

PRICING STRATEGIES AND CUSTOMER LOYALTY IN FMCG COMPANIES IN ASABA, DELTA STATE

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ABSTRACT

This study investigated pricing strategies and customer loyalty in fast-moving consumer goods companies in Asaba, Delta State. The specific objectives were to ascertain the link between penetration pricing, skimming pricing, competitive pricing, and customer loyalty. We sampled two hundred ten (210) teaching and non-teaching staff of the Federal College of Education who are customers of FMCG (Fast Moving Consumer Goods) in Asaba for the study, using the Krejice and Morgan (1970) table to determine the sample size. A structured questionnaire was used to collect data from the sampled staff. The data was analysed and the hypotheses were tested using the Pearson Product Moment Correlation (PPMC). The findings revealed a significant link between penetration pricing, skimming pricing, competitive pricing, and customer loyalty. The researchers thus conclude that there is a substantial association between pricing strategies and customer loyalty. The study therefore recommended that FMCG companies that seek to improve customer loyalty should consider adopting pricing strategies that align with consumer preferences, purchasing power, and market dynamics. FMCG companies should carry out proper marketing segmentation before deciding on either penetration pricing, skimming pricing, or competitive pricing strategies, considering the present economic instability, inflation, and high competition that could exacerbate the difficulty in attracting new and keeping existing customers while maintaining profitability.

Keywords: Pricing Strategies, Penetration Pricing, Skimming Pricing, Competitive Pricing and Customer Loyalty

INTRODUCTION

Conventionally, business organizations strive to satisfy the value requirements of customers to gain an edge in the competition for a share of their minds and wallet (Idenedo & Ebeonuwa, 2020; Didia & Idenedo, 2017). Price is one of the strategies used in marketing to win loyalty and retain customers to specific products. In the marketing mix, the term "price" refers to the cost to the customer. This requires the firm to analyze the product's value for the target customer. Price is one of the most flexible elements of the marketing mix, which interferes directly and in the short term over the profitability and cost-effectiveness of a firm (Deonir De et al., 2017) and the key variable in financial modelling, which determines the revenues achieved, the profits earned, and the amounts reinvested in the firm's growth for its long-term survival (Tanya & Derek, 2017). Pricing strategies are a cornerstone of business success, influencing both consumer behaviour and organizational performance (Phillips, 2021). As markets evolve, businesses must adapt their pricing strategies to align with changing consumer expectations, competitive pressures, and technological advancements.

Fast-Moving Consumer Goods (FMCGs) are essential products that play a crucial role in the daily lives of consumers. In Asaba, Delta State, the FMCG market is highly competitive, with numerous brands and products vying for consumer attention and loyalty. Pricing strategies are one of the most critical determinants of customer patronage in this sector. Effective pricing not only influences customer purchasing decisions but also determines market share, profitability, and long-term sustainability of businesses. However, many FMCG companies in Asaba face challenges in adopting pricing strategies that align with consumer preferences, purchasing power, and market dynamics.

Factors such as economic instability, inflation, and high competition exacerbate the difficulty in setting prices that attract customers while maintaining profitability. Additionally, there is limited research on how different pricing strategies such as premium pricing, value pricing, penetration pricing, cost plus pricing, competitive pricing, price skimming, going rate pricing, geographical pricing, segmented pricing, product mix pricing, psychological pricing and discriminatory pricing (Hinterhuber, 2008; Nagle & Müller, 2017; Grewal & Levy, 2018; Kotler & Armstrong, 2019; Phillips, 2021) affect customer loyalty of FMCG in the unique socio-economic context of Asaba.

This lack of clarity has resulted in inconsistent application of pricing strategies, which may lead to reduced customer loyalty, lower sales volumes, and overall underperformance of FMCG companies. There is a need to understand the relationship between pricing strategies and customer loyalty to help businesses design competitive and sustainable pricing models. This study seeks to investigate the impact of various pricing strategies on customer loyalty of FMCGs in Asaba, Delta State. By addressing these issues, the study aims to provide actionable insights for improving pricing decisions and enhancing customer loyalty in the FMCG sector.

LITERATURE REVIEW

Theoretical Foundation

This study adopted Game Theory by Neumann and Morgenstern (1944, 1947, and 1953) and Behavioural Pricing Theory by Thorsten (1898) as baseline theories.

The **Game Theory** was introduced by Isaac and Smith (1985) to study predation possibilities through game-theoretic experiments involving decision-making under competitive contexts. This game was set up so that the potential entrant would choose whether to enter, and the monopolist would choose whether to fight or accommodate. Prospective entrants were permitted to observe the monopolist's decisions. The entrants were better off if they remained out of the market unless the monopolist chose to accommodate. **Behavioural Pricing Theory** explores how psychological and behavioural factors influence how consumers perceive, interpret, and react to prices. Unlike traditional economic theories that assume consumers act rationally to maximize utility, behavioural pricing incorporates insights from psychology, sociology, and behavioural economics to explain why consumers often deviate from purely rational behaviour in their pricing decisions.

The theory is based on the assumption that;

- Consumers have a mental benchmark or "reference price" based on past experiences, market norms, or competitors' prices. Prices above this reference point may seem expensive, while those below it feel like a bargain.
- Many consumers associate higher prices with higher quality, especially in categories where they lack detailed knowledge. Conversely, very low prices might trigger scepticism about quality.
- The way a price is presented or framed affects consumer perception.
- Consumers are more sensitive to losses than gains, a principle from prospect theory. This means a price increase feels more painful than the equivalent amount of savings feels rewarding.
- Consumers mentally categorize money into different "accounts". This influences their willingness to spend on specific categories regardless of overall financial status.
- Not all consumers respond to prices the same way.
- Perceptions of fairness in pricing—how justifiable or reasonable a price seems—affect consumer acceptance. Dynamic pricing or surge pricing can trigger negative reactions if perceived as unfair.

Based on these theories, this study adopted penetration pricing, competitive pricing and scheming pricing as dimensions of pricing strategies considering fast-moving consumer goods where the study was carried out.

Conceptual Review

Concept of Pricing Strategies

Pricing strategies are pivotal in determining the success and competitiveness of businesses in various markets and are a key variable in financial modelling, which determines the revenues achieved, the profits earned, and the amounts reinvested in the firm's growth for its long-term survival (Tanya & Derek, 2017). Kotler and Keller (2016) describe pricing strategy as a structured approach businesses use to set prices for their products or services. It is integral to marketing because price directly influences consumer demand, company revenue, and profitability. Effective pricing strategies according to Kotler and Keller (2016) help businesses balance their financial goals with market expectations and competitive pressures. This assertion is incoherent with Nagle and Müller (2017) claims that, while effective pricing strategies enhance profitability, market share, and brand positioning, poor pricing decisions can lead to lost sales, reduced margins, and damaged reputation. As such, a balance between profitability and customer satisfaction is essential for long-term success. In setting pricing strategies, organizations must consider some pertinent internal and external factors such as: the cost structures, according to Nagle and Müller (2017), the cost of production and operations directly affects pricing decisions; the market demand, as given by Kotler and Keller (2016), understanding consumer willingness to pay is crucial for setting effective prices; competition, the presence and strategies of competitors according to Grewal and Levy (2018), should shape pricing decisions; economic environment such as inflation, exchange rates, and overall economic conditions (Hinterhuber, 2008) impact pricing strategies therefore, it should be considered; conclusively, organizations also have to consider regulations. According to Phillips (2021), laws governing price fixing, discounts, and price gouging can constrain pricing decisions.

Dimensions of Pricing Strategies

There are different pricing strategies by different scholars for different market conditions and business objectives. For instance, cost-plus pricing (Nagle & Müller, 2017), penetration pricing and value-based pricing (Grewal & Levy, 2018), skimming pricing (Kotler & Armstrong, 2019), competitive pricing (Hinterhuber, 2008), and dynamic pricing (Phillips, 2021). However, the current study adopted penetration pricing, skimming pricing and competitive pricing strategies considering FMCG companies where the study is domiciled.

Penetration Pricing

Penetration pricing strategy is one of the most effective marketing strategies available to a business organization. This strategy involves setting a low entry price for a new product or brand to gain a breakthrough in a highly competitive market. The strategy can also be used when introducing a completely novel product in the market or when tapping a new market segment for an existing product (Vikas, 2011; Antony & Margaret 2013). Once the market is established, prices are gradually raised. This approach is common for new market entrants (Grewal & Levy, 2018). Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume. In the short term, penetration pricing is likely to result in lower profits than would be the case if the price were set higher. However, there are some significant benefits to the long-term profitability of having a higher market share, so the pricing strategy can often be justified (Antony & Margaret 2013). Penetration pricing is often used to support the launch of a new product. It works best when a product enters a market with relatively little product differentiation and where demand is price elastic so a lower price than rival products is a competitive weapon (Jim, 2012; Antony & Margaret, 2013).

Competitive Pricing

Competition or competitive pricing uses as key information the competitors' price levels and behaviour expectations observed in real competitors and/or potential primary sources to determine

adequate pricing levels to be practised by the firm (Deonir De et al., 2017). Prices are set based on competitors' pricing rather than costs or demand. This approach is effective in highly competitive markets (Nagle & Müller, 2017). The main advantage of this approach is considering the actual pricing situation of the competitors, and its main disadvantage is that the demand-related aspects are not considered. Furthermore, a strong competitive focus among the competitors can increase the risk of starting a price war among competitors in the market (Deonir De et al, 2017).

Price skimming

It is a pricing policy whereby a firm charges a higher introductory price, often coupled with high promotion (Lamb et al., 2004). It refers to setting the highest initial price that customers desiring the product are willing to pay (Kerin et al., 2004). The customers involved here are not price sensitive instead the quality and ability of the product to satisfy their needs appeal to them. It involves setting high prices for new products to skim maximum revenue layer by layer from the segments that are willing to pay the price allowing for the firm to make fewer but more profitable sales (Dudu & Agwu, 2014; Kotler & Armstrong, 2019).

Concept Customer Loyalty

Gaining and sustaining customer loyalty has become a fundamental area of focus for any organisation, as it has been rated by scholars (Idenedo & Asiagwu, 2024; Idenedo et al., 2023; Idenedo & Wali, 2022; Idenedo & Eбенуwa, 2022; Idenedo & Goodie-Okio, 2022; Maduka et al., 2020; Khan, 2013) as the most valuable outcome of marketing efforts. Effective pricing strategies are a cornerstone of customer loyalty. They must be thoughtfully designed to resonate with customer expectations, reinforce perceived value, and maintain trust. When combined with quality products and excellent customer service, pricing strategies can transform transactional customers into long-term brand advocates (Khan, 2013). Customers are very sensitive to price, define quality with price in most cases and usually perceive the trade-off between price and quality, which, according to Zeithaml (1988), dictates their patronage and loyalty decisions. Consumers compare their subjective perceptions after purchasing with their expectations before making the purchase, so winning a customer's loyalty is not a random act; rather, it is the result of meeting their expectations, according to studies (Idenedo & Goodie-Okio, 2022; Khan, 2013). As asserted by Kotler and Keller (2009), if satisfaction surpasses expectations (consumer enthusiasm), this comparison results in a satisfaction scenario. Daffy (2009) as in Idenedo and Asiagwu (2024) described loyalty as a commitment—both physical and emotional—made by customers in return for satisfying their needs. The emotion referred to in Daffy's (2009) definition of loyalty was defined by Budică and Barbu (2010) as the favourable or unfavourable emotions evoked by a thing or concept. Consumer loyalty refers to a consumer's inclination to favour a particular brand and its products above those of its rivals for psychological, financial, or social reasons, as well as because they like utilizing the brand's offerings (Idenedo & Goodie-Okio, 2022; Dida & Idenedo, 2017). Loyal customers shop more regularly and consistently, resulting in higher volume or higher value purchases (Sima & Elham, 2015; Maduka et al., 2020).

Empirical Review

Pricing Strategies and Customer Loyalty

Kwode (2024) examined pricing strategies and brand loyalty of Air-peace-Nigeria. The study aims to examine the extent to which pricing strategies can be used as a vehicle for sales growth and profitability which ultimately leads to brand loyalty. The study revealed that pricing strategies as a way of eliciting brand loyalty are inseparable from the continued survival (sales) and growth of an organization, particularly in the airline industry.

Samuel and Anthony (2023) examined the effect of pricing strategies on customer patronage among customers of fast-moving consumer goods during the COVID-19 pandemic in Lagos and Ogun

States, Nigeria. The findings of the study revealed that pricing strategies (price penetration, price skimming, and price discrimination) had a combined significant effect on customer patronage among customers of fast-moving consumer goods during the COVID-19 pandemic in Lagos State. In addition, price penetration, price skimming, and price discrimination had combined significant effects on customer patronage among customers of fast-moving consumer goods amid the COVID-19 pandemic in Ogun State, Nigeria.

Jewel et al. (2018) examined the influence of price on Customer Loyalty in the Retail Industry, using Shoprite Accra Mall as a case study. The findings indicate that price is the most essential element that attracts customers to Shoprite. Also, customers confirmed that they always buy from Shoprite as a result of lower prices and continue to make repeat purchases for this same reason.

Maige and Lusekelo (2014) examined the impact of pricing strategies on travellers' patronage of airlines in Malaysia. The study was conducted to unravel how the pricing strategies of airlines impact travellers' patronage in Malaysia. The findings of this study revealed that prestige, bundles, discrimination and discounts had a significant impact on travellers' patronage of airlines in Malaysia.

Nehemiah (2011) investigated pricing strategy and customer patronage of air travel services in India. It specifically centred on how discriminatory, bundle, discount and prestige pricing strategies affected customer patronage of air travel services in India. The results indicate that discriminatory, bundle, discount and prestige pricing strategies had significant impacts on customer patronage of air travel services in India.

Penetration Pricing and Customer Loyalty

Sardar and Raza (2022) examined penetration pricing's role in customer retention within the hospitality sector. Penetration pricing was found to be effective in achieving rapid adoption in the early market stages but required strong after-sales support to retain customers once prices increased. It concludes that penetration pricing can effectively attract customers and build loyalty in competitive markets.

Spann et al. (2015) analyzed whether firms use skimming or penetration pricing strategies for new products. The research finds that many firms adjust pricing dynamically rather than adhering strictly to one strategy. Also, penetration pricing was found to be more effective in industries with: high price elasticity of demand, significant economies of scale and high customer switching costs.

Based on these reviews, the current study hypothesized that;

Ho₁: There is no significant link between penetration pricing and customer loyalty to FMCG in Asaba Delta State.

Skimming Pricing and Customer Loyalty

Nagle and Müller (2017) evaluated skimming strategies in premium consumer electronics with a longitudinal analysis of smartphone and gaming console launches. Skimming pricing was found to maximize profits in markets where early adopters had low price sensitivity. However, brand reputation and product innovation were critical to sustaining sales.

Jensen and Weber (2006) tested the effectiveness of skimming in the pharmaceutical industry with regression analysis of pricing and adoption rates. The test revealed that high initial prices in drug markets deterred low-income consumers but led to early profitability. Lowering prices later expanded market reach.

Built on these reviews, the current study hypothesized that;

Ho₂: There is no significant link between skimming pricing and customer loyalty to FMCG in Asaba Delta State.

Competitive Pricing and Customer Loyalty

Yang et al. (2018) assessed the impact of competitive pricing in online marketplaces in a study of pricing algorithms on Amazon and eBay. Competitive pricing drove immediate sales but eroded brand equity when overused. Consumers began perceiving products as commodities.

Chen et al. (2001) explored the role of competitive pricing in retail markets through observational data from grocery store chains. It was found that competitive pricing increased foot traffic but reduced overall profitability. Retailers combined competitive pricing with loyalty programs to mitigate losses.

Built on these reviews, the current study hypothesized that;

H₀₃: There is no significant association between competitive pricing and customer loyalty to FMCG in Asaba Delta State.

THE STUDY

This study adopted a cross-sectional survey research design. The target population of this study consists of four hundred fifty-two (452) teaching and non-teaching staff of the Federal College of Education that are customers of FMCG (Fast Moving Consumer Goods) in Asaba. Two hundred and ten (210) teaching and non-teaching staff of the Federal College of Education that are customers of FMCG (Fast Moving Consumer Goods) in Asaba were sampled for the study using the Krejcie and Morgan (1970) table to determine sample size. A structured questionnaire was used to collect data from the sampled staff. The data was analyzed and the hypotheses were tested using the Pearson Product Moment Correlation (PPMC).

RESULTS

Table 1: Questionnaire Analysis

Numbers	Questionnaire	Per cent
No. Sent out	210	100.0
No. Returned	197	93.80
No. Not Returned	13	06.20

Source: Field Survey Data 2024

Table 1 shows that a total of 210 copies of the questionnaire were distributed, out of which 197 representing (93.80%) were retrieved while 13 representing (06.20%) were not retrieved. However, 197 representing (93.80%) of the retrieved questionnaires were useful. The 13(06.20%) of the not retrieved questionnaires were not correctly filled and were consequently discarded.

Table 2: Result of Reliability Analysis

Variable	Cronbach's Alpha
Penetration pricing	0.844
Skimming Pricing	0.857
Competitive Pricing	0.911
Customer Loyalty	0.876

Source: (SPSS Output, 2025).

To rely on the result of statistical data analysis, which was based on the data collected by the structured questionnaire, reliability measures were first applied to measure the concepts investigated in the research study. The reliability analysis in Table 2 above indicates that the variables had Cronbach's alpha value of ≥ 0.8 but ≥ 0.8 is Cronbach acceptable level of reliability, thus, it can be accepted that the research instrument measured the variables of the study. The

result implies that if the questionnaire is re-administered the same results will be achieved given the same background. This is an indication of the reliability of the research instrument; consequently, the data drawn can be used in analysis, and findings to draw valid conclusions and useful decisions that will give practical and theoretical generalizations on the study variables. Having analyzed the reliability of all items of each study variable and the demography of the study, this section will determine the relationship that exists between the variables of this study. Dunn (2001, p.222) stated that beyond indicating the sign and strength of a correlation, it is also important to express the degree of the association between the correlating variables; x and y as the independent and dependent variables respectively. In determining the extent of the relationship, the categorization adopted by Dunn (2001) is used in this study.

Table 3: Range of Relationship and Descriptive Level of Association of Relationship

Range of r values	Degree of association of r
± 0.80 to 1.00	Very strong
± 0.60 to 0.79	Strong
± 0.197 to 0.59	Moderate
± 0.20 to 0.39	Weak
± 0.00 to 0.19	Very weak

Source: Adopted from Dunn (2001) degree of relationship categorization

The plus sign on the table connotes a positive relationship while the minus sign means negative relation. The r sign clarifies the direction of the relationship that exists between the variables.

Decision Rule

The null hypotheses should be rejected and conclude a significant relationship if the probability value (PV) < (0.05) Significance level. The null hypotheses should be accepted and conclude an insignificant relationship if the probability value (PV) > (0.05) Significance level.

Hypothesis 1

H₀₁: There is no significant link between penetration pricing and customer loyalty to FMCG in Asaba Delta State

Table 4: Correlation Analysis of Penetration Pricing and Customer Loyalty Correlations

		Penetration Pricing	Customer Loyalty
Penetration Pricing	Pearson Correlation	1	.797**
	Sig. (2-tailed)		.000
	N	197	197
Customer Loyalty	Pearson Correlation	.797**	1
	Sig. (2-tailed)	.000	
	N	197	197

** . Correlation is significant at the 0.01 level (2-tailed).

Source: (SPSS Output, 2025).

Table 4 shows that Pearson's correlation (r) = 0. 797**, the value indicates a strong association while the correlation coefficient indicates a positive association, these implies that a strong and positive association exists between the variables. That is to say that an increase in customer loyalty is associated with the penetration pricing strategy of FMCG in Asaba.

As shown above, the PV is (0.000), and this value is < (0.05) significance level, therefore the null hypothesis was rejected and the researchers concluded that a significant link between penetration pricing and customer loyalty.

Hypothesis 2

H₀₂: There is no significant link between skimming pricing and customer loyalty to FMCG in Asaba Delta State

Table 5: Correlation Analysis of Skimming Pricing and Customer Loyalty Correlations

		Skimming Pricing	Customer Loyalty
Skimming Pricing	Pearson Correlation	1	.708**
	Sig. (2-tailed)		.000
	N	197	197
Customer Loyalty	Pearson Correlation	.708**	1
	Sig. (2-tailed)	.000	
	N	197	197

** . Correlation is significant at the 0.01 level (2-tailed).

Source: (SPSS Output, 2025).

Table 5 shows that Pearson's correlation (r) = 0. 708**, the value indicates a strong association while the correlation coefficient indicates a positive association, these implies that a strong and positive association exists between the variables. That is to say that an increase in customer loyalty is associated with the skimming pricing strategy of FMCG in Asaba.

As shown above, the PV is (0.000), and this value is < (0.05) significance level, therefore the null hypothesis was rejected and the researchers concluded that a significant link between skimming pricing and customer loyalty.

Hypothesis 3

H₀₃: There is no significant link between competitive pricing and customer loyalty to FMCG in Asaba Delta State

Table 6: Correlation Analysis of Competitive Pricing and Customer Loyalty Correlations

		Competitive Pricing	Customer Loyalty
Competitive Pricing	Pearson Correlation	1	.716**
	Sig. (2-tailed)		.000
	N	197	197
Customer Loyalty	Pearson Correlation	.716**	1
	Sig. (2-tailed)	.000	
	N	197	197

** . Correlation is significant at the 0.01 level (2-tailed).

Source: (SPSS Output, 2025).

Table 6 shows that Pearson's correlation (r) = 0. 716**, the value indicates a strong association while the correlation coefficient indicates a positive association, these implies that a strong and positive association exists between the variables. That is to say that an increase in customer loyalty is associated with the competitive pricing strategy of FMCG in Asaba.

As shown above, the PV is (0.000), and this value is < (0.05) significance level, therefore the null hypothesis was rejected and the researchers concluded that a significant link between competitive pricing and customer loyalty.

Discussion of Findings

1. The tested hypotheses revealed a significant association between penetration pricing and customer loyalty. This is in harmony with extant studies on penetration pricing, for instance, Sardar and Raza (2022) examined penetration pricing's role in customer retention within the hospitality sector. Penetration pricing was found to be effective in achieving rapid adoption

in the early market stages but required strong after-sales support to retain customers once prices increased. It concludes that penetration pricing can effectively attract customers and build loyalty in competitive markets. Similarly, Spann et al. (2015) analyzed whether firms use skimming or penetration pricing strategies for new products. The research finds that many firms adjust pricing dynamically rather than adhering strictly to one strategy. Also, penetration pricing was found to be more effective in industries with: high price elasticity of demand, significant economies of scale and high customer switching costs.

2. As established in Table 5, there is a significant link between skimming pricing and customer loyalty. This finding is coherent with Nagle and Müller's (2017) and Jensen and Weber's (2006) findings. Nagle and Müller (2017) evaluated skimming strategies in premium consumer electronics with a longitudinal analysis of smartphone and gaming console launches. Skimming pricing was found to maximize profits in markets where early adopters had low price sensitivity. However, brand reputation and product innovation were critical to sustaining sales. Similarly, Jensen and Weber (2006) tested the effectiveness of skimming in the pharmaceutical industry with regression analysis of pricing and adoption rates. The test revealed that high initial prices in drug markets deterred low-income consumers but led to early profitability. Lowering prices later expanded market reach.
3. The tested hypothesis 3 showed a significant link between competitive pricing and customer loyalty. This finding is validated by previous studies on competitive pricing. For instance, Yang et al. (2018) assessed the impact of competitive pricing in online marketplaces in a study of pricing algorithms on Amazon and eBay. Competitive pricing drove immediate sales but eroded brand equity when overused. Consumers began perceiving products as commodities. Also, Chen et al. (2001) explored the role of competitive pricing in retail markets through observational data from grocery store chains. It was found that competitive pricing increased foot traffic but reduced overall profitability. Retailers combined competitive pricing with loyalty programs to mitigate losses.

CONCLUSION(S) AND RECOMMENDATION

Based on the findings, the study concludes that there is a significant association between pricing strategies (penetration pricing, skimming pricing and competitive pricing) and customer loyalty. As such, recommended that;

- FMCG companies that seek to improve customer loyalty, should consider adopting pricing strategies that align with consumer preferences, purchasing power, and market dynamics.
- FMCG companies should carry out proper marketing segmentation before deciding on either penetration pricing, skimming pricing or competitive pricing strategies considering the present economic instability, inflation, and high competition that could exacerbate the difficulty in attracting new and keeping existing customers while maintaining profitability.
- Pricing strategies should be thoughtfully designed to resonate with customer expectations, reinforce perceived value, and maintain trust.

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