Mark-Up Pricing in Moshi Urban District

By

S. N. Lema

[MBA (Marketing), University of Dar es Salaam]
(1988)

Abstract

The study was to find out the application of mark-up type of pricing and how beneficial it was for businesses in the Moshi Urban District. The mark-up pricing is the fixing of prices to commodities by adding a certain amount of profit to the cost price of the commodities. The profit is supposed to cover costs incurred by the business person and the expansion of the business volume. The higher the profit, the higher would be the net income per commodity.

It was observed that the individual business person could add a profit to the commodities in order to get the selling price, but was constrained by competition from other businesses. At that time, the Government had contro[1] over the prices. At the same time, however, the business needed a large net profit in order to expand. So, it was observed that there were those factors which were in the control of the businessman, and those factors which were outside the businessman's control.

So, if a business were to expand, it would need a large profit. In order to get higher profit margins, the businessman had to manipulate those factors which were in his control to increase the profit generated. In order to do this the businessman had to:

i) The higher the volume of commodities was bought at cost price' the higher the profit generated. This was so because when large volumes of commodities were bought, there were less overhead costs, along the way when the commodities were not yet out of stock, the government could increase the selling price of the commodities. This particularly applied to non-perishable commodities.
ii) The cost business premises. It the business premises were owned by the businessman; that was another reduction of the overhead costs.
iii) Number of employees. The fewer the number of employees, the less the overhead costs.
iv) Transport was another overhead cost which when reduced, the profit would increase.