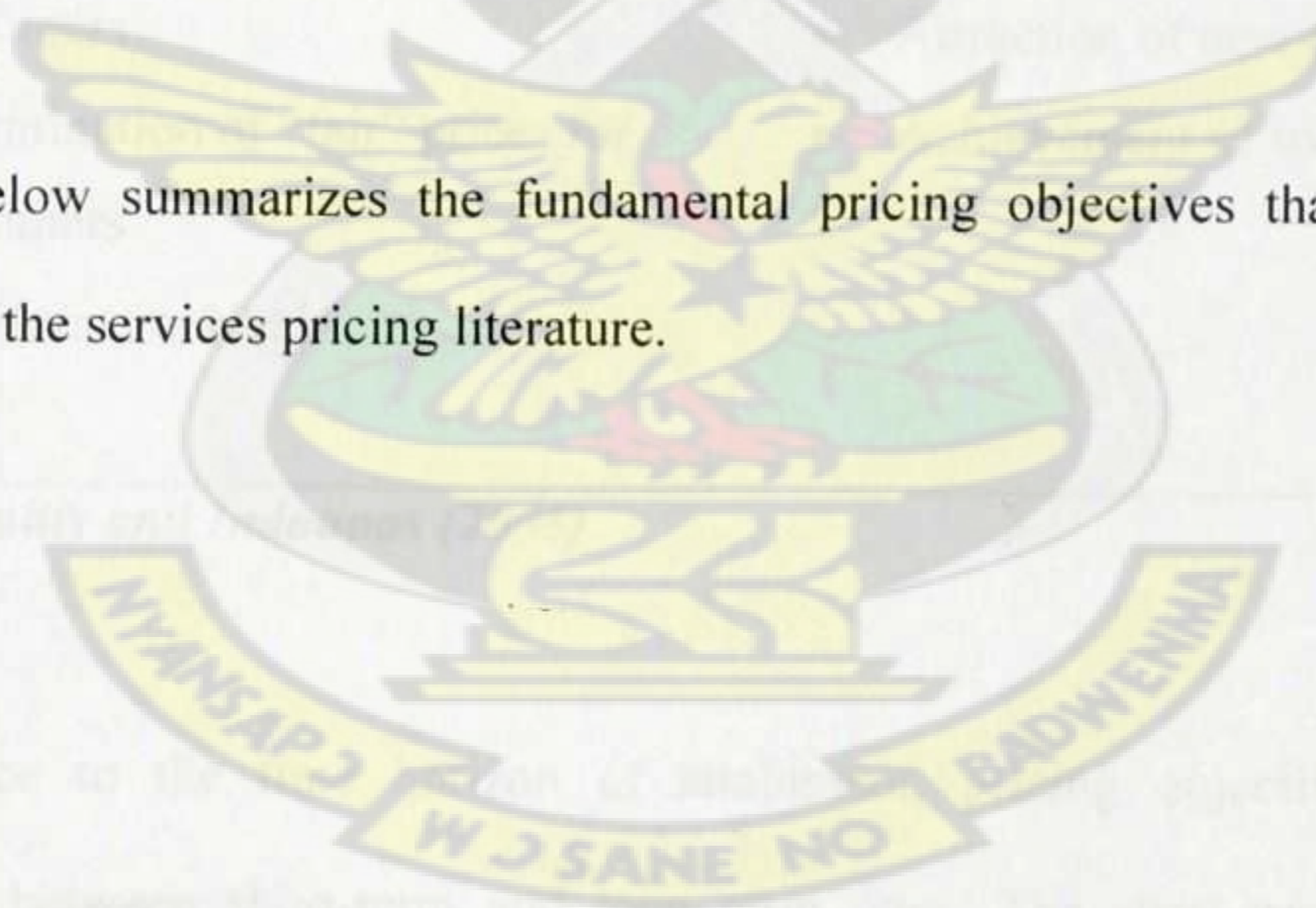
The few empirical studies that have been conducted on the issue of pricing objectives in the services sector show that quantitative objective tend to be regarded as more important than qualitative ones with a particular emphasis placed on profit considerations. Specifically, by studying forty-three pest control companies in the USA, Schlissel and Chasin (1991) found that the most popular objective was profit maximization followed by the achievement of a satisfactory profit. Also, Morris and Fuller (1989) investigated the pricing behavior of seventy-one US accounting companies and found that the achievement of a satisfactory short-term profit was the



most popular objective among the companies in their sample. Moreover, Meidan and Chin (1995) investigated the pricing practices of 45 building societies operating in the UK and concluded that more than 80percent of the companies in their sample considered the objectives associated with cost as being the most important ones.

Regarding the desired level of attainment, pricing objectives may be divided into objectives that endeavour to achieve maximum results (i.e. in terms of profits or sales) vis-à-vis those that pursue satisfactory results. Keil *et al.* (2001), however, mentioned that the objective of *maximization* has been criticized as being rather unrealistic to achieve. Keil *et al.* (2001) indicated may be attributed to the limited information that pricing managers might possess and the lack of communication inside the company or even the avoidance of government intervention that an excessive profitability could cause.

Table 2.2 below summarizes the fundamental pricing objectives that have been derived from the services pricing literature.





**Table 2.2: Pricing Objectives of Service Firms**

<ul style="list-style-type: none"> <li>• Profit maximization</li> <li>• Sales maximization</li> <li>• Market share maximization</li> <li>• Market share increase</li> <li>• Return on investment (ROI)</li> <li>• Coverage of the existing capacity</li> <li>• Price differentiation</li> <li>• Service quality leadership</li> <li>• Distributors' needs satisfaction</li> <li>• Price stability in the market</li> <li>• Sales stability in the market</li> <li>• Discouragement of new competitors' entering into the market</li> <li>• Maintenance of the existing customers</li> <li>• Determination of "fair" prices for customers</li> <li>• Long-term survival</li> </ul>	<ul style="list-style-type: none"> <li>• Achievement of satisfactory profits</li> <li>• Achievement of satisfactory sales</li> <li>• Achievement of a satisfactory market share</li> <li>• Cost coverage</li> <li>• Return on assets (ROA)</li> <li>• Liquidity maintenance and Achievement</li> <li>• Service quality leadership</li> <li>• Creation of prestige image for the company</li> <li>• Price wars avoidance</li> <li>• Market development</li> <li>• Price similarity with competitors</li> <li>• Customers' needs satisfaction</li> <li>• Attraction of new customers</li> <li>• Achievement of social goals</li> </ul>
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*Source; Avlonitis and Indounas (2005)*

With reference to the time horizon of attainment, pricing objectives may be distinguished between short-term and long term ones. The short-term objectives endeavour to satisfy specific goals in a short time period (i.e. six (6) months or one (1) year), whereas the impact of the long-term objectives may only be realized after a long period of time. Shipley and Jobber (2001), however, suggested that an excessive emphasis on short-term objectives may risk the long-term position of a firm in the market. The above classification of pricing objectives notwithstanding, the



complexity of pricing decisions imposes the need to pursue more than one objective at a time (Davidson and Simonetto, 2005). Moreover, not all of them are compatible with each other since the objective of sales maximization for example could lead to lower profits while an excessive emphasis on profits could be in contrast with the achievement of social goals (Keil *et al.*, 2001).

## 2.7 Perspective of Pricing Methods in Service Firms

Langeard (2000) defines pricing methods as the explicit steps or procedures by which firms arrive at pricing decisions. A comprehensive review of the literature of pricing of services identified twelve pricing methods falling into three large categories namely cost based, competition based and demand based. These methods are:

### (1) Cost-based methods:

- Cost-plus method – a profit margin is added on the service's average cost
- Target return pricing – the price is determined at the point that yields the firm's target rate of return on investment
- Break-even analysis – the price is determined at the point where total revenues are equal to total costs
- Contribution analysis – a deviation from the breakeven analysis, where only the direct costs of a product or service are taken into consideration
- Marginal pricing – the price is set below total and variable costs so as to cover only marginal costs



(2) Competition-based methods:

- Pricing similar to competitors or according to the market's average prices
- Pricing above competitors
- Pricing according to the dominant price in the market– the leader's price that is adopted by the rest of the companies in the market

(3) Demand-based pricing:

- Perceived-value pricing – the price is based on the customers' perceptions of value
- Value pricing –a fairly low price is set for a high quality service
- Pricing according to the customers' needs – the price is set so as to satisfy customers' needs

A common finding of the few studies conducted is the dominance of the cost-plus methods mainly due to its simplicity and easiness to use (Avlonitis and Indounas, 2005). More specifically, Schlissel and Chasin (1991) found that 24 out of 43 pest control companies (56 percent) in the USA followed the cost-plus method. Similarly, Goetz (1985) investigating the pricing methods of 56 dry-cleaning services in the USA reached the conclusion that 36 companies in his sample (65percent) adopted this method. Also, Zeithaml et al. (1996), in their study of the pricing behaviour of 323 service companies in 13 different sectors in the USA, found that the 63 percent of these companies had adopted the cost-plus method.



## 2.8 Consultancy Service Pricing

Consultancy prices should reward the consultant's qualifications, training, skill and experience, in addition to allowance for risk and reasonable profit (ACENZ, 2004).

The Ministry of Finance (2009) opined that breakdown of consultancy fees should demonstrate basic salary; social charges of non-monetary nature (e.g. sick leave, pension, social security); overheads not charged directly to the assignment; and fee or profit. The latter may be expressed as a percentage, normally within the range 5-20 per cent depending on nature and duration of services, level of specialization, and risk.

Clients often negotiate some cost elements such as living expenses and travel, with contingencies for assignments of 18 months or more to allow for price escalation (Ministry of Finance, 2009). Consulting Engineers South Africa (CESA) (2009) emphasized that pricing of services should conform to guidelines taking account of project requirements, costs involved, and knowing the client.

Consulting remuneration depends on the type of service rendered and degree of flexibility (or control) to be exercised. According to Davidson and Simonetto (2005), price variability is influenced by client negotiating power, timing of the deal, political clout and management intervention. The basic form of pricing consultancy cannot be overlooked. ACENZ (2004) identified basic fee nomenclature, which is suitable for small projects and/or where the scope of work cannot be clearly defined. Other sundry charges identified by ACENZ include measurement of works (involving charges for the preparation of bills of quantities) in the range of 0.5-1.5 per cent of the value of works, and charges for valuations of insurance and preparation of certificates. According to the World Bank (2002), consultancy fees



should include staff remuneration, travel, mobilization/demobilization, staff allowances, communication, report production, office rent, supplies, equipment and insurance, survey and training programmes, taxes, and contingencies.

## **2.9 Pricing Strategies**

Tellis (1986) defined pricing strategy as a reasoned choice from a set of alternative prices (or price schedules) that aim at profit maximization within a planning period in response to a given scenario. Engelson (1995) described pricing strategy as the interdisciplinary bridge through all business functions. Estelami and Maxwell (2003) emphasized that the final determination of value is in the mind of the buyer, while good pricing aims at enhancing the worth of the product so that the value is increased regardless of the price. Understanding of the value of the product to the business of the buyer is necessary while the current competitive situation and expectation of future competitor behaviour has to be taken into account.

Noble and Gruca (1999) on the other hand stated that pricing strategy is the means by which a pricing objective is to be achieved and implies a specific level or schedule related to costs, competition or customer'. Nagle and Holden's (2002) further indicated that pricing strategy is the coordination of interrelated marketing, competitive and financial decisions to maximize the ability to set prices profitably.

According to Zhang and Raju (2003), pricing strategy is a sophisticated and well-thought-out pricing structure that can help to prevent the product from being commoditized. They argued that, a company's pricing strategy should always be comprehensive; by analyzing the pricing environment in which the company is



operating; determining how much pricing discretion the company has, and determining the value the product or service has for customers. Only then can a pricing structure be developed that will suit to the marketplace and that can enable the company to capture as much value as possible. Zhang and Raju (2003) indicated that all of these approaches make some sense, but not one alone is sufficient. They maintained that with pricing strategies, the whole really is greater than the sum of its parts.

Mohammed (2005) emphasized that the right way to think about pricing is as a series of strategies that serve and capture different profit margins from customers with different product valuations. It is a series of integrated strategies, which involves using market research to gain insights into the amount that customers are willing to pay for the product.

## **2.10 Determinants of Pricing Strategies**

Many marketing scientists have observed that pricing strategies and tactics are diverse among firms (Hoch *et al.*, 1994). Pricing strategy depends on company, customer, competitor, and other factors. In general, firms are usually very sensitive to the activities of their competitors in the same market. Competitor activities shape a firm's pricing decisions to the extent to which they affect the market share of the firm (Ailawadi *et al.*, 2001).

Globalization has increased business frontiers, which in turn has exacerbated competition (Owusu-Manu *et al.*, 2012). Falch (2004) also emphasized that pricing strategy will be influenced by competitors' prices. Different locations may also



witness different pricing practices (Dhar and Hoch 1997). In particular, location, in terms of whether it is a metropolitan city or a small city, may be associated with a particular pricing environment and thus may be related to pricing practice (Tsiotsou, 2005).

A “prime” location for a particular product can usually mean charging more for it (Tsiotsou, 2005). Experience also plays a part insofar as historical cost data will influence current pricing (Zizzo and Oswald, 2001). The OECD (2008) meanwhile identified that jurisdiction can affect pricing in terms of authority, industry averages and legal or regulatory standards (WBI, 2003).

Theodosiou (2000) stated that pricing is influenced by laws and regulations in compliance with standards, environmental regulations, measures systems that may prevail in foreign markets. According to Owusu-Manu *et al.* (2012), the Key factors that affect pricing decisions comprise: demand factors (client expectation and value perceptions); cost factors (envisaged and present); competitive factors (barriers to entry and competitors’ strategy); trade factors (market traditions, industry standards and industry averages); legal factors (such as taxation and legislation); strategic factors (pricing objectives/market structure); and geographic factors (of the business and its customers).

### **2.11 The Role of Value in Pricing Decision**

Pricing is not a decision that can be driven solely by the numbers (Nagle and Holden, 2002). As a prerequisite to survive and prosper in turbulent liberalized environment, companies must identify and sustain competitive advantage (Thompson and Coe,



1997). According to Thompson and Coe (1997), companies miss a strategic window of opportunity to utilize price to build competitive advantage and, at the same time achieve customer satisfaction and firm's profit position. They encouraged also that the old dependence on cost-driven pricing must give way to profitable customer-driven procedures. According to Simon (2006), value-to-customer is the essential determinant of price, therefore, understanding and quantifying the value is critical for pricing and profit maximization. Mohammed (2005) emphasized on the strategies of value-to-customer in his and illustrated the strategies which can be conducted throughout the pricing processes

Yama (2004) also approached pricing from the value point of view. He set out his strategy by tough competition and costly negotiation. He advised setting the prices based on unique value that is delivered through the product and to negotiate value delivery instead of price. In this way the frontline of the organization has a role to fulfill to communicate value to the customer as a justification of pricing. He promoted value communication and value-based negotiation because in sales negotiation stakes are high as a result of the leverage price has on profitability.

Yama (2004) argued that selling is a negotiation game in which each side plays a role but not always by the same rules; and stated further, that recognizing it as a game is critical to success, but the integrity of pricing must not be at stake. The key to success is to maintain the connection between the willingness to pay and the value received by the product or services while the impact of the product on customer's business (in a business to business environment) is seriously taken into account by



the seller. He maintained that first, value must be understood as to what the product or services means to the consumer, before value can then be communicated.

### 3.2 Introduction

Thompson and Coe (1997) defined the perceived value of a product as the price the customer is willing to pay for the total bundle of benefits the product delivers. Nagle and Holden (2002) referred to value as the total savings or satisfaction that the customer receives from the product. Thompson and Coe (1997) stated that the approach to value pricing enhances the ability of management to use pricing in a more dynamic and proactive manner, especially relevant in an age of disinflation. The challenge in this environment is to learn what customers are willing to pay for a product or services. They argued that instead of price being based on a firm's costs, price drives these costs. The customer-oriented focus of value pricing makes it suitable for use in this changed environment in which customers are more demanding in terms of price, value and quality. Managing buyer's perceptions of value is necessary for properly establishing price in a negotiation and a key to improved profitability. Value pricing is also supported through brand, technical performance and design (Simon, 2006).



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

The purpose of the study is to establish the critical factors that presumably underpin service pricing strategies adopted by Quantity surveying Practicing (QSP) firms in Ghana. The chapter begins with the study area, population and sampling techniques as well as analytical procedures. The chapter further dealt with the presentation of data gathered, sampling techniques, instruments for data collection and sources of data, as well the method of data analysis. The study continued with the ethical issues, field challenges, survey coverage and response rate and the quality of the research design of the collated data.

#### 3.1 Research Design

A study design, according to Opoku (2000) is a structural perspective that guides a researcher in data collection and analysis. The research design adopted for this study is the descriptive research. This is because this research aims at establishing the critical factors that presumably underpin the service pricing strategies adopted by Quantity surveying Practicing (QSP) firms within the catchment zones of Greater-Accra and Ashanti region of Ghana.

Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Hyde, 2000). It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form. When in-depth, narrative descriptions of small numbers of cases are involved, the



research uses description such as a tool to organize data into patterns that emerge during analysis. Those patterns aid the mind in comprehending a qualitative study and its implications.

Amaratunga *et al.* (2002) opined that qualitative and quantitative research can be used in combination and this is called mixed approach. According to Amaratunga *et al.* (2002), qualitative and quantitative methodologies are not antithetic rather they focus on the different dimensions of the same phenomenon. The author continues to emphasize that these dimensions may seem to diverge but “the underling unity” may be analysed deeper. In this point the researchers’ objectives play an important and determinant role in the design and execution of the study. It is also emphasized that quantitative and qualitative research can be combined in a way that one can cover the weaknesses of the other. The combination of qualitative and quantitative research is called triangulation. This choice can be justified by Amaratunga *et al.*, (2002) argumentation that qualitative research is conducted through an intense and/or prolonged contact with a field or life situation. Furthermore, Amaratunga *et al.*, (2002) emphasized in their article is that one major feature is that qualitative research focuses on events and setting which can give a view on what ‘real life’ is like. According to Amaratunga *et al.* (2002), quantitative methods appropriateness in explaining in depth factors such as physiological factors, employees’ capability, etc., is more limited. The case research approach was adopted to establish the factors that underpin service pricing strategy of QSP firms.



A case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident and it relies on multiples sources of evidence (Yin, 1994). Case study research investigates predefined phenomena but does not involve explicit control or manipulation of variables: the focus is on in-depth understanding of a phenomenon and its context (Miles & Huberman, 1994).

Eisenhardt (1989) opined that Case study strategy focuses on understanding the dynamics present within a single settings. The case study is commonly applied in a field-based research to describe and develop knowledge based on data from the real world conditions, aiming to bridge the gap between management theory and practice (Flynn *et al.*, 1990; McCutcheon and Meredith, 1993). Yin (1994) explains that the crux of case study is to illumine a decision or set of conclusions: why they were taken, how they were implemented, and with what result. Principally, case studies are particularly useful for clarifying “how” and “why” questions. This characteristic of case studies provides an understanding of the meaning within the framework of assumptions, beliefs, and perspectives specified by the researcher (Meredith, 1998). The case study helps researchers to expose the real problems in the phenomenon being studied. Case studies provide rich empirical descriptions of particular instances of phenomena which are based on a variety of data sources (Yin, 1994). The current study therefore investigates the determinants of the service pricing strategy of QSP firms in the Greater-Accra and Ashanti region.



### 3.2 Population of the study

A population is a group of individuals, persons, objects, or items from which samples are taken for measurement (Saunders *et al.*, 2009). Target population is the entire group of individuals about whom you want to gather information. To design a useful research project, there is the need to be specific about the size and location of your target population. Based on this, the target population for the research consisted of Quantity Surveying Practicing firms in Ghana. However, a list of registered firms was obtained from the Quantity Surveying (QS) Division of the Ghana Institution of Surveyors (GhIS)). The Ghana Institution of Surveyors (GhIS) is the umbrella organization for all Surveyors (both Quantity surveyors and Land surveyors) in Ghana, which is responsible for their day-to-day operations. The list consisted of 51 firms; which had dully paid their dues as registered practicing firms as at December, 2012

### 3.3 Sample and Sampling Technique

Kumar (2008) explains that a sample is a sub-group of the population which is an ideal representative of the entire population. Researchers usually cannot make direct observations of every individual in the population they are studying. Instead, they collect data from a subset of individuals (a sample) and use those observations to make inferences about the entire population (Zickmund, 2003).

Israel (1992) reported that there are several approaches used in determining the sample size. These, include using a census for small populations, imitating a sample size of similar studies, using published tables, and lastly applying formulas (e.g. Kish formula) to calculate a sample size. It was therefore imperative for the researcher to



clearly define the target population and sample size. The sample size was determined using the Kish (1965) statistical formula as stated below:

$$n = \frac{n^1}{(1+n^1/N)}$$

Where:

$n$  = Sample Size

$$n^1 = \frac{S^2}{V^2}$$

$$V^2$$

$N$  = Population Size

$S$  = Maximum standard deviation in the population element

(Total error = 0.1 at a confidence level of 95%)

$V$  = Standard error of sampling distribution = 0.05

$P$  = The proportion of the population elements that belong to the defined class.

$$S^2 = P(1-P) = 0.5(1-0.5) = 0.25$$

In calculating the sample size for the Quantity Surveying Practicing firms

$$n = \frac{n^1}{(1+n^1/N)}$$

$N = 51$  (Ghana Institution of Surveyors, as at December 2012)

$$n = 100 / (1 + (100/51)) = 33.77 = 34$$

According to Isreal (1992), the sample size reflects the number of obtained responses and not necessarily the number of questionnaires distributed. This number was however increased to by 10% to compensate for non-response as opined by Isreal



(1992) .This gives a total of thirty-nine (39) questionnaires which were distributed to a Quantity Surveyor from each firm.

These firms were selected using convenience sampling from the Greater Accra and Ashanti regions. The decision to focus on these two regions was based on the list obtained from Quantity Surveying Division (GHS) which showed that about 94% of Quantity Surveying firms are located in Greater-Accra and Ashanti Region while 6% represents the remaining regions. In addition, the limited time available for the study and financial constraints did not allow the researcher to travel to the other regions.

### **3.4 Sources of Data**

The data collection methods or techniques formed an important part of this research. According to Patton (2002) using more than one data collection instrument strengthens and gives credibility to the study. The use of more than one data collection instrument portrays a true picture of the case under study. Both primary and secondary sources of data were obtained for the study. The primary data was obtained directly from respondents through personal administration of structured questionnaires. The primary data provided reliable and accurate first-hand information relevant to this study. The idea of secondary data was to gather necessary information to guide the conduct of the research project in order to confirm or reject the primary data.



### **3.5 Data Collection Instruments**

There are various methods used for collecting empirical data for case study such as interviews, archives, questionnaires, and observations (Yin, 1994). However, questionnaires were used as data collective tools in the research to help gather relevant data.

#### **3.5.1 Questionnaires Development**

Among the various data collection methods, the questionnaire survey is the most popular and most cost-effective means to collect information about attitudes, opinions and behaviours (Gravetter and Forzano, 2012) and according to Chan (2012) questionnaires widely used by researchers in the construction discipline.

A questionnaire survey was therefore considered as an appropriate tool for this study. Questionnaires were used as data collective tools in this research due to the number of respondents involved. The questionnaires were designed to address the study concerns. It was important to first establish the information to be gathered so that relevant questions are solicited (Nachimias and Nachimias, 1996). Once the survey questionnaires were drafted, they were pre-tested by trying it out on a small number of respondents having characteristics similar to those of the target group of respondents. This helped to re-design the questionnaires, making it more consistent focusing it on strategic issues.

#### **3.5.2 Content of Questionnaires**

Having identified the respondents for the questionnaires and their characteristics, the next step was focused on the design of the actual questions that were asked to solicit the requisite information for the study. The way in which survey questions were



presented would affect the quality of the responses and therefore it was important to ensure that the right questions were asked, well understood and asked in the right way (Wahab, 1996). The questionnaires consisted of twelve (12) questions mainly; closed-ended and scaled-response type and the questions are type-setted on standard A4 sheets with front and back cover pages. For the purpose of the study, the questions were grouped under two categories. The first series of questions related to the respondent's profile: this was intended to find out the background and experience of respondents. The second group of questions focus on the main study by finding out the pricing objectives of QSP firms, pricing methods, pricing strategies as well as the factors influencing these pricing strategies. The items of the questionnaire in this research were adopted from different sources of the extant literature.

Questionnaire in the form of scaled-response questions was adopted in the second part of the questionnaire because "scaling" permits measurement of the intensity of respondents' answers and it is also suitable for self-administered survey method (Armstrong and Ashworth, 2000). A 5-point Likert scale anchored by "least important" (1) to "extremely important" (5) was adopted as the attitude measurement for the variables as this was also adopted by (Alvonitis and Indounas, 2005) in similar studies. Certain terminologies were further explained due to the technicalities involved, this made it easy for the respondents to understand and answer appropriately.

The full detail of the questionnaire is attached as an appendix to this document. (See Appendix 1).



### 3.6 Ethical Issues

In any research there is need for the researcher to consider ethical issues paramount so that there is no infringement on respondents' rights and privacy. This research was therefore minded by the fact that in there should be confidentiality of information, hence; information that respondents gave in relation to the research were kept confidential.

Meanwhile the consent of respondents to administer questionnaire was sought. This ensured that those respondents were free and willing to respond to questions fairly. Where respondents expressed lack of desire to respond to questionnaire the researcher respected such views.

### 3.7 Field Work and Challenges

The researcher began the administration of questionnaires by sending a prior notice to the various chosen QSP firms. In accordance with the response received, permission was granted for the administration of the questionnaires. The involvement of two (2) research assistant was necessary due to the geographically dispersed nature of the population and considering the time allotted for the study. Follow-up visits were made to remind the respondents of the completion of the survey. The administration of the questionnaires was not without several challenges. To begin with, the researcher was constrained by time. The major problem had to do with convincing the respondents to attend to the questions especially with the pricing strategies being adopted by the firms. The firms were assured of the confidentiality of their response.



### 3.8 Survey Coverage and Response Rate

The convenience sampling approach was adopted to distribute the survey questionnaires to the targeted QSP firms in Ashanti and Greater Accra Regions. The locational contact addresses and telephone numbers of the respondent firms which were obtained from QS Division (GHS) made the distribution of the questionnaires considerably convenient and simple. The researcher personally did the distribution of the questionnaires. The involvement of the research assistants were necessary due to the geographically dispersed nature of the population and considering the time allotted for the study. From Table 3.1 below, out of the thirty-nine (39) questionnaires which were distributed, only thirty (30) were returned completed.

However, nine (9) of the questionnaires were discarded because most of the questions were not completely answered. The reason for this was not known to the researcher. Thirty(30) questionnaires were therefore usable for the analysis, representing a response rate of seventy-six percent (76%). The response rate is the proportion of completed questionnaires in the total number of eligible respondents and literature assumes that higher response rate demonstrates validity of the study findings (Coffey, et al 1996). Research on survey methods have usually advised that response rates of 60% and over are necessary to ensure that the responses give an accurate picture of the population, hence their validity (Armstrong and Ashworth, 2000). With this in mind, the researcher had to ensure considerable high response rate from the survey questionnaires. The relative high response rate of 76 % comparable to that asserted by Armstrong and Ashworth (2000) validates the response rate of the study.



**Table 3.1 Response Rate of Respondents**

Type of Respondent	No. of Questionnaires Sent	No of Response	Response rate (%)
Quantity Surveying Practicing Firms	39	30	76
Others			
<b>Total</b>	<b>39</b>	<b>30</b>	<b>76</b>

**Source: Researcher’s field survey, (2013)**

**3.9 Method of Data Analysis**

To study the order of importance of the various factors, the relative importance index (RIIv), was calculated. This method was recommended by Shash (1993) to analyse the ordinal data collected in a Likert scale, and subsequently adopted by other researchers to rank factors in a similar manner (Chan, 2012).Based on the information provided by the registered Quantity Surveying Practicing firms, the relative importance indices of the respondents were computed to deduce their rankings as below. The data was analyzed by ranking the various factors that affects the pricing strategies of Quantity Surveying Practicing firms.

The ratings of identified factors made by respondents against the five-point scale were combined and converted to deduce the Relative importance indices of the various factors as follows:

$$RAx = \frac{\sum r}{A \times N}$$

Where  $\sum r$  = summation of the weightings given to each factor.

A = highest rating and N= Total number of respondents for that factor.

Example for Pricing Objectives



$$\text{Weight} = 1(4) + 2(3) + 3(7) + 4(10) + 5(10) = 121$$

$$\text{Relative Importance index} = \frac{121}{5(4 + 3 + 7 + 10 + 10)} = 0.71$$

The factor with the highest relative importance index was then ranked as 1, and then followed by two as the next higher rank and so on. Based on analysis of responses from respondents, ratings of the Pricing objectives, pricing methods/approach, pricing strategies as well as the critical factors influencing them were computed based on the total sample size, the weightings and relative importance indices. The weighting for each factor was computed separately and then used to rank the identified factors in the order of importance as shown in Tables 4.5, 4.8, 4.10 and 4.12. T-test as an analytical tool was also employed for examining significant differences in the opinions by respondents' as well as for the testing of hypothesis.

### **3.10 Quality of the Research Design**

The quality of the research design that can be checked by considering the validity of the study, reliability of the data and instruments of data collection as well as the generalization ability of the study are described below.

#### **3.10.1 Validity of the Study**

Research design is often divided into three broad categories, according to "the amount of control the research maintains over the conduct of the research study". These three broad categories namely: "Experimental, field and observational research. They vary on two important characteristics: Internal and External validity. The External research concerns the overall validity of the research study (Watt and Van Den Berg, 1995). In an Experimental research, the researcher controls the



setting in which the research is been conducted and may influence the variable(s), while observing the changes or no change in the variables. Thus, due to the ability to control and eliminate certain variables and conditions that may have a profound effect on the outcomes of the research, would likely improve the validity of the research.

In a field research, the researcher retains control over the independent variable(s), but conducts the research in a natural setting without any control over environmental influences. On the other hand, in an observational research, the researcher can neither control the variable(s), or the research setting. This kind of research usually takes place sometime after the actual process being researched (Watt and Van Den Berg, 1995). Internal Validity describes or accounts for all factors, including those, which are not directly specified in the theory being tested, but might affect the outcome of the study. In other words, it usually concerns the soundness of the research being carried out. External validity conclusions cover the specific environment in which the research study is conducted to similar real world situations (Watt and Den Berg, 1995). In this case a research which has a generalised conclusion could be more valuable than one whose conclusions cannot be applied outside the research environment.

The research for this thesis could be considered as a field research as it is carried out among people who happen to constitute a work force in the Ghanaian construction industry and whose responses the researcher cannot influence in any significant manner. Relevant questions were asked in the survey, the most feasible data collection method used, and the tools used to analyse the data are also considered to



be accurate and produced valid results; the overall validity of this thesis is considered to be high. However, the researcher would argue that the internal validity of this thesis is relatively high, but the same cannot be said for its external validity. The reason for this position is therefore discussed under the reliable headings.

### **3.10.2 Reliability of the Study**

The aim of any research is to use a given procedure and reach a conclusion that will be applicable in any given environment (Lehmann, 2009). The primary objective should be that if a later investigation followed exactly the same procedures as described by an earlier investigator and conducted the same study all over again; this later investigator should be able to arrive at the same results and conclusions. Thus the study is considered to be highly reliable. However, due to the very nature of human beings 100% reliability cannot be considered for this study, as individual perceptions are central in this study. In other words because we are different as individuals and that our individual wants and preferences are different, future investigations may not produce exactly the same results as reported in this thesis. Nonetheless, the researcher believes that the results of this study could be regarded as highly reliable.

### **3.10.3 Degree of Generalisation**

For a research to be able to generalise the results obtained from the sample surveyed to the total population depends on how well the sample represents the total population and how accurately data was collected and analysed. This generalized conclusion would possibly make the research work more valuable and appreciated.



Furthermore, the larger the number of observations, the more trustworthy the generalised the conclusion might be. The current study utilizes thirty (30) QSP firms in the cluster. Personnel with oversight responsibilities in the various firms were utilized and hence enhance the generality of the study. However, since this is a just a cluster within numerous clusters of services in the construction industry there is stern difficult to do nationwide generalisation in the built environment.





## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION OF RESULTS FINDINGS

#### 4.0 Introduction

This chapter deals with the analysis and discussion of sampled data that was centered on establishing the critical factors underpinning service pricing strategies of Quantity Surveying Practicing (QSP) firms in Ghana. The researcher employs the use of Statistical Package for Social Sciences (SPSS) and Microsoft Excel for the organization of the data and analysis. The statistical tools employed for the analysis were t-test for examining significant differences in the opinions by respondents and very importantly the Relative Importance Index to rank various factors. This chapter also presents the results of the analysis and discussions. The chapter is organized as follows; Demographic characteristics of respondents, respondents' opinions on pricing objectives, pricing methods, pricing strategies and factors influencing service pricing strategies.

#### 4.1 Discussion of Results

The findings and discussions of the results were presented in order to realize the objective of the study.

##### 4.1.1 Demographic Characteristics of Respondents

This section describes the demography of the participants in terms of years of industrial experience, educational background as well as the type of projects been engaged by the respondents.



#### 4.1.1.1 Years of Industrial Experience of Respondents

Most of the respondents had industrial practical experience of between 6 to 15 years (close to 67 percent). 16.7 percent of the respondents had had practical experience of between 16 to 20 years. Altogether, 30 percent of the individual respondents had worked between 16 to 25 years with the rest having worked for less than 16 years. Table 4.1 shows the summary of the industrial practical experience of respondents.

**Table 4.1: Years of Industrial Practical Experience of Respondents**

Year Range	Frequency	Percent	Cumulative %
0-5 years	1	3.3	3.3
6-10 years	9	30.0	33.3
11-15 years	11	36.7	70.0
16-20 years	5	16.7	86.7
21-25 years	4	13.3	100.0
<b>Total</b>	<b>30</b>	<b>100.0</b>	

Source: Researcher's field survey, 2013

#### 4.1.1.2 Educational Background of Respondents and Involvement in Pricing Decisions

The information in Table 4.2 is a cross tabulation of the educational background of 30 respondents and their involvement in pricing decisions in their respective organizations. Table 4.2 shows that 63.3 percent were involved in pricing decisions (consisting of 61.5 percent of respondents who had attained postgraduate levels, 54.5 percent respondents of whom had degrees and 83.3 percent respondents of those who had diplomas). The remaining 36.7 percent who were not involved in pricing decision-making were made up of 38.5 percent of respondents who had attained



postgraduate standings, 45.5 percent of the degree holders and 16.7 percent of who had diplomas. Considering their educational backgrounds only, there were 43.3 percent postgraduates, 36.7 percent degree holders and 20 percent of respondents who had diplomas.

**Table 4.2: Educational Background of Respondents and Involvement in Pricing Decisions**

		Educational Background			Total	
		Postgrad -uate	Degree	Diploma		
Are you involved in pricing decisions in your organization	Yes	Count	8	6	5	19
		% within Involvement in Pricing	42.1%	31.6%	26.3%	100.0%
		% within Educational Background	61.5%	54.5%	83.3%	63.3%
		Count	5	5	1	11
	No	% within Involvement in Pricing	45.5%	45.5%	9.1%	100.0%
		% within Educational Background	38.5%	45.5%	16.7%	36.7%
		Count	13	11	6	30
		% within Involvement in Pricing	43.3%	36.7%	20.0%	100.0%
	Total	% within Educational Background	100.0%	100.0%	100.0%	100.0%

Source: Researcher’s field survey, (2013)

4.1.1.3 Type of Projects involved by QSP firms

Table 4.3 is a summary of the type of projects that the respondents had their various firms involved in. The results show that out of a total of 30 individuals, the relative



majority (i.e. 46.7 percent) were solely involved in Building Construction. Other respondents were singly involved in Civil & Structural Engineering and Project Management representing 13.3 percent and 23.3 percent respectively. The remaining 26.6 percent were involved in more than one project type as shown in Table 4.3

**Table 4.3: Type of project involved by QSP firms**

Project Type	Frequency	Percent	Cum. %
Building Construction	14	46.7	46.7
Civil and Structural Engineering	4	13.3	60.0
Project Mgt.	7	23.3	83.3
Building Const., Civil & Project Mgt.	4	13.3	96.7
Building Const., Civil & Struct. Eng. & Cost Eng.	1	3.3	100
<b>Total</b>	<b>30</b>	<b>100.0</b>	

**Source: Researcher's field survey, 2013**

#### 4.1.2 Respondents' Perception on Pricing

Participants were asked to rate the level of importance of pricing objectives, pricing methods, pricing strategies as well as the factors influencing the pricing strategies of service firms on a likert scale of 1-5 where 1 = least important; 2 = fairly important; 3 = important; 4 = very important; 5 = extremely important. The lists of factors were obtained through extensive review of service pricing literature. This section is a presentation of the summary of respondents' rankings for the various subjects discussed. A standard t-test for the difference in levels of rankings showed significant differences in the levels of measurement at  $\alpha = 0.05$ . The researcher therefore presents the percentage distributions for the subjects considered and then uses the Relative Importance Index (RII) to rank the various parameters investigated.



#### 4.1.2.1 Pricing Objectives

From Table 4.5 the analysis revealed that the most important pricing objective is client's need satisfaction with a relative importance index of 80.0 followed long-term survival with relative importance index of 78.0 followed by return on investment (76.7), next is the creation of prestige image for the firm (76.0), and the others are price sustainability (75.3), attraction of new client clients (74.7), profit maximization (73.3), service quality leadership (72.7), market share maximization (70.6) and the least is cost-recovery (breakeven) with a relative importance index of 59.0.

This finding indicates that the firms in the sample have understood the significance of taking into consideration those factors associated with their clients for effective pricing decisions. This assertion (finding) is supported by Zeithmal and Bitner (1996) and Avlonitis and Indounas (2005). The emphasis on service quality and prestige image is line with Langeard (2000) and Tse (2001) and other researchers regarding their importance in the case of services.

The above findings also indicate that the firms in the sample tend to regard the qualitative objectives as being more significant than the quantitative ones. This finding may be attributed to the importance that the firms attach in ensuring their long term position, since an excessive emphasis on quantitative objectives may risk this position. This is line with the assertion of Diamantopoulos (1991) and Baggozzi *et al* (1998)



**Table 4.4 : Percentage distribution of Pricing Objectives**

<b>Pricing Objectives</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Profit Maximization	0.0	0.0	50.0	33.3	16.7
Market Share Maximization	0.0	6.6	46.7	33.3	13.3
Return On Investment	0.0	0.0	36.7	43.3	20.0
Maintenance of Existing Customers	0.0	3.3	40.0	46.5	10.0
Long-term Survival	0.0	3.3	23.3	53.3	20.0
Cost-recovery (Breakeven)	0.0	3.3	40.0	40.0	1.7
Service Quality Leadership	3.3	6.7	23.3	56.7	10.0
Creation of Prestige image for Firm	0.0	10.0	20.0	50.0	20.0
Client's Needs Satisfaction	0.0	0.0	20.0	60.0	20.0
Attraction of New Clients	3.3	0.0	36.7	40.0	20.0
Achievement of Social Goal	0.0	16.7	36.7	40.0	6.7
Alignment with Competitor's Price	6.7	3.3	53.3	33.3	3.3
Price Sustainability	3.3	0.0	26.7	56.7	13.3
Price Differentiation	3.3	6.7	43.3	40.0	6.7
Win-win Transaction	6.7	20.0	43.3	20.0	10.0
<b>Average</b>	<b>1.8</b>	<b>5.3</b>	<b>36.0</b>	<b>43.1</b>	<b>12.8</b>

**Source: Researcher's field survey, 2013**



**Table 4.5 Ranking of Pricing Objectives**

Pricing Objectives	Percentage Score	RII	Rank
Profit Maximization	366.7	73.3	7th
Market Share Maximization	353.2	70.6	10th
Return On Investment	383.3	76.7	3rd
Maintenance of Existing Customers	362.5	72.5	9th
Long-term Survival	390.0	78.0	2nd
Cost-recovery (Breakeven)	295.0	59.0	15th
Service Quality Leadership	363.3	72.7	8th
Creation of Prestige image for Firm	380.0	76.0	4th
Client's Needs Satisfaction	400.0	80.0	1st
Attraction of New Clients	373.3	74.7	6th
Achievement of Social Goal	336.7	67.3	12th
Alignment with Competitor's Price	323.3	64.7	13th
Price Sustainability	376.7	75.3	5th
Price Differentiation	340.0	68.0	11th
Win-win Transaction	306.7	61.3	14th

**Source: Researcher's field survey, 2013**

#### 4.1.2.2 Consideration of pricing objectives in pricing decisions

From table 4.6, analysis revealed that 90% of the respondents considered pricing objectives in arriving at their pricing decisions. The remaining 10% stated that they did not.

**Table 4.6: Consideration of pricing objectives in pricing decision**

Opinion	Frequency	Percent	Cumulative %
Yes	27	90.0	90.0
No	3	10.0	100.0
Total	30	100.0	

**Source: Researcher's field survey, 2013**



#### 4.1.2.3 Pricing Methods

From Table 4.7, the analysis revealed that the most important pricing methods are ensuring Total revenue equates Total cost (73.3), followed by Profit plus services average cost (69.3), Considering only direct cost of services (69.3), Targeting return on investment (67.3), Pricing according to existing average service prices (66.0), Pricing based on clients perception (65.3), Pricing to satisfy clients needs (64.7), Pricing a high quality services fairly low (62.7), Pricing below competitor's (46.7) and the least is pricing above competitors (43.3).

The findings above confirm Avlonitis and Indounas (2005) assertion that the most popular methods among service firms are the cost-plus pricing methods. This may be due to the fact that these methods are easy to implement. The limited emphasis given to the customer based methods is surprising given that the customer-based pricing objectives were found to be most popular among the firms in the sample. However, these findings may be attributed to the difficulty in determining customers demand and needs and the fact that the firms in the sample may believe that by adopting the cost-plus method, they can cover their costs and levy competitive prices and thus can satisfy existing customer needs and attract new customers.



**Table 4.7: Percentage Distribution of Pricing Methods**

Pricing Methods	1	2	3	4	5
Profit plus services' average cost	6.7	0.0	40.0	46.7	6.7
Targeting return on investment	0.0	6.7	50.0	43.3	0.0
Ensuring Total Revenue equates Total Cost	0.0	6.7	26.7	60.0	6.7
Considering only direct cost of services	3.3	13.3	23.3	53.3	6.7
Pricing according to existing average service prices	3.3	10.0	46.7	33.3	6.7
Pricing above competitors	26.7	40.0	23.3	10.0	0.0
Pricing below competitors	10.0	50.0	36.7	3.3	0.0
Pricing based on clients perception	3.3	13.3	43.3	33.3	6.7
Pricing a high quality service fairly low	6.7	10.0	46.7	36.7	0.0
Pricing to satisfy client needs	13.3	3.3	36.7	40.0	6.7
<b>Average</b>	<b>7.3</b>	<b>15.3</b>	<b>37.3</b>	<b>36.0</b>	<b>4.0</b>

**Source: Researcher's field survey, (2013)**

**Table 4.8 Ranking of Pricing Methods**

Pricing Methods	Percentage Score	RII	Rank
Profit plus services' average cost	346.7	69.3	2nd
Targeting return on investment	336.7	67.3	4th
Ensuring Total Revenue equates Total Cost	366.7	73.3	1st
Considering only direct cost of services	346.7	69.3	3rd
Pricing according to existing average service prices	330.0	66.0	5th
Pricing above competitors	216.7	43.3	10th
Pricing below competitors	233.3	46.7	9th
Pricing based on clients perception	326.7	65.3	6th
Pricing a high quality service fairly low	313.4	62.7	8th
Pricing to satisfy client needs	323.4	64.7	7th

**Source: Researcher's field survey, 2013**



4.1.2.4 Pricing Strategies

From Table 4.10, analysis revealed that the most important pricing strategies in hierarchy were Good, better, best pricing strategy (75.5), Competitive pricing (73.3), Service bundle pricing (71.3), Multiple pricing (71.3), Premium pricing (70.7),Service line pricing (69.3), Skim pricing (68.0), optimal pricing(66.7), Penetration Pricing (63.3) and Loss leader pricing (62.7). This finding is contrary to the assertion with Mochtar and Aditi (2000) which affirms that the most important pricing strategy in the construction industry is the competitive pricing strategy where firms submit sealed bids for jobs. The above findings also indicate that the firms in the sample seek to maximise revenue without much regard to profit. This finding may be attributed to the importance they attach in establishing long-term clients' base and subsequently ensuring the long term survival of the firm.

Table 4.9: Percentage Distribution for Pricing Strategies

Pricing Strategy	1	2	3	4	5
Competitive Pricing	0.0	0.0	46.7	40.0	13.3
Penetration Pricing	0.0	13.3	60.0	23.3	3.3
Premium Pricing	0.0	3.3	43.3	50.0	3.3
Skim Pricing	3.3	23.3	46.7	33.3	3.3
Loss Leader Pricing	6.7	6.7	60.0	20.0	6.7
Multiple Pricing	3.3	3.3	33.3	53.3	6.7
Optional Pricing	3.3	10.0	46.7	30.0	10.0
Service bundle Pricing	0.0	6.7	40.0	43.3	10.0
Service Line Pricing	0.0	13.3	40.0	33.3	13.3
Good, Better, Best Pricing	0.0	10.0	23.3	46.7	20.0
Average	1.7	9.0	44.0	37.3	9.0

Source: Researcher's field survey, 2013



**Table 4.10: Ranking of Various Service Pricing Strategies**

Pricing Strategy	Percentage Score	RII	Rank
Competitive Pricing	366.7	73.3	2nd
Penetration Pricing	316.6	63.3	9th
Premium Pricing	353.3	70.7	5th
Skim Pricing	340.0	68.0	7th
Loss Leader Pricing	313.4	62.7	10th
Multiple Pricing	356.7	71.3	4th
Optional Pricing	333.3	66.7	8th
Service bundle Pricing	356.7	71.3	3rd
Service Line Pricing	346.6	69.3	6th
Good, Better, Best Pricing	376.7	75.3	1st

**Source: Researcher's field survey, 2013**

#### **4.1.2.5 Factors Influencing Service Pricing Strategies**

As shown in Table 4.12, analysis revealed that the most important factor influencing service pricing strategies were market structure (78.7), pricing objectives (78.0), industry standards (76.0), Expected profit earnings (74.7), Competitor's prices (74.0), Aim of competitors (74.0), Client expectations (73.3), Location of clients (73.3), Transaction costs (72.7) and market's traditions (72.7). The least important factors being Professional regulation and legislation (70.0) and taxation (69.3). The first five factors can be categorized under strategic factors, trade factors and competitive factors which corroborates with the literature review.



**Table 4.11 : Percentage Distribution of Factors Influencing Service Pricing Strategies**

<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Client Expectations	0.0	0.0	33.3	66.7	0.0
Client Value Perceptions	0.0	0.0	43.3	56.7	0.0
Anticipated Costs	0.0	0.0	56.7	36.7	6.7
Transaction Costs	0.0	3.3	36.7	53.3	6.7
Expected Profits earnings	0.0	0.0	26.7	73.3	0.0
Aim of Competitors	0.0	0.0	40.0	50.0	10.0
Barriers of Entry of Competitors	0.0	0.0	30.0	70.0	0.0
Market's Traditions	0.0	0.0	36.7	63.3	0.0
Industry Standards	0.0	0.0	20.0	80.0	0.0
Pricing Objectives	0.0	0.0	10.0	90.0	0.0
Market Structure	0.0	0.0	13.3	80.0	6.7
Competitor's Prices	0.0	0.0	36.7	56.7	6.7
Availability of historical Data	0.0	0.0	46.7	46.7	6.7
Location of Clients	0.0	0.0	40.0	53.3	6.7
Location of the Business	0.0	0.0	50.0	50.0	0.0
Taxation	0.0	0.0	53.3	46.7	0.0
Professional regulations and legislation	0.0	0.0	60.0	30.0	10.0
Pricing to satisfy customer needs	0.0	0.0	43.3	56.7	0.0
<b>Average</b>	<b>0.0</b>	<b>0.2</b>	<b>37.6</b>	<b>58.9</b>	<b>3.3</b>

**Source: Researcher's field survey, 2013**



**Table 4.12: Ranking of Factors Influencing Service Pricing Strategies**

<b>Factors</b>	<b>Percentage Score</b>	<b>RII</b>	<b>Rank</b>
Client Expectations	366.7	73.3	8th
Client Value Perceptions	356.7	71.3	13th
Anticipated Costs	350.0	70.0	15th
Transaction Costs	363.3	72.7	10th
Expected Profits earnings	373.3	74.7	4th
Aim of Competitors	370.0	74.0	6th
Barriers of Entry of Competitors	370.0	74.0	7th
Market's Traditions	363.3	72.7	11th
Industry Standards	380.0	76.0	3rd
Pricing Objectives	390.0	78.0	2nd
Market Structure	393.3	78.7	1st
Competitor's Prices	370.0	74.0	5th
Availability of historical Data	360.0	72.0	12th
Location of Clients	366.7	73.3	9th
Location of the Business	350.0	70.0	16th
Taxation	346.7	69.3	18th
Professional regulations and legislation	350.0	70.0	17th
Pricing to satisfy customer needs	356.7	71.3	14th

#### **4.1.2.6 Scientific Process for Pricing of Consultancy Services**

Respondents were asked whether or not they believed that there is a scientific process for the pricing of consultancy services. As shown in Table 4.13 below, an overwhelming 70% of respondents felt that there was no scientific process for pricing of consultancy services. This clearly indicates that respondents are aware that there is no scientific process for the pricing of consultancy services.

To test for differences in the two responses based on the sample size chosen by the researcher, a Chi-Square goodness of fit test was used to test the hypothesis. The



hypotheses are formulated as follows: For the null hypothesis, there is no preference in the (Yes/No) responses on whether there is any scientific process for pricing consultancy services. For the alternate hypothesis, there is a preference in the direction of responses being that there is No scientific process for pricing of consultancy services.

The computation for the test statistic is as follows:

$$\chi^2 = \sum \frac{(E - O)^2}{E} = \frac{(15 - 21)^2}{15} + \frac{(15 - 9)^2}{15} = 4.8$$

At a level of significance of  $\alpha = 0.05$ , the critical value is given as  $3.84 < 4.8$ . This implies that the rejection of the null hypothesis that there is no preference. There is actually a significant difference between responses which means that there is no scientific process for pricing of consultancy services. This however affirms the assertion by Amstrong and Green (2011) that suggest that there is no scientific process or method for the pricing of consultancy services.

**Table 4.13: Any scientific process for pricing of consultancy services**

Opinion	Frequency	Percent	Cumulative %
Yes	9	30.0	30.0
No	21	70.0	100.0
Total	30	100.0	



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This concluding chapter provides insights into the major findings of the study. It further provides key recommendations to policy implications and also outlines recommendations for further research.

#### 5.2 Summary of Findings

From the literature review and analysis of the survey results, the findings are summarized below:

- a) The appropriate pricing objectives of Quantity Surveying Practicing (QSP) firms are Client's need satisfaction, long-term survival, return on investments, the creation of prestige image for the firm, price sustainability, attraction of new clients, Profit maximization, service quality leadership, maintenance of existing customers, market share maximization and cost recovery (break-even).
- b) The service pricing methods adopted by the QSP firms are ensuring total revenue equates total cost, profit plus service average cost, considering only direct cost of services, targeting return on investment, pricing according to existing service average prices, pricing based on client perception, pricing to satisfy client needs, pricing a high quality service fairly low, pricing below competitors and pricing above competitors.



- c) The service pricing strategies adopted by the QSP firms are Good, better, best pricing, Competitive pricing ,Service bundle pricing ,Multiple pricing, Premium pricing, Service line pricing ,Skim pricing and Loss leader pricing.
- d) The underlying factors that influence Service pricing strategy of Quantity Surveying firms are market structure, pricing objectives, industry standards, expected profit earnings, competitor's prices, aim of competitor's client expectations, location of clients, transaction costs, market traditions, professional regulation & legislation and taxation.
- e) Most Quantity Surveyors in the QSP firms are involved in the pricing decisions and they believe that there is no scientific process for the pricing of consultancy services.

### 5.3 Conclusion

Based on the above literature review and the analysis of the survey results it could be concluded that all the research objectives have been achieved (under the consideration of the research methods adopted and the limitations of the study) as follows:

- a) The most important pricing objectives of Quantity Surveying Practicing firms are client's need satisfaction, long-term survival, return on investment, creation of prestige image for the firm and price sustainability.
- b) The most important pricing methods adopted by Quantity Surveying Practicing firms are ensuring total revenue equates total cost, profit plus service average cost, considering only direct cost of services , targeting return on investment and pricing according to existing average service prices.



- c) The most important service pricing strategies adopted by Quantity Surveying Practicing firms are Good, better, best pricing, Competitive pricing ,Service bundle pricing and Multiple pricing.
- d) The most important underlying factors that influence service pricing strategy of Quantity Surveying firms are market structure, pricing objectives, industry standards, expected profit earnings and competitor's prices.
- e) There is strong evidence that suggest that there is no scientific process for the pricing of consultancy fees.

#### 5.4 Recommendations

Based on the findings of this research, the following recommendations can be made:

- The best appropriate pricing objective of Quantity Surveying firms is Client's need satisfaction.
- The most important service pricing method adopted by the quantity surveying firms is ensuring Total revenue equates total coat.
- The best pricing strategy adopted by the Quantity Surveying firms is Good, better, best pricing.
- The most important underlying factor that influences service pricing strategy of Quantity Surveying firms is the market structure.
- Failure to understand how environmental forces affect pricing strategy exposes decision makers and their organizations to unnecessary levels risk.

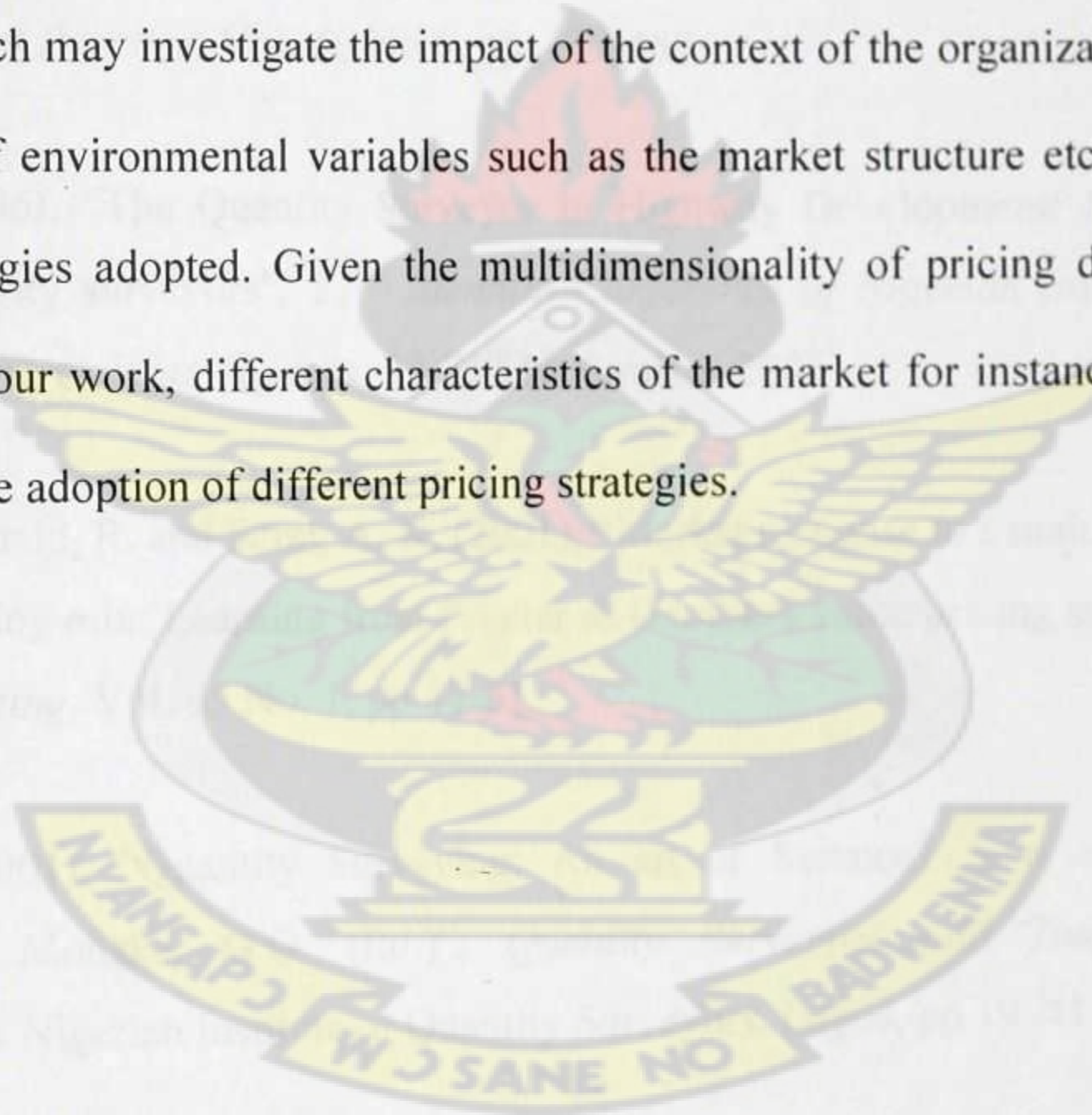


### 5.5 Recommendation for further research

This section provides a brief overview of carrying out research in different areas in order to add knowledge to construction procurement success factors.

It is recommended that further research to be done to explore the following areas:

- ✓ Another approach to develop this research to a higher level might be carrying out similar research in different countries in the West Africa sub-Region.
- ✓ Additionally, another avenue for future research may be the investigation of the impact that different pricing strategies have on the achievement of corporate objectives, within this context, the most effective pricing strategies may be identified as being those that lead to the achievement of corporate goals.
- ✓ Future research may investigate the impact of the context of the organization and the impact of environmental variables such as the market structure etc. on the pricing strategies adopted. Given the multidimensionality of pricing decisions identified in our work, different characteristics of the market for instance might necessitate the adoption of different pricing strategies.





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KNUST





## APPENDIX 1

### QUESTIONNAIRE

Dear Sir/Madam,

This questionnaire is aimed at establishing the critical factors underpinning service pricing strategies of Quantity Surveying Practicing (QSP) firms in Ghana.

Kindly complete the questionnaire carefully and send the completed questionnaire to:

Attention: Benedicta Kusi (Ms)

Building and Road Research Institute

P.O. Box UP 40,

KNUST-Kumasi.

email:bsaint30@yahoo.com

Tel No.:0243377258/0233377258

Many thanks for participating in our survey and if you would like to receive the results of the survey or further discuss with us in the future, please provide the following details:

Name: \_\_\_\_\_

Regular Tel. No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

*Please feel free to disseminate the questionnaire to your colleagues that are working in*

*Quantity Surveying Practicing firms*



**SECTION A BIOGRAPHICAL DETAILS – TO BE COMPLETED BY ALL RESPONDENTS**

**1.1** What project type is your firm involved in?

- ☐ Building construction    ☐ Civil and structural engineering
- ☐ Project Management    ☐ Petrochemicals    ☐ Mineral extraction

Other, please specify.....

**1.2** Please indicate your years of industrial practical experience.

- ☐ 0-5 years    ☐ 6-10 years    ☐ 11-15 years    ☐ 16-20years
- ☐ 20-25 years

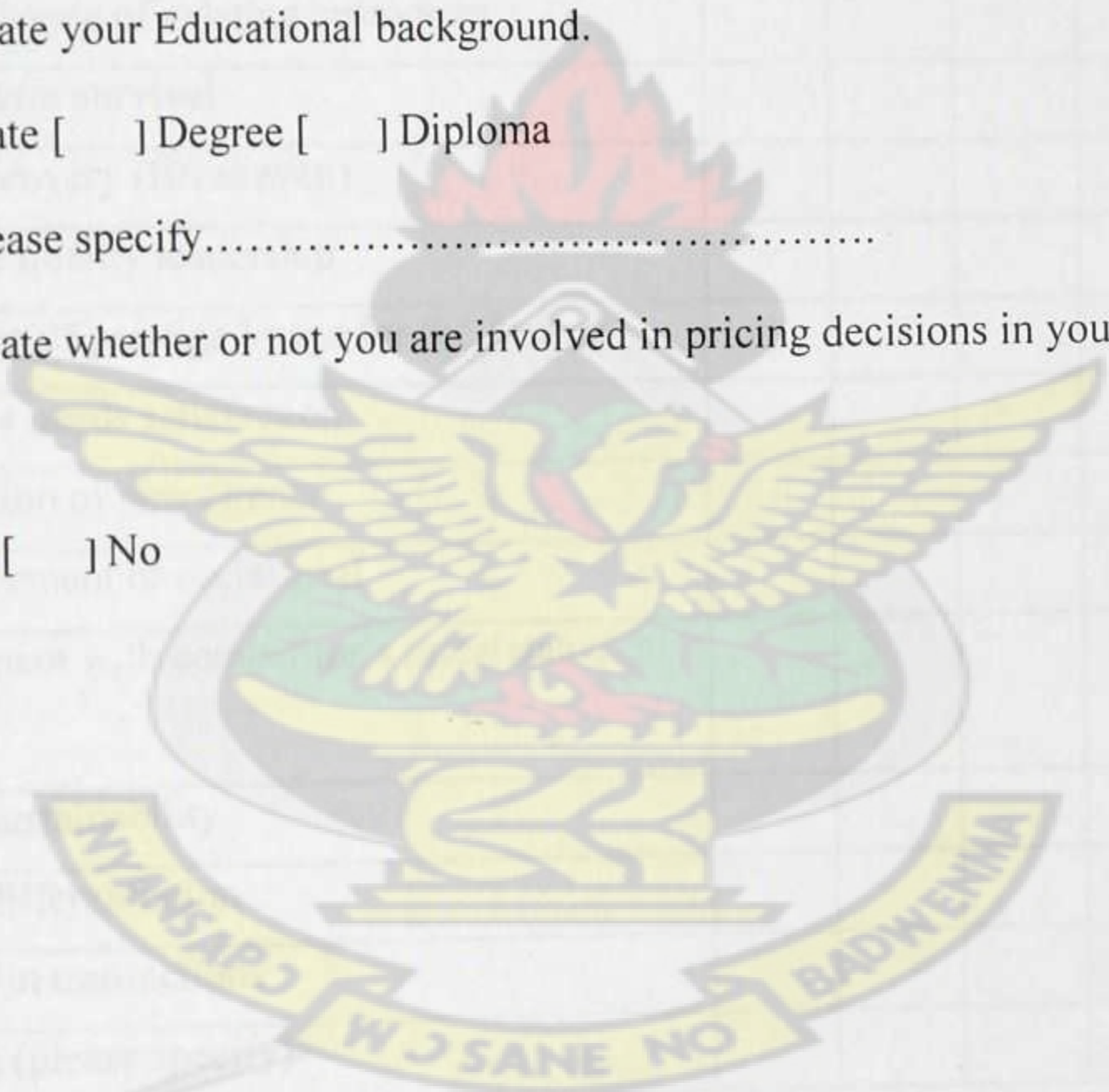
Others, please specify.....

**1.3** Please, indicate your Educational background.

- ☐ Postgraduate    ☐ Degree    ☐ Diploma
- ☐ Others, please specify.....

**1.4.** Please indicate whether or not you are involved in pricing decisions in your organization

- ☐ Yes    ☐ No





**SECTION B – TO BE COMPLETED BY ALL RESPONDENTS**

*These questions (2.1 – 2.2) examine the respondents' perceptions of pricing objectives, and you can draw on your general experience/ knowledge of pricing to answer.*

**2.1** Please, mark the choice to indicate the level of importance of each pricing objective on a likert scale of 1-5 where: **1 = least important; 2 = fairly important; 3 = important; 4 = very important; 5 = extremely important.**

No.	PRICING OBJECTIVES	1	2	3	4	5
1	Profit maximization					
2	Market share maximization					
3	Return on investment					
4	Maintenance of existing customers					
5	Long-term survival					
6	Cost recovery (Breakeven)					
7	Service quality leadership					
8	Creation of prestige image for the firm					
9	Client's needs satisfaction					
10	Attraction of new clients					
11	Achievement of social goal					
12	Alignment with competitor's price(status quo)					
13	Price sustainability					
14	Price differentiation					
15	Win-win transactions					
16	Others (please specify)					

**2.2** Do you normally consider these pricing objectives in arriving at your pricing decision?

[    ] Yes      [    ] No



These questions (2.3 – 2.5) examine the respondents' perceptions of pricing methods or approach, and you can draw on your general experience/ knowledge of pricing to answer.

2.3 Please, mark the choice to indicate the level of importance of each pricing method in arriving at your pricing decisions on a likert scale of 1-5 where: **1 = least important; 2 = fairly important; 3 = important; 4 = very important; 5 = extremely important.**

No.	PRICING METHODS	1	2	3	4	5
1	Profit plus service's average cost					
2	Targeting return on investment					
3	Ensuring Total Revenue equates Total Cost					
4	Considering only direct cost of services					
5	Pricing according to existing average service prices					
6	Pricing above competitors					
7	Pricing below competitors					
8	Pricing based on clients perception					
9	Pricing a high quality service fairly low					
10	Pricing to satisfy clients needs					
11	Others (Please Specify)					

2.4 Please, is there any scientific process or method for the pricing of consultancy services?

☒ Yes ☐ No

2.5 Please, indicate whether the current practice of professional bodies setting the fee levels has led to under pricing of consultancy services.

☐ Yes ☒ No



This question 2.6 examines the respondents' perceptions on pricing strategies adopted, and you can draw on your general experience/ knowledge of pricing to answer.

2.6 Please, mark the choice to indicate the level of importance of each strategy adopted by your firm in arriving at your pricing decisions on a likert scale of 1-5 where: **1 = least important; 2 = fairly important; 3 = important; 4 = very important; 5 = extremely important.**

No.	PRICING STRATEGIES	1	2	3	4	5
1	Competitive Pricing (i.e. pricing based on competitor's price)					
2	Penetration Pricing (i.e. gaining entry into the market by lowering price)					
3	Premium Pricing (i.e. higher price for higher quality services)					
4	Skim pricing (i.e. higher price initially and eventually a low price when competitor's set in)					
5	Loss leader pricing (i.e. lowering price to lure client with idea of been contacted again for additional services).					
6	Multiple pricing (i.e. seeks to maximise and attract more clients)					
7	Optional pricing (i.e. has revenue maximization as its objective)					
8	Service bundle pricing (i.e. groups several services together in a consortium and is a useful for complementary services)					
9	Service line pricing (i.e. useful and optimal when services complement each other and can be packaged to reflect increased value)					
10	Good, better, best pricing (i.e. relates price to production/services input)					
11	Others Please Specify)					



These questions (2.7– 2.8) examine the respondents' perceptions of the factors that influence consulting service pricing strategy adopted by your firm, and you can draw on your general experience/ knowledge of pricing to answer.

2.7 Please, mark the choice to indicate the level of importance of each influencing factors in arriving at your pricing strategies on a likert scale of 1-5 where: **1 = least important; 2 = fairly important; 3 = important; 4 = very important; 5 = extremely important.**

No.	FACTORS INFLUENCING SERVICE PRICING STRATEGIES	1	2	3	4	5
1	Client expectations					
2	Client value perceptions					
3	Anticipated costs (i.e. envisaged and present, direct and indirect cost)					
4	Transaction costs (i.e. cost of borrowing, overheads)					
5	Expected profits earnings					
6	Aim of competitors					
7	Barriers of entry of competitors					
8	Market's traditions					
9	Industry standards					
10	Pricing Objectives					
11	Market structure					
12	Competitor's prices					
13	Availability of historical data					
14	Location of clients					
15	Location of the business					
16	Taxation					
17	Professional regulations and legislation					
18	Pricing to satisfy clients needs					



2.8. Please indicate whether or not your pricing decisions have significant influence on  
perceived service quality

☐ Yes      ☐ No

**THANK YOU FOR YOUR PARTICIPATION.**

