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The Influence of Pricing Strategy on Consumer Purchase Decision in Telecommunication Companies in Tanzania: A Case of Vodacom Tanzania Plc.

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ABSTRACT:-

This study assessed the influence of pricing strategy on consumer purchase decisions in the telecommunication companies in Tanzania, conducted at Vodacom Tanzania PLC. A positivist research philosophy and a quantitative research approach was employed. A descriptive research design was applied. Simple random sampling technique was applied to ensure inclusivity and representativeness across all respondent categories within Vodacom Tanzania PLC. A questionnaire survey was used to obtain the primary data collection with the use of questionnaire tool designed with 5-point Likert scale questions. The findings revealed a significant and positive relationship between pricing strategy and consumer purchase decisions in Vodacom Tanzania PLC this means it is gaining a competitive edge in the telecommunication industry. The study concludes that pricing strategy plays a crucial role in shaping consumer purchase decisions in the telecommunication sector, as evidenced by the significant relationship found in the case of Vodacom Tanzania PLC. It is recommended that Vodacom Tanzania PLC should refine and optimize its pricing strategies to cater to varying consumer preferences and enhance its market position.

Keywords: Pricing Strategy, Consumer Purchase Decision, Telecommunication Industry, Vodacom Tanzania PLC.

1. INTRODUCTION

A pricing strategy profoundly influences consumer purchase decisions in telecommunication companies by shaping perceptions of value, affordability, and competitiveness (Hossain et al., 2024). By carefully structuring prices, companies can enhance the perceived value of their services, such as through bundling multiple offerings at discounted rates, making them more attractive to consumers (Hossain et al., 2024). Competitive pricing strategies, such as penetration or skimming pricing, help companies position themselves in the market, either as affordable options or premium providers. Psychological pricing techniques, such as setting prices just below round numbers, can also make prices appear more attractive (Hossain et al., 2024). Additionally, segmented pricing allows companies to cater to different consumer groups with tailored offers, addressing specific needs and budgets. Overall, the pricing strategy not only affects immediate sales but also impacts brand image and customer perceptions, making it a critical element in influencing consumer choices and optimizing market position.

In Tanzania, the telecommunications sector has experienced significant growth and transformation, driven by rapid advancements in technology and increasing competition among service providers. Vodacom Tanzania Plc, a leading player in the market, has been at the forefront of this evolution, offering a range of telecommunication services including mobile voice, data, and financial services. The company's success and market positioning are heavily influenced by its pricing strategies, which play a crucial role in shaping consumer purchase decisions. Pricing strategy is a critical component in the telecommunication industry, where consumers are faced with numerous options and price points (Mohmed et al, 2024). For Vodacom Tanzania Plc, effective pricing strategies are essential to attract and retain customers, especially in a market characterized by price sensitivity and diverse consumer preferences. The company's approach to pricing, whether through competitive rates, promotional offers, or value-added bundles, directly impacts consumer behavior and market share.

Understanding the influence of Vodacom's pricing strategies on consumer purchase decisions involves examining how different pricing models such as penetration pricing, psychological pricing, and segmented pricing affect customer perceptions and choices. Consumers in Tanzania are influenced by factors such as perceived value, affordability, and the perceived fairness of pricing, which can drive their decisions to choose Vodacom over other competitors (Thompson and Wilson, 2024).

This study aims to explore how Vodacom Tanzania Plc's pricing strategies impact consumer purchase decisions, providing insights into the effectiveness of these strategies in shaping consumer behavior and enhancing the company's market position. By analyzing consumer responses to various pricing

approaches, the research seeks to offer valuable recommendations for optimizing pricing strategies to better meet consumer needs and preferences in the Tanzanian telecommunications market.

2. LITERATURE REVIEW

A study on an assessment of pricing strategies and consumer behavior in the telecommunication sector, a case of Safaricom Kenya, the study aimed to assess the pricing strategies and consumer behavior in the telecommunication sector with a focus on Safaricom Kenya the research adopted a descriptive research design targeting 90 employees of Safaricom Plc The study used stratified random sampling techniques. The study found that Safaricom utilizes psychological strategy in its pricing and this has an impact on the consumer's price perception further the study found that in the Telecommunication sector, consumers are concerned with price discounts and consumers create a positive perception when they are more involved in the pricing process and such greater levels of loyalty increase consumer loyalty (Otiende, 2018)

A study on the Marketing Strategy: Pricing strategies and its influence on consumer purchasing decision this study conducted in Iraq aimed to explore how pricing strategies impact consumer behavior using a quantitative approach with a questionnaire adapted from academic sources. A sample of 162 participants was obtained through random sampling. The preliminary study discovered that young people visit pricing strategy websites on a daily basis and spend several hours on them, exposing themselves to greater marketing influence and persuasion, the findings further indicate that Penetration Pricing, Price Skimming, marketing sharing sites, blogs, and Competitive Pricing all significantly positively influence consumer behavior (Ali and Anwar, 2021)

A Study on The impact of multiple pricing strategies on consumer purchasing behaviour: the case of Airtel and Tigo Tanzania, This study evaluated the impact of multiple pricing strategies to consumers purchasing behavior (Marecha, 2013). The study found that multiple pricing can play a significant role in influencing the consumers purchasing behaviour especially in the initial stage of implementation or if a company is trying to penetrate the market. However, it is not a sustainable strategy that a company might rely for long-term results (Marecha, 2013).

3. RESEARCH METHODOLOGY

3.1 Area of the Study,

The study area for this research is specifically focused on Vodacom Tanzania Plc, one of the prominent telecommunication companies operating within Tanzania. Vodacom Tanzania Plc was selected because it is one of the leading telecommunication companies in Tanzania, with a significant market share and a strong brand presence. This made it an ideal subject for analyzing how pricing strategies impacts consumer behavior in a highly competitive industry.

3.2 Research Design

The research design adopted for this study is descriptive design, aimed at providing a detailed and comprehensive overview of consumer purchase decisions in Tanzanian telecommunication companies. This design was chosen because it allows for a thorough examination of the influence of pricing strategies on consumer behavior by capturing a broad spectrum of data. Additionally, this design facilitates the collection of quantitative data that can be analyzed to provide insights, to inform strategies for improving brand positioning and marketing efforts within the telecommunication sector (Mahat et al., 2024).

3.3 Research Approach

The study used a quantitative approach. This approach was chosen for its ability to provide precise and statistically significant results, which facilitated the generalization of findings across larger populations. By leveraging statistical tools and techniques, the quantitative approach enabled a systematic and objective examination of data, thus enhancing the reliability and validity of the research outcomes. This methodological choice aligned with the study's aim to deliver measurable and actionable insights that could inform decision-making and contribute to the existing body of knowledge in the field (Dubey et al., 2022).

3.4 Targeted Population,

The targeted population refers to the specific group of individuals or entities that the research aims to study or collect data from (Kothari, 2019). For this study, the targeted population comprises Vodacom Tanzania subscribers in the Dar es Salaam region, totaling 14,848,400 individuals (TCRA, 2024). These subscribers reflect diverse demographics and are distributed across various geographic locations within Dar es Salaam. By targeting this population, the research seeks to capture a comprehensive understanding of consumer purchase decisions within the context of Vodacom Tanzania Plc,

3.5 Sample Size and Sampling Techniques

3.5.1 Sample size

In this study, the sample size consisted of 120 Vodacom users selected from the entire population of Vodacom subscribers. This sample was chosen to provide a representative snapshot of the broader user base, allowing for an in-depth analysis of how Vodacom's pricing strategies influence consumer purchase decisions. By focusing on this sample, the research aims to gather insights into The Influence of Pricing Strategy on Consumer Purchase Decision in Telecommunication Companies in Tanzania: A Case of Vodacom Tanzania Plc (Johnson, 2022).

3.5.2 Sampling strategies

This study used simple random sampling to select participants, ensuring equal representation from the target population. Due to the large size and dispersed nature of the population, as well as confidentiality obligations, obtaining a complete list of all subscribers within Dar es salaam was not feasible. Due to the absence of a complete list of Vodacom Tanzania Dar es Salaam subscribers, the population was divided into easily accessible clusters, including Vodacom retail stores, public spaces, and areas with high foot traffic where Vodacom users are likely to be found. These clusters were randomly selected, and participants within the chosen locations were then selected using systematic random sampling i.e. every 5th person.

3.6 Data Collection Methods

In this study a questionnaire was used as a tool for data collection. In this study, primary data were collected through questionnaires featuring 5-point Likert scale questions administered to selected participants. The questionnaire was designed to gather relevant information on consumer perceptions, preferences, and purchase decisions regarding telecommunication services, with a specific focus on Vodacom Tanzania Plc. It included closed-ended questions to obtain quantitative data, facilitating statistical analysis of the influence of corporate branding on consumer purchase decisions (Muguro et al., 2024).

3.7 Data Analysis Methods

In this study descriptive analysis was employed to summarize and interpret the data collected. This technique involved calculating basic statistical measures such as means, and standard deviation to provide an overview of the distribution and central tendencies of the data. The study used a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) to assess the influence of pricing strategies on consumer purchase decisions in telecommunication companies, specifically focusing on Vodacom Tanzania Plc. The majority of responses fell within the "Agree" range (3.41 to 4.20), indicating a generally positive perception of Vodacom's pricing strategies and its impact on consumer purchasing decisions. These findings highlight the significance of pricing strategies in influencing customer preferences and purchasing behavior within the competitive telecommunication market in Tanzania (Hamed , 2020).

3.8 Ethical Considerations

During the process of conducting research several ethical considerations was addressed to ensure the integrity of the study and the protection of participants: Informed Consent: Participants were fully informed about the purpose of the study, how their data will be used, and their right to withdraw at any time without penalty. Informed consent should be. Confidentiality: Ensuring the confidentiality of participants' personal information is crucial. All data collected was anonymized to protect the privacy of individuals. Access to sensitive data was restricted to authorized personnel only. Voluntary Participation: Participation in the study was entirely voluntary. Researchers must avoid any form of coercion or undue influence to ensure that participants are freely choosing to contribute (Iphofen, 2020).

4. FINDINGS

4.1 The influence of pricing strategy on consumer purchase decision in telecommunication companies in Tanzania

The data presented in Table 1 provides an analysis of how different pricing strategies influence consumer purchase decisions in the telecommunications sector in Tanzania. This table evaluates various pricing strategies including penetration pricing, price skimming, competitive pricing, discount and promotional pricing.

Table 1: The influence of Pricing Strategy on consumer purchase decision in telecommunication companies

	Statements	Mean	SD
1	Lower introductory prices (penetration pricing) attract consumers.	3.52	0.932
2	High initial prices with perceived high value (price skimming) appeal to consumers.	3.44	1.196
3	Competitive pricing among telecom companies affects purchase decisions.	2.86	1.009

4	Discount and promotional pricing play a significant role in purchase decisions.	3.00	0.734
5	Competitive pricing is an important factor in choosing telecom services.	3.13	1.418
6	Frequent discounts and promotions encourage purchases of telecom services.	3.41	1.160
	Overall	3.227	1.0748

Source: Field data (2024)

Lower Introductory Prices (Penetration Pricing): The impact of lower introductory prices, also known as penetration pricing, shows a mean score of 3.52 with a standard deviation of .932, it is clear that lower initial prices are effective in drawing consumer interest. This indicates that introductory offers can successfully stimulate consumer interest and potentially increase market share by making telecom services more accessible to new customers.

High Initial Prices with Perceived High Value (Price Skimming): The strategy of setting high initial prices with the perception of high value, or price skimming, has a mean score of 3.44 and a standard deviation of 1.196, the variability in responses suggests that this strategy might not be universally effective. The presence of high-value pricing can attract certain segments of consumers who perceive a higher value, but it may not be as influential for those who are more price-sensitive.

Competitive Pricing: Competitive pricing appears to have a less consistent influence, with a mean score of 2.86 and a standard deviation of 1.009. This suggests that while competitive pricing is a factor in decision-making, it may not be as decisive as other pricing strategies, possibly due to varying perceptions of value or brand loyalty.

Discount and Promotional Pricing: Discount and promotional pricing, which has a mean score of 3.00 and a standard deviation of .734, play a moderate role in purchase decisions, it is evident that promotions can drive consumer behavior, though the impact is not overwhelming. This indicates that while promotions are appreciated, their effect on purchase decisions may vary depending on the specifics of the offer.

Competitive Pricing as a Factor in Choosing Telecom Services: Competitive pricing as a significant factor in choosing telecom services has a mean score of 3.13 and a standard deviation of 1.418, its role in decision-making is somewhat mixed. This variability indicates that while some consumers prioritize competitive pricing, others may place more emphasis on other factors such as service quality or brand reputation.

Frequent Discounts and Promotions: Frequent discounts and promotions, which have a mean score of 3.41 and a standard deviation of 1.160, show that these pricing tactics can encourage purchases. It is clear that ongoing promotional offers are effective in stimulating consumer interest and driving purchases.

Overall Analysis: The average mean score of 3.227 and a standard deviation of 1.0748 reflect a moderate influence of various pricing strategies on consumer purchase decisions. Lower introductory prices and frequent promotions show a stronger impact on consumer behavior, whereas high initial prices and competitive pricing have more variable effects. For telecommunications companies, focusing on introductory offers and ongoing promotions could be particularly effective in attracting and retaining customers, while the role of competitive pricing may need to be complemented with other value propositions to enhance its effectiveness.

4.2 Discussions

4.2.1 The influence of pricing strategy on consumer purchase decision in telecommunication companies in Tanzania

The findings from the study underscore the significant influence of various pricing strategies on consumer purchase decisions in the telecommunications sector in Tanzania. Penetration pricing, characterized by lower introductory prices, emerged as a particularly effective strategy, with a majority of respondents agreeing that it attracts consumers. This suggests that consumers are sensitive to price, especially when they perceive an opportunity to access telecom services at a lower cost. The appeal of penetration pricing indicates that telecom companies can effectively capture market share by initially offering lower prices to entice consumers, who may then remain loyal as prices gradually increase.

Price skimming, where high initial prices are set to convey perceived high value, also influences consumer purchase decisions, although to a slightly lesser extent. The data indicates that while some consumers are attracted to the notion of high value at a premium price, others may be more cautious, leading to a more varied response, this result is similarly to the result of the study by (Ali and Anwar, 2021). This variation suggests that while price skimming can be successful, its effectiveness may depend on the consumer's perception of the value associated with the telecom services. For telecom companies, this indicates the importance of clearly communicating the added value or unique features that justify the higher prices to appeal to this segment of the market.

Competitive pricing and discount-based strategies show a mixed impact on consumer decisions. While competitive pricing is recognized as an important factor, the responses indicate that its influence varies significantly among consumers. Similarly, discounts and promotions appear to have a moderate effect on encouraging purchases, but the data reveals that these strategies may not be uniformly effective across the board. This suggests that while pricing is a critical component of consumer decision-making, telecom companies need to carefully tailor their pricing strategies to their target audience, balancing between competitive rates, perceived value, and promotional incentives to maximize their appeal in the market.

5. Conclusions

In conclusion, this study highlights the significant impact of pricing strategies on consumer purchase decisions within Tanzania's telecommunications sector, with a particular focus on the effectiveness of penetration pricing. The findings indicate that consumers exhibit high price sensitivity, making lower introductory prices a powerful tool for attracting and retaining customers. While price skimming appeals to those who equate higher prices with greater value, its success depends on effectively communicating the benefits that justify the premium. Mixed responses to competitive and discount-based pricing further underscore the need for a tailored approach, as a uniform strategy may not resonate with all consumer segments. Telecom companies should adopt a balanced pricing strategy that integrates competitive rates with clear value propositions and targeted promotions to enhance market share. However, the study faces limitations such as a small sample size and focus on a single telecom provider, which may not fully capture the diversity of the market. Additionally, constraints related to time and resources may have impacted the depth of the analysis. Future research with a larger, more diverse sample across multiple companies and extended research timeframes would provide a more comprehensive understanding of pricing dynamics in Tanzania's telecom sector. The study contributes valuable insights for telecom companies on optimizing pricing strategies to better meet consumer needs and improve market performance.

6. Recommendations

Based on the findings of this study, telecommunications companies in Tanzania are advised to adopt a multi-faceted pricing strategy that includes both penetration and price skimming approaches. Penetration pricing should be used to attract new customers by offering lower introductory rates, while price skimming can target consumers willing to pay a premium for perceived higher value. This dual approach will cater to a broader range of consumer preferences, enhancing market penetration and revenue generation. Additionally, companies should tailor their pricing strategies to specific consumer segments, considering factors such as age, educational background, and length of service usage. By developing targeted promotions and offers, telecom companies can address the mixed responses to competitive and discount-based pricing strategies and better meet the needs of diverse consumer groups.

To remain competitive and responsive to market changes, telecom companies should invest in regular market research to gain insights into evolving consumer behaviors and preferences. This will enable timely adjustments to pricing strategies based on up-to-date data. Companies should also explore alternative pricing models, such as tiered or usage-based pricing, to offer greater flexibility and address varying levels of consumer demand. Implementing these recommendations will help telecommunications companies enhance their pricing strategies, improve their competitive positioning, and advance pricing practices in the Tanzanian market. Addressing these areas will resolve current challenges and support the overall growth and success of the industry.

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