EFFECT OFPRODUCT PRICING STRATEGIES ON PROFIT GENERATION AMONG PRIVATE HOSPITALS IN NAIROBI COUNTY.

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ABSTRACT

The main objective of this study is to examine the effect of pricing strategies employed on revenue generation among private hospitals in Nairobi. The specific objective was to determine the effect of pricing strategy on revenue generation. Pricing is often considered as the most critical and complex issue in revenue generation. When talking about the price of a product, it is important to notice that the price is the sum of all monetary and non-monetary aspects the customer has to spend in order to obtain the benefits provided by the product. Pricing is crucial to the success of finance department. An over-priced product may fail to attract customers, and an under-priced product may lower profitability and also not provide the return on investment required applied. Pricing must therefore be carefully balanced to achieve the optimum level of sales and revenue. Healthcare is unlike every other product and its unique nature needs to be considered when pricing, because of the human aspect.

Relevant literature was reviewed different pricing strategies and their effect on revenue generation. The literature has captured relevant information to the topics that have been researched before. The research was of quantitative (descriptive survey) and its location was Nairobi County. The population involved private hospitals with the accessible population of the level 5 and 6 private hospitals. The data was collected using a structured questionnaire which was administered to, finance professionals, program directors, medical consultants and department heads. The data was analyzed using descriptive statistics and regression analysis.

The findings of the study were that competition and organizational objectives play a key role on determining the prices of products in healthcare institution. KMDPB recommendations were considered but are not a strong influence when it comes to price strategy formulation. Differential pricing was considered to be the most effective strategy in increasing revenue and this profit generation.

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