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Pricing under Pressure: Cost Volatility, Customer Affordability and Value Perception in Micro and Small Food Businesses

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Abstract

This study examines how micro and small food businesses make pricing decisions under cost volatility, customer affordability pressure, and value perception constraints. Drawing on semi-structured interview evidence from 12 Malaysian micro and small food and beverage businesses, this study adopts an interpretive qualitative multiple-case design. The data were analysed using thematic analysis and cross-case comparison, with dynamic capabilities as an interpretive lens. The findings show that pricing is not a simple cost-plus calculation or the application of a single pricing method. Instead, micro and small food businesses practice adaptive hybrid pricing by combining cost awareness, competitor reference, affordability judgment, value protection, and operational adjustment. This study develops the concept of a pricing corridor, where cost functions as the pricing floor, customer affordability functions as the pricing ceiling, and value perception operates as the mechanism of price acceptance. Businesses respond to pricing pressure through gradual price adjustments, supplier searches, portion maintenance, student pricing, product-size adjustments, platform-specific pricing, promotions, menu revisions, and simple cost-tracking tools. This study contributes to the pricing strategy literature by explaining how hybrid pricing operates under the boundary conditions of owner-managed micro and small food businesses with limited pricing analytics, direct

customer interaction, volatile input costs, and constrained price pass-through capacity. It also contributes to the SME capability literature by showing how sensing, seizing, and reconfiguring are enacted through everyday pricing routines.

Keywords: Pricing Strategy, Adaptive Hybrid Pricing, Microbusiness, Small Food Business, Customer Affordability, Price Fairness, Dynamic Capabilities

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1.0 Introduction

Pricing is one of the most consequential strategic decisions for micro and small food businesses because it directly affects revenue, margins, customer acceptance, cash flow, and business continuity. Recent pricing scholarship emphasises that pricing is a central lever for profitability and value capture, but its effectiveness depends on pricing discipline, market learning, and the ability to align prices with customer value (Hinterhuber, 2024; Liozu & Hinterhuber, 2022). For larger firms, pricing decisions may be supported by formal analytics, market intelligence, and dedicated pricing roles. In contrast, micro and small food businesses commonly make pricing decisions under tighter financial buffers, limited administrative capacity, and immediate customer feedback. In such settings, price becomes not only a revenue figure but also a signal of affordability, fairness, quality, and value (Tan et al., 2025).

The importance of pricing has intensified in the post-pandemic period, as food-related businesses face persistent cost volatility. International food prices continue to move across commodity categories monitored by the FAO Food Price Index, while SMEs have faced inflationary pressure, higher input costs, supply chain disruptions, and tighter financing conditions (Food and Agriculture Organization of the United Nations, 2026; OECD, 2023). These pressures are especially difficult for micro and small food businesses because they often lack purchasing scale, long-term supplier contracts, financial reserves, and specialised cost-control systems. Simultaneously, customers are affected by inflationary pressure and may become more sensitive to food prices, affordability, and perceived value (Dsouza et al., 2025; Tan et al., 2025).

In Malaysia, micro, small, and medium enterprises remain central to the economic structure. The Department of Statistics Malaysia reported that MSMEs contributed 39.5% of Malaysia's GDP in 2024, while SME Corporation Malaysia reported that services represented the largest share of MSME establishments (Department of Statistics Malaysia, 2025; SME Corporation Malaysia, 2026). Within this ecosystem, small food businesses are often owner-managed, labour-light, cash-flow sensitive, and dependent on daily customer traffic. Therefore, their pricing decisions are immediate survival decisions involving cost recovery, customer retention, and margin

protection. They must respond to rising costs while preserving customer trust in markets where buyers are sensitive to small price changes and perceive unfairness (Tan et al., 2025).

Existing pricing literature commonly distinguishes between cost-based, competition-based, and value-based pricing. Cost-based pricing emphasises cost recovery and margin addition; competition-based pricing uses rival prices as reference points; and value-based pricing sets prices according to customers' perceived benefits and willingness to pay (Christen, 2024; Hinterhuber, 2024). Recent empirical evidence on SMEs shows that small firms often combine cost-plus, value-based, and competitor-based pricing strategies, while frequent pricing modifications in response to competition and market changes can support business growth and sustainability (Ndwandwe & Khoza, 2026). This suggests that the key issue is not whether these pricing logics are separate or complementary, but how resource-constrained micro and small food businesses reconcile conflicting pricing boundaries when cost recovery requires higher prices, while customer affordability and fairness perceptions limit price increases.

This tension is particularly important in the context of frequent food purchases. A price that is financially necessary for a business may be perceived as too expensive by customers, whereas a price that is affordable for customers may be insufficient to protect margins. Empirical food-service research shows that food price, quality, promotions, and service cues influence student satisfaction and food-delivery behaviour, while price fairness perceptions on online food platforms are shaped by multiple service and information cues rather than price alone (Dsouza et al., 2025; Tan et al., 2025). Therefore, pricing under pressure involves more than choosing among cost-based, competition-based, and value-based pricing. This requires owner-managers to balance cost recovery, affordability, and perceived value simultaneously.

This study addresses this theoretical tension by conceptualising pricing in micro and small food businesses as an adaptive and balancing process. This study does not claim novelty merely from observing that small firms blend cost, competition, and value considerations. Its contribution lies in specifying how this blending operates under particular boundary conditions: owner-managed micro and small food businesses with

limited pricing analytics, direct customer interaction, frequent-purchase products, visible price sensitivity, volatile input costs, and local competitive reference points. Under these conditions, pricing becomes a situated capability enacted through everyday routines such as cost checking, supplier search, gradual price adjustment, portion maintenance, student pricing, platform-specific pricing, promotions, menu changes, and price-change communication (Ndwandwe & Khoza, 2026; Tan et al., 2025).

Accordingly, this study examines how micro and small food businesses balance cost volatility, customer affordability, and value perception in their pricing decisions. This study was guided by the following four research questions: First, how do micro and small food businesses determine their prices under cost volatility? Second, how do they manage customer affordability and price sensitivity? Third, how do they protect their value perceptions when prices change? Fourth, what adaptive pricing practices emerge from their responses to costs, competition, and customer pressure? These questions move pricing analysis beyond static typologies toward a contextual understanding of how small food businesses make pricing decisions under uncertainty.

The theoretical foundation of this study is informed by the dynamic capabilities perspective, which is used as an interpretive lens rather than a claim that micro and small food businesses possess fully formalised strategic capabilities comparable to larger firms. Recent SME research shows that sensing, learning, integrating, and coordinating capabilities can influence competitiveness under market turbulence, supporting the relevance of adaptive capability processes in small-firm contexts (Al Dhaheri et al., 2024). In this study, the lens helps explain how owner-managers sense cost changes, competitor signals, and customer reactions; seize pricing responses through gradual price adjustment, bundling, promotion, or communication; and reconfigure operations through supplier changes, portion decisions, menu adjustments, or sales channel adaptation.

This study makes three main contributions to the literature. First, it contributes to the pricing strategy literature by clarifying how micro and small food businesses operationalise hybrid pricing under constraints. This study develops the idea of a pricing corridor in which cost functions as the lower boundary of viable pricing, affordability functions as the upper boundary of acceptable pricing, and value perception functions as

the mechanism through which prices are accepted or resisted. Second, it contributes to the SME capability literature by showing that informal pricing should not automatically be interpreted as unsophisticated pricing. Third, it develops a foundation for future empirical work by proposing that cost volatility stimulates adaptive pricing routines, affordability constrains price pass-through, and value perception mediates customer acceptance of price changes.

2.0 Background and Theoretical Foundation

This section develops the conceptual foundation of the study by positioning pricing in micro and small food businesses as a constrained, adaptive, and socially evaluated managerial practice. Rather than treating pricing approaches as discrete techniques, this review explains how pricing is shaped by cost recovery, affordability, price comparison, perceived fairness, and value perception. This section also cautiously uses the dynamic capabilities perspective as an interpretive lens for explaining pricing adaptation, while recognising that micro and small food businesses may not possess formalised strategic capabilities comparable to larger firms.

2.1 Pricing Strategy and Pricing Capability in Small Businesses

Pricing strategy refers to the managerial logic through which firms establish exchange value, recover costs, capture margins, and communicate market positioning. Recent pricing literature recognises pricing as a core managerial lever but also emphasises that pricing effectiveness depends on routines, market knowledge, value communication, and managerial discipline (Hinterhuber, 2024; Liozu & Hinterhuber, 2022). The pricing literature commonly distinguishes between cost-based, competition-based, and value-based pricing. Cost-based pricing begins with the firm's cost structure and adds a desired margin; competition-based pricing uses competitor prices as external reference points; and value-based pricing sets prices according to customer-perceived benefits and willingness to pay (Christen, 2024; Hinterhuber, 2024). These categories clarify the different pricing orientations. However, recent empirical evidence indicates that SMEs

may use cost-plus, value-based, and competitor-based pricing simultaneously, and that adaptive price modification is associated with growth and sustainability (Ndwandwe & Khoza, 2026).

This issue is particularly important for micro and small food businesses. They often lack pricing analytics and market data available to larger firms, but this does not necessarily mean that their pricing is irrational or strategically absent. Instead, pricing may be embedded in practical routines shaped by owner-manager experience, resource limitations, direct customer feedback and close market interaction (Hinterhuber, 2024; Ndwandwe & Khoza, 2026). Therefore, the key theoretical problem is how these businesses combine cost, competition, affordability and value signals under conditions of cost volatility and customer affordability pressure.

2.2 Cost Volatility and Cost-Recovery Pressure

Cost volatility refers to instability in input, operating, and transaction costs that affects the feasibility of existing prices. In food businesses, cost volatility is especially salient because firms depend on ingredients, cooking oil, flour, sugar, dairy products, packaging materials, labour, rent, utilities, transport, and delivery-platform commissions. International food prices remain exposed to movements in major commodity groups, and SMEs have also faced inflationary pressures, input cost increases, and financing constraints (Food and Agriculture Organisation of the United Nations, 2026; OECD, 2023).

From a cost-recovery perspective, the price must at least cover the direct and indirect costs associated with producing and selling the product. However, cost recovery becomes complicated when customers are price sensitive. If a business passes, cost increases directly to customers, it may protect margins but lose sales volume; if it absorbs cost increases, it may protect customers but weaken profitability; and if it reduces portion size, it may maintain the same price point but damage perceived value. Recent evidence on SME pricing shows that pricing strategies influence growth and sustainability, but price adjustments must remain aligned with market conditions and customer expectations (Ndwandwe & Khoza, 2026). Therefore, this study treats cost as the lower boundary of

viable pricing. Prices below this boundary threaten business continuity. However, cost alone cannot determine the final price because the final price must still be acceptable to customers.

2.3 Reference Prices, Affordability and Price Sensitivity

Customer affordability refers to the extent to which customers can continue purchasing at a given price without perceiving the product as financially burdensome. Price sensitivity refers to the degree to which customer purchase behaviour changes when prices increase. These concepts are important for micro and small food businesses because many serve students, residents, workers, and repeat customers. Empirical evidence from student food-delivery contexts shows that meal price, food quality, promotions and service cues influence satisfaction, indicating that price is evaluated alongside broader value attributes (Dsouza et al., 2025).

Customers rarely evaluate prices in isolation. They often compare current prices with previous prices, competitor prices, expected local price points and the perceived value of the offer. Recent price-fairness research also shows that fairness perceptions are shaped by historical price information, income level, comparison standards and the nature of price changes (Tan et al., 2025; Xu et al., 2025). In local food markets, customers may form acceptable price expectations from nearby stalls, previous menu prices, student-price expectations or commonly accepted price points. This idea helps explain why affordability functions as the upper boundary of pricing. Even when cost increases justify a higher price, customers may resist if the new price exceeds their perceived acceptable range. Owner-managers may therefore respond by maintaining simple price points, offering smaller product sizes, using student prices, delaying price increases or introducing bundles that protect the customer's perception of affordability.

2.4 Price Fairness and Value Perception

Price fairness refers to customers' judgment about whether a price or price change is reasonable, acceptable and justified. Price fairness is central to this study because micro and small food businesses often depend on repeat customers and local trust. Recent studies show that price fairness perceptions influence customer confidence, satisfaction, purchase intention and loyalty, and that unfair prices can trigger complaint behaviour, negative word of mouth or switching (Tan et al., 2025; Xu et al., 2025).

In food businesses, value perception is closely connected to fairness. Customers evaluate price in relation to visible cues such as portion size, taste, freshness, ingredient quality, packaging, service, convenience and consistency. Empirical restaurant research shows that perceived value is linked to customer loyalty and retention, while food-delivery studies indicate that food price and quality are important drivers of satisfaction among student consumers (Croitoru et al., 2024; Dsouza et al., 2025). A small price increase may be accepted if the business maintains portion size, explains rising ingredient costs, preserves taste and communicates the change clearly. Therefore, this study conceptualises value perception as the mechanism of price acceptance. Cost may explain why a price increase is needed, and affordability may constrain how far the price can rise, but value perception influences whether customers accept the price as fair.

2.5 Adaptive Pricing Practices in Resource-Constrained Firms

Pricing capability refers to a firm's ability to collect relevant cost and market information, evaluate pricing options, set prices and implement price changes effectively. Recent pricing scholarship links pricing effectiveness to managerial routines, market learning and the ability to align price with value capture (Hinterhuber, 2024; Liozu & Hinterhuber, 2022). In micro and small food businesses, pricing capability is more likely to appear as owner-manager routines, such as checking supplier costs, observing competitor prices, listening to customer complaints, testing product acceptance, maintaining portions and making gradual price adjustments.

Adaptive pricing practices in this study do not refer to algorithmic dynamic pricing. Instead, they refer to grounded, everyday pricing routines used by owner-managers to respond to changing cost and customer conditions. These practices include gradual price increases, supplier search, product-size adjustment, menu redesign, bundle creation, platform-specific pricing, loyalty offers, student discounts, portion maintenance and price-change communication. Empirical SME evidence shows that price modification in response to competition and technological change can support performance outcomes, which supports the relevance of adaptive pricing routines in resource-constrained firms (Ndwandwe & Khoza, 2026). This distinction is important because informal pricing should not automatically be interpreted as weak pricing. In resource-constrained firms, informality may reflect a different form of capability. Micro and small food businesses may lack formal pricing systems, but they may still adapt through close customer contact, practical cost awareness and rapid operational adjustment.

2.6 Dynamic Capabilities as an Interpretive Lens

The dynamic capabilities perspective provides a useful but limited lens for interpreting pricing adaptation. Teece et al. (1997) define dynamic capabilities as the ability of the firm to integrate, build and reconfigure internal and external competences to address changing environments. Teece (2007) later explains this through sensing, seizing and reconfiguring. Sensing refers to identifying changes in the environment; seizing refers to mobilising responses; and reconfiguring refers to adjusting resources, routines and operations. However, the use of dynamic capabilities requires caution. Scholars have noted that the dynamic capabilities view can become overly broad if every form of adjustment is labelled as a capability (Arend & Bromiley, 2009; Eisenhardt & Martin, 2000; Winter, 2003). This criticism is especially relevant in micro and small business contexts, where adaptive actions may be practical, informal and reactive rather than formalised strategic capabilities. Therefore, this study does not claim that micro and small food businesses possess highly developed dynamic capabilities in the same sense as large firms. Instead, dynamic capabilities are used as an analytical lens to interpret how owner-managers respond to pricing pressure through everyday routines.

Recent SME evidence also supports the role of sensing, learning, integrating and coordinating capabilities in competitiveness under market turbulence (Al Dhaheri et al., 2024). Applied to pricing, sensing refers to monitoring ingredient costs, supplier prices, competitor prices, customer reactions and platform commissions. Seizing refers to choosing pricing responses such as gradual increases, bundles, student discounts, communication or promotions. Reconfiguring refers to changing suppliers, revising product sizes, adjusting menus, testing new products, modifying channel prices or using simple cost-tracking tools. This interpretation allows the study to connect everyday pricing practices to capability logic without overstating the theoretical claim.

2.7 Adaptive Hybrid Pricing and the Pricing Corridor

Based on the reviewed literature, this study proposes that pricing in micro and small food businesses can be understood as adaptive hybrid pricing. Adaptive hybrid pricing refers to the owner-managerial capability to combine cost, competitor, affordability and value-perception signals under resource constraints. It is a hybrid because it does not rely on one pricing orientation. It is adaptive because pricing decisions are revised in response to cost movements, customer feedback, competitor signals and channel-specific costs. The pricing corridor provides the central organising logic. Cost forms the pricing floor because the business cannot survive below cost. Affordability forms the pricing ceiling because customers may resist prices above their acceptable range. Value perception functions as the acceptance mechanism because customers evaluate whether the price is fair relative to portion, quality, taste, convenience and communication. Adaptive pricing practices allow the business to reposition itself within this corridor as conditions change.

The contribution of this concept does not lie in stating that small firms combine pricing logics. Recent empirical evidence already recognises that SMEs may use several pricing strategies together (Ndwandwe & Khoza, 2026). The contribution lies in specifying the boundary conditions under which hybrid pricing becomes a survival-oriented adaptive capability: owner-managed decision-making, limited pricing analytics, volatile input costs, frequent-purchase food products, direct customer interaction, visible

affordability pressure, local competitor reference points and limited ability to pass cost increases fully to customers.

3.0 Methodology

3.1 Research Design

This study employed an interpretive qualitative multiple-case study design to examine how micro and small food businesses make pricing decisions under cost volatility, customer affordability pressure and value-perception constraints. A qualitative design was appropriate because the study sought to understand pricing as a situated managerial practice rather than as a purely numerical or model-driven decision. Qualitative inquiry is suitable when researchers aim to examine meanings, practices and decision processes in context, while case study research is appropriate when a contemporary phenomenon is examined within its real-life setting (Creswell & Poth, 2018; Yin, 2018). A multiple-case study design was selected because pricing practices may vary by business format, customer segment, cost structure, competitive environment, and sales channel.

Multiple-case logic enables comparison across cases and supports analytical generalisation through cross-case pattern identification rather than statistical generalisation (Eisenhardt, 2021; Yin, 2018). In this study, each case represented one micro or small food and beverage business. The unit of analysis was the individual business, with specific attention to pricing practices, cost considerations, customer affordability, competitor reference, value protection and adaptive pricing responses. The study used thematic analysis together with cross-case comparison. Thematic analysis was used to identify recurring patterns of meaning in the interview evidence, while cross-case comparison examined similarities and differences across the 12 businesses. This approach was appropriate because the study aimed to develop an interpretive explanation of pricing under pressure rather than to test predetermined hypotheses (Braun & Clarke, 2022; Miles et al., 2014).

3.2 Research Context

The study was situated in the Malaysian micro and small food and beverage business context. This context is appropriate because small food businesses frequently operate under direct cost pressure, strong customer interaction, local competition and limited pricing flexibility. These businesses commonly face recurring input and operating costs such as ingredients, packaging, labour, rent, utilities, transportation, and delivery platform charges. At the same time, many serve customers who are sensitive to affordability, portion size and perceived fairness (Department of Statistics Malaysia, 2025; SME Corporation Malaysia, 2026; Tan et al., 2025).

The selected businesses served different customer segments, including students, local residents, workers, leisure visitors and daily repeat customers. These customer groups are relevant because frequent-purchase food decisions are often shaped by affordability, habit, convenience, perceived value and trust. Empirical evidence from food-delivery and restaurant contexts shows that food price, quality, promotions and perceived value influence satisfaction and loyalty (Croitoru et al., 2024; Dsouza et al., 2025). The cases also represented different business formats, including cafes, roadside drink stalls, dessert sellers, snack vendors and student-oriented food providers. This variation enabled the study to examine how pricing under pressure differs across product categories, service formats and customer markets.

3.3 Data Source and Case Selection

The study used semi-structured interview data drawn from a wider qualitative data corpus on micro and small food and beverage businesses. The wider corpus contained interview-based material on business background, product offerings, price-setting processes, cost factors, customer responses, promotions, sales channels, and business performance. For this study, cases were selected only when they contained sufficient pricing-related evidence to address the research questions. Purposive sampling was used to select information-rich cases that could provide detailed insights into pricing practices under pressure. Purposive case selection is suitable in qualitative research when cases are chosen for theoretical relevance, information richness and alignment with the research

purpose rather than representativeness (Creswell & Poth, 2018; Patton, 2015). Cases were retained based on three inclusion criteria. First, the business had to operate in the food and beverage sector. Second, the case had to involve a micro or small business setting. Third, the interview evidence had to contain sufficient information on pricing methods, cost pressures, affordability considerations, customer reactions, competitor references, and adaptive responses.

From the wider corpus, 12 cases were retained for detailed analysis. Cases with insufficient interview evidence, cases without clear pricing-response data and cases relying mainly on descriptive business background rather than pricing practices were excluded. This screening process strengthened methodological consistency by ensuring that all retained cases contained comparable qualitative evidence relevant to the research questions. All businesses and respondents were anonymised using respondent labels R1-R12. Business names, owner names, exact locations and other identifying details were removed from the manuscript. The wider corpus contained multiple food and beverage business cases, of which 12 were retained after screening for pricing-related depth, relevance and comparability. Because the present article focuses specifically on pricing, only cases with sufficient pricing-related evidence were included in the final analysis. The final respondent profile is presented in Table 1.

Table 1: Profile of Respondents

Respondent	Business Type	Business Format	Main Customer Segment	Main Pricing Context
R1	Banana-based snack business	Semi-branded snack vendor	Students, families and delivery users	Cost pressure, platform-related cost and customer feedback
R2	Cafe/coffee and pastry business	Cafe outlet	Students, cafe customers and repeat buyers	Cost-based pricing, bundles and loyalty mechanism
R3	Coffee/beverage cafe	Cafe with delivery-	Students and young adults	R&D pricing, competitor reference and

Respondent	Business Type	Business Format	Main Customer Segment	Main Pricing Context
		platform access		platform commission
R4	Cendol/dessert business	Dessert outlet	Local customers and dessert buyers	Labour cost, price increase and portion maintenance
R5	Coconut pandan/cendol cafe	Dessert and drink business	Walk-in customers and weekend buyers	Ingredient-cost pressure and menu-price adjustment
R6	Student-oriented cafe	Small cafe	Students and young adults	Cost counting and student affordability
R7	Fried banana/snack business	Snack vendor	Price-sensitive snack buyers	Supplier cost, platform cost and customer response
R8	Dessert/ice-cream business	Outdoor/food-truck-style vendor	Leisure visitors and repeat customers	Ingredient-cost volatility and gradual price adjustment
R9	Student-oriented business	F&B Shop/booth	Students	Price affordability, cup-size change and cost calculation
R10	Beverage microbusiness	Small drink vendor	Students and local customers	Cup-size pricing and affordability
R11	Roadside drink/cendol stall	Roadside stall	Students, workers and passers-by	Intuitive cost-based pricing and simple promotions
R12	Roadside drink stall	Family-run roadside stall	Students and local residents	Fixed low-price strategy and end-of-day promotion

3.4 Data Collection Procedure

Data were collected through semi-structured interviews with micro and small food business operators. Semi-structured interviews were appropriate because they allowed

respondents to explain pricing decisions in their own words while also enabling comparison across cases through a common interview protocol. Semi-structured interviewing is widely used when researchers need both consistency across respondents and flexibility to probe context-specific meanings (Kallio et al., 2016; Tong et al., 2007).

The interviews were conducted using a common semi-structured interview guide. Respondents were asked to explain their pricing practices, cost considerations, customer affordability issues, competitor references and pricing outcomes. Interview records were compiled into case-based qualitative materials for analysis. The retained case materials consisted of interview notes and/or transcript-level evidence. Relevant quotations were translated into English where necessary, with attention to preserving the meaning of respondents' pricing explanations rather than literal word-for-word translation. The interview protocol covered business background, product offerings, sales channels, pricing method, cost structure, competitor reference, customer willingness to pay, promotions, price-change communication, sales impact, profit impact, cash-flow implications and pricing support needs. These areas correspond directly to the study's four research questions on cost volatility, customer affordability, value perception and adaptive pricing practices. The interview protocol is summarised in Table 2.

Table 2: Interview Protocol

Interview Area	Guiding Questions
Business profile	What products or services does the business sell? Where does the business sell its products? Who are the main customers?
Price-setting process	How does the business decide prices? What pricing method is mainly used? What costs are considered when setting prices?
Cost pressure and response	What happens when ingredient, labour, packaging, rent or supplier costs increase? Does the business increase prices, absorb costs, change portions or adjust suppliers?
Competitor influence	Does the business compare prices with nearby competitors or online sellers? How does competitor pricing affect pricing decisions?
Customer affordability and value	How does the business know what customers are willing to pay? How does it ensure prices are perceived as fair?
Promotions and bundles	Does the business use bundles, discounts, loyalty cards, platform promotions or temporary offers?
Channel pricing	Are prices different across dine-in, takeaway, delivery platform or online channels?

Interview Area	Guiding Questions
Price communication	How are customers informed about price changes? Are there complaints or acceptance issues?
Pricing outcomes	How did price changes affect sales, profit, customer response and cash flow?
Pricing reflection	Which pricing approach works best? What pricing decision did not work? What tools or support would improve pricing decisions?

3.5 Data Analysis

The data were analysed using thematic analysis and cross-case comparison. This terminology is used deliberately because the analysis involved both inductive theme development and structured comparison across cases. The approach was not intended to be a pure Gioia methodology, nor was it treated as purely descriptive coding. Instead, the analysis moved from respondent-level pricing accounts to broader interpretive themes and then to theoretical explanation using dynamic capabilities as an interpretive lens. Thematic analysis supports systematic development of patterned meanings, while cross-case matrices help researchers compare cases and identify recurring or contrasting patterns (Braun & Clarke, 2022; Miles et al., 2014).

The analysis followed six stages. First, all case materials were read repeatedly to develop familiarity with each business context and pricing narrative. Second, initial codes were generated from statements related to cost factors, price-setting logic, customer affordability, competitor reference, value perception, promotional tactics, channel pricing and pricing outcomes. Third, similar codes were grouped into categories such as cost pressure, affordability constraint, value protection, channel-pricing pressure and adaptive response. Fourth, categories were compared across the 12 cases to identify recurring and contrasting patterns. Fifth, broader themes were developed and refined according to their relevance to the research questions. Sixth, the themes were interpreted through the lens of dynamic capabilities, particularly sensing, seizing, and reconfiguring.

The analysis moved from descriptive coding to theoretical interpretation. For example, statements about ingredient costs, packaging costs and platform commissions were coded as cost pressure. Statements about student pricing, low-price expectations

and customer resistance were coded as affordability constraints. Statements about maintaining portion size, explaining ingredients and using promotions were coded as value-protection practices. These categories were then synthesised into the broader explanation that pricing under pressure operates within a pricing corridor, where cost forms the pricing floor, affordability forms the pricing ceiling and value perception functions as the acceptance mechanism. NVivo was used to support systematic organisation, coding and retrieval of qualitative data, but interpretation remained researcher-led and was developed through iterative reading, coding, theme refinement and cross-case comparison. The analytical procedure is shown in Table 3.

Table 3: Analytical Procedure

Stage	Analytical Activity	Output
Stage 1	Familiarisation with interview data	Initial understanding of each respondent's pricing context
Stage 2	Open coding	Codes related to costs, customers, competitors, promotions and price changes
Stage 3	Code clustering	Grouping of similar pricing practices into categories
Stage 4	Theme development	Formation of broader themes across cases
Stage 5	Cross-case comparison	Identification of common and contrasting pricing patterns
Stage 6	Theoretical interpretation	Development of adaptive pricing capability explanation

3.6 Data Adequacy

The study does not claim statistical representativeness. Instead, data adequacy was assessed based on the richness, relevance and recurrence of pricing-related evidence across the 12 cases. Qualitative sample adequacy is better assessed by information power, analytical focus, and the quality of relevant evidence than by sample size alone (Malterud et al., 2016). The retained cases provided variation across business format, customer segment, cost pressure, and pricing response, while also showing recurring patterns in cost-based pricing, affordability constraints, value protection, and adaptive pricing practices. The use of 12 cases was considered adequate for the study's purpose because the analysis aimed to develop a contextual explanation of pricing under pressure rather

than estimate population-level effects. Cross-case comparison indicated that the central themes were repeatedly observed across different business types, while individual cases still provided useful variation in how pricing pressure was managed. This supported the development of an analytically grounded explanation of adaptive hybrid pricing capability.

3.7 Trustworthiness

Trustworthiness was addressed through credibility, transferability, dependability and confirmability, which are commonly used criteria for assessing qualitative rigour (Ahmed, 2024; Lincoln & Guba, 1985). Credibility was strengthened through cross-case comparison and respondent quotations that linked interpretations to interview evidence. Transferability was supported through thick description of the Malaysian micro and small food-business context, business formats, customer segments and pricing situations, allowing readers to judge relevance to similar settings. Dependability was supported by a clear analytical trail from case selection to coding, category development, theme refinement and theoretical interpretation, while confirmability was strengthened by anonymising respondents, separating descriptive findings from theoretical interpretation and providing a coding example in the appendix. Together, these procedures increased the transparency and auditability of the qualitative analysis.

3.8 Ethical Considerations

The study involved interview-based data from micro and small food business operators. Respondents were informed about the purpose of the interview, and their participation was voluntary. Identifiable information was removed from the manuscript to protect confidentiality. Respondents were coded as R1 to R12, and business names, owner names, precise locations and other identifying details were not disclosed. The study reports business type and pricing context only at a general level to reduce the risk of identification. Interview data were used only for academic analysis and reporting. Where quotations were translated into English, the translation preserved the meaning of the

respondent's explanation while removing any details that could identify the respondent or business.

4.0 Findings

The findings are organised around four themes that explain how micro and small food businesses make pricing decisions under pressure. The themes were developed from the interview evidence and cross-case comparison, rather than adapted from prior literature. The analysis shows that respondents did not rely on a single pricing method. Instead, they combined cost awareness, customer affordability judgment, competitor reference, value protection and adaptive responses. The four themes are: cost as the pricing floor, affordability as the pricing ceiling, value perception as the acceptance mechanism, and adaptive pricing practices as the response system.

4.1 Overview of Pricing under Pressure

Across the 12 cases, pricing was repeatedly described as a practical decision involving cost recovery, market acceptance and customer response. Respondents generally began by considering costs, but final pricing decisions were adjusted according to customer affordability, competitor prices, portion expectations, customer complaints and platform-related costs.

R2 described pricing as a cost-informed decision: 'Costing is the most important factor because we need to know the cost of ingredients, wages and other items before setting the price.' (R2)

However, cost alone did not determine the final price. R3 explained that price setting involved several forms of market judgement: 'We decide the price through R&D process, measurement and competitors.' (R3)

These responses indicate that pricing was not a simple cost-plus calculation. Respondents used cost as a starting point, but they also considered the customer segment, competitors' positions, and perceived value. The overall pattern suggests that micro and

small food businesses operate within a pricing corridor: cost sets a minimum viable price, affordability sets a maximum acceptable price, and value perception influences whether customers accept the price. Table 4 presents the thematic structure developed from the data. Table 4 is therefore a data-derived thematic structure. It summarises how the four themes emerged from recurring accounts from respondents across the cases.

Table 4: Thematic Structure of Pricing under Pressure

Aggregate Theme	Analytical Meaning	Representative Respondents	Evidence from Cases
Cost as the pricing floor	Businesses begin with cost because survival depends on covering input and operating expenses.	R1, R2, R3, R4, R5, R7, R8, R11, R12	Ingredient costs, wages, packaging, rent, utilities, supplier prices and platform commissions were considered before deciding prices.
Affordability as the pricing ceiling	Price increases are constrained by students, local buyers and price-sensitive customers.	R3, R6, R9, R10, R11, R12	Respondents used student prices, low fixed prices, cup-size options and delayed increases to avoid customer resistance.
Value perception as the acceptance mechanism	Customers accept prices when quality, portion size, fairness and communication remain intact.	R2, R3, R4, R5, R8, R11, R12	Respondents maintained portion size, explained ingredients, used signage, gave early notice and offered simple deals.
Adaptive pricing practices as the response system	Owners respond through gradual adjustment, supplier search, bundles, menu changes and pricing tools.	R3, R4, R7, R8, R9, R10, R12	Respondents adjusted prices gradually, searched for cheaper wholesalers, differentiated online prices and used Excel or calculators.

4.2 Cost as the Pricing Floor

The first theme shows that cost was the starting point for most pricing decisions. Respondents referred to ingredients, supplier prices, packaging, labour, utilities, rent, machine maintenance, platform commissions and other daily operating costs. This indicates that pricing was closely connected to business survival.

R2 explained that prices were determined by calculating the cost of ingredients and other expenses: 'We determine prices based on the cost of ingredients and the cost of the items. Costing is the most important factor.' (R2)

R4 identified labour cost as a major pressure: 'Worker wages are the highest cost.' (R4)

R5 also linked pricing to ingredient cost and daily operating expenses: 'Prices are mainly based on ingredient costs because we need to cover daily operating expenses.' (R5)

These responses show that cost-based reasoning was not absent from the businesses. Respondents were aware that prices needed to cover costs. However, the findings also show that cost did not operate as a complete pricing formula. Cost set a minimum acceptable level below which the business could not continue, but respondents still had to adjust final prices based on customer affordability and market acceptance. Several respondents also recognised that costs could increase in different parts of the business. R1 and R7 referred to packaging and platform costs, while R3 noted that online platform commissions affected the final selling price. This suggests that cost pressure was not limited to ingredients. It also included transaction costs associated with sales channels. Overall, cost operated as the pricing floor. It gave respondents a minimum price needed for survival, but it did not automatically determine the final price charged to customers.

4.3 Affordability as the Pricing Ceiling

The second theme shows that customer affordability constrained pricing decisions. Respondents repeatedly explained that their customers were price-sensitive, especially when the customer base consisted of students, local residents, workers, passers-by and repeat buyers. Even when cost increases justified higher prices, respondents were cautious because customers might reduce purchases, complain, or switch to competitors.

R3 linked pricing directly to the student market: 'Our cafe is near student hostels, so we cannot set the price too high. We also give student discounts.' (R3)

R9 also explained that student affordability shaped pricing: 'Because most of our customers are students, we need to use a student price.' (R9)

R10 used product-size options to maintain affordability: 'We keep the price low because we understand students have financial limits.' (R10)

These responses indicate that affordability was not only a customer preference. It was a practical pricing boundary. Respondents recognised that customers had a limited acceptable price range. When prices moved beyond that range, the business risked losing sales or customer trust. Some businesses protected affordability by maintaining fixed, low prices. R12, for example, operated with RM3 and RM5 customer expectations and used end-of-day offers rather than frequent price increases. R11 used simple offers such as 'buy 2' promotions to maintain customer interest. These practices show that respondents did not always respond to cost pressure by immediately increasing prices. Instead, they used smaller product options, promotions, delayed increases or cost absorption to remain affordable. Therefore, the findings show that affordability operated as the pricing ceiling. It restricted how much cost pressure could be passed to customers.

4.4 Value Perception as the Acceptance Mechanism

The third theme shows that customers' acceptance of price changes depended on perceived value. Respondents understood that customers evaluate price in relation to

portion size, taste, quality, freshness, packaging, explanation and fairness. Maintaining value perception was therefore important when prices increased.

R4 described portion maintenance as a strategy for avoiding customer dissatisfaction: 'We increase the price slightly, but we maintain the portion size. We do not reduce portion size because customers are sensitive to that.' (R4)

R8 explained that gradual increases were accepted because customers understood the reason: 'Customers accept the slow and small price increase because they understand ingredients like coconut are rising.' (R8)

R3 explained that new products required ingredient explanation: 'When we introduce a new product, we explain the ingredients to customers.' (R3)

These accounts show that customer acceptance was shaped by whether the price change appeared reasonable. Respondents used visible value cues such as portion size, ingredient explanation, product consistency, menu signage and promotions to reduce customer resistance. R2 used combo sets and loyalty cards to maintain value perception. R11 used simple deals for passers-by and students. R12 used end-of-day offers and toppings to increase perceived value without changing the main price structure. These practices suggest that perceived value helped businesses maintain customer acceptance when costs or prices changed. The findings show that value perception functioned as the acceptance mechanism. Cost explained why a price increase might be necessary, and affordability limited how high the price could go, but perceived value influenced whether customers accepted the final price as fair.

4.5 Adaptive Pricing Practices as the Response System

The fourth theme shows that respondents used adaptive practices to manage pricing pressure. These practices included gradual price increases, supplier search, channel-specific pricing, product-size adjustment, menu changes, promotions, cost tracking and pricing tools.

Gradual price adjustments were observed in several cases. R4 reflected on a previous pricing decision: 'Last time, the price increase was too fast, so next time we need to increase gradually.' (R4)

R8 similarly used slow price increases when ingredient costs rose. This suggests that respondents learned from customer reaction and adjusted the pace of price change.

Supplier search was another common response. R10 stated: 'If cost increases slightly, we absorb it. If it increases too much, we look for cheaper wholesalers first.' (R10)

This indicates that price increases were not always the first response to cost pressure. Some respondents tried to reduce or reconfigure costs before changing customer prices.

Channel-specific pricing also appeared in businesses using delivery platforms. R3 explained: 'The price is different on online platforms because GrabFood and ShopeeFood take commission.' (R3)

This shows that sales channels created different cost structures. Online and offline prices could not always be identical because platform commissions changed margins. Several respondents also recognised the need for practical pricing tools. R2 used a system to monitor costs, profits, losses, raw materials, and stock. R9 used Excel for tracking larger values. R7 stated that a cost calculator and price checklist would help make pricing more systematic. These responses suggest that owner-managers recognised the value of simple pricing support tools even when they lacked advanced analytics. Overall, adaptive pricing practices formed the response system through which businesses managed pressure. Respondents adjusted prices, suppliers, product sizes, bundles, channels and communication in response to changing conditions.

4.6 Cross-Case Analytical Matrix

Table 5 summarises how each respondent managed cost pressures, affordability constraints, value protection, and adaptive responses. The cross-case matrix shows that

pricing responses varied by business format and customer segment, but the underlying pattern was consistent. Each business had to manage cost pressure, affordability constraints and value protection. The difference across cases was mainly in the response used. Cafe-style businesses tended to use bundles, loyalty cards, ingredient explanations, and platform-specific prices. Student-oriented businesses tended to use low price points, student prices and cup-size options. Roadside stalls tended to rely on simple promotions, fixed prices and end-of-day offers.

Table 5: Cross-Case Analytical Matrix of Pricing under Pressure

Respondent	Cost Pressure	Affordability Constraint	Value-Protection Mechanism	Adaptive Response
R1	Raw materials, packaging and platform costs	Broad customer affordability	Feedback and early notice	Platform-cost awareness and cost-based adjustment
R2	Ingredients, wages, milk and beans	Student and repeat-customer affordability	Combo sets and loyalty card	Pricing system for cost and profit tracking
R3	Milk, cups and platform commission	Student affordability	Ingredient explanation and student discounts	R&D pricing and channel-specific pricing
R4	Worker wages and operating cost	Avoiding customer resistance	Portion maintenance	Gradual price increases and pricing calculator need
R5	Coconut milk, durian and daily expenses	Keeping within local market range	Menu signage and standard pricing	Slight price adjustment and local price checks
R6	Ingredients and student affordability	Cheaper-than-competitor expectation	Low daily prices	Cost counting and social media communication
R7	Supplier rates and platform fees	Sales decline risk	Early notification and feedback	Future use of combos and portion options
R8	Coconut, durian, rent and packaging	Loyal-customer affordability	Same portion, scoop and packaging	Slow price increases and signboard updates

Respondent	Cost Pressure	Affordability Constraint	Value-Protection Mechanism	Adaptive Response
R9	Ingredients, rent and wages	Student-price expectation	Loyal customer relationships	Excel-based tracking and calculator use
R10	Milk, syrup and ice	Low student purchasing power	Small/large cup options	Wholesale sourcing before price increase
R11	Cups, straws, ice and ingredients	Passer-by and student affordability	Buy 2 offers and simple deals	Intuitive pricing and demand adjustment
R12	Sugar, milk, syrups, cups and straws	Fixed RM3/RM5 customer expectation	End-of-day offers and toppings	New drink testing and production adjustment

5.0 Discussion

This study examined how micro and small food businesses make pricing decisions under cost volatility, customer affordability pressure and value-perception constraints. The findings show that pricing in these businesses is neither purely cost-based nor formally value-based. Instead, pricing is enacted as an adaptive balancing process in which owner-managers combine cost awareness, competitor reference, affordability judgement, value protection and operational adjustment. This section discusses the findings in relation to the four research questions and develops the concepts of adaptive hybrid pricing capability and the pricing corridor.

5.1 Adaptive Hybrid Pricing under Constraint

The first research question asked how micro and small food businesses determine prices under cost volatility. The findings show that respondents began with cost awareness, but cost alone did not determine the final price. Respondents considered ingredient, labour, packaging, rent, platform commissions, and supplier prices. However, they also adjusted pricing decisions based on customer affordability, competitor reference points, portion expectations, and customer response. This finding suggests that pricing in micro and small food businesses is better understood as adaptive hybrid pricing rather than as the

application of one pricing method. Recent empirical evidence on SMEs shows that firms may use cost-plus, value-based and competitor-based pricing strategies together, and that modifying prices in response to market competition and technological change can improve business performance (Ndwandwe & Khoza, 2026). The present study extends this evidence by showing how such hybridisation operates in micro and small food businesses amid volatile input costs, direct customer interaction, and limited capacity for price pass-through.

In this context, each pricing logic performs a different function. Cost-based reasoning establishes whether the price is financially viable. Competitor reference indicates whether the price is locally comparable. Affordability judgment indicates whether the customer segment can continue purchasing at the proposed price. Value perception determines whether the price is interpreted as fair and acceptable. Therefore, adaptive hybrid pricing is not a loose mixture of pricing methods. It is a practical balancing routine through which owner-managers reconcile several pricing pressures at once.

5.2 The Pricing Corridor: Cost Floor, Affordability Ceiling and Value Acceptance

The second research question asked how micro and small food businesses manage customer affordability and price sensitivity. The findings show that respondents operated within a pricing corridor. Cost formed the lower boundary because prices below cost threatened business survival. Affordability set the upper boundary because prices above the customers' acceptable range threatened demand, loyalty, and repeat purchases. The pricing corridor refines standard pricing logic by specifying the behavioural and contextual constraints faced by micro and small food businesses. In theory, a business may respond to cost increases by raising prices. In practice, respondents could not always pass cost increases directly to customers because their markets included students, local residents, workers, passers-by and repeat buyers. Empirical food-delivery research involving university students shows that meal price, food quality, promotions and service

cues influence satisfaction, reinforcing the importance of affordability and value in student-oriented food markets (Dsouza et al., 2025).

This explains why respondents used student prices, fixed low-price points, cup-size options, delayed price increases, supplier search and promotions. These practices were mechanisms for keeping prices within the corridor between cost survival and customer affordability. Therefore, the pricing corridor helps explain why micro and small food businesses may avoid immediate price increases even when costs rise. They first attempt to preserve the customer's acceptable price range by adjusting suppliers, product sizes, promotions or sales channels. This finding also contributes to the understanding of behavioural pricing. Customers evaluate price changes against reference points, such as previous prices, competitor prices and expected local food prices. Recent empirical work on price fairness shows that historical price information, income level, comparison standards and perceived justification shape whether customers view prices as acceptable or unfair (Tan et al., 2025; Xu et al., 2025). Thus, affordability does not only describe customers' financial capacity. It also represents a perceived boundary of acceptable pricing.

5.3 Value Perception and Fairness as Conditions of Price Acceptance

The third research question asked how micro and small food businesses protect value perception when prices change. The findings show that customers were more likely to accept price changes when visible value cues were maintained. Respondents protected their value perception through portion stability, taste consistency, ingredient explanations, clear signage, promotions, loyalty cards, toppings, end-of-day offers, and early notification of price changes. This finding is important because price acceptance depends on perceived fairness, not only on the absolute price. Empirical research on online food service platforms shows that price fairness is shaped by service and information cues, while research on restaurants shows that perceived value is associated with customer loyalty and retention (Croitoru et al., 2024; Tan et al., 2025). A customer may accept a small price increase if the reason appears legitimate and the product still

feels worth the price. Conversely, customers may resist a price change if the portion becomes smaller, quality declines, or the increase appears sudden and unexplained.

The value-perception mechanism is especially important in food businesses because value is directly experienced. Customers can see the portion, taste the product, compare quality and judge whether the price feels fair. Respondents recognised this by maintaining portion size, explaining ingredients and using promotions to protect perceived value. In this sense, value perception becomes the acceptance mechanism within the pricing corridor. Cost explains why a price increase may be needed, affordability constrains how far the price can rise, and perceived value influences whether customers accept the price as fair. This finding also helps explain the role of price communication. Price changes are relational events between the business and its customers. If price changes are communicated poorly, customers may interpret them as opportunistic. If they are communicated clearly and supported by visible value, customers may be more willing to accept them. Therefore, value protection and communication are central to pricing capability in micro and small food businesses.

5.4 Adaptive Pricing Practices as Everyday Capability Processes

The fourth research question asked what adaptive pricing practices emerge from responses to cost, competition and customer pressure. The findings identified several practices: gradual price increases, supplier search, channel-specific pricing, product-size adjustment, menu revision, simple promotions, cost tracking, and use of pricing tools. These practices can be interpreted through the lens of dynamic capabilities, but the claim must be stated carefully. The study does not argue that micro and small food businesses possess formalised dynamic capabilities comparable to large firms. Rather, dynamic capabilities serve as an analytical lens for interpreting how everyday pricing practices are organised around sensing, seizing and reconfiguring. Recent empirical SME research shows that sensing, learning, integrating, and coordinating capabilities can influence competitiveness amid market turbulence, thereby supporting the relevance of capability processes in small-firm adaptation (Al Dhaheri et al., 2024).

Sensing was observed when owner-managers monitored ingredient prices, supplier changes, competitor prices, customer reactions, student affordability and platform commissions. Seizing was observed when owner-managers selected pricing responses such as gradual price increases, student discounts, combo sets, loyalty cards, simple promotions, price communication and portion maintenance. Reconfiguring was observed when owner-managers searched for cheaper wholesalers, changed product sizes, adjusted online and offline prices, modified menus, tested new drinks, used Excel and adopted cost calculators. These changes show that pricing adaptation was not limited to changing the selling price. It also involved reconfiguring cost structures, product offerings and sales-channel arrangements. Table 6 summarises the alignment between the findings and the dynamic capabilities lens. The dynamic capabilities lens, therefore, helps organise the interpretation of adaptive pricing, but the contribution should be understood as micro-practice level theorisation. The study shows how capability-like processes appear in everyday pricing routines, not that all micro and small food businesses possess advanced strategic capabilities.

Table 6: Alignment between Findings and Dynamic Capabilities Lens

Dynamic Capability Process	Pricing Interpretation	Evidence from Findings
Sensing	Detecting pricing pressure and market response	Monitoring ingredient costs, supplier prices, competitor prices, customer complaints, affordability limits and platform commissions
Seizing	Selecting pricing and value-protection responses	Gradual price increases, student discounts, bundles, loyalty cards, promotions, price-change communication and portion maintenance
Reconfiguring	Adjusting operations to sustain viable pricing	Supplier search, cup-size changes, menu revision, online-offline price differentiation, new product testing and cost-tracking tools

5.5 Theoretical Contributions

This study makes three theoretical contributions. First, it contributes to pricing strategy literature by specifying the conditions under which hybrid pricing becomes necessary. The study does not claim that combining cost-based, competition-based and value-based pricing is entirely new. Instead, it shows how such a combination operates in micro and small food businesses where price decisions must simultaneously satisfy cost recovery, customer affordability and perceived fairness. The pricing corridor provides a more precise explanation of this balancing process.

Second, the study contributes to the understanding of behavioural pricing and price fairness by showing how reference prices, affordability expectations, and value cues shape customer acceptance in micro food markets. Recent empirical studies in restaurant and online food-service contexts support the importance of perceived value, price fairness and price-related service cues in shaping customer satisfaction and loyalty (Croitoru et al., 2024; Dsouza et al., 2025; Tan et al., 2025). Third, the study contributes to SME capability literature by showing that informal pricing can still represent a form of practical capability. Micro and small food businesses may lack formal pricing systems, but they develop routines through cost observation, customer feedback, supplier adjustment and product experimentation. The dynamic capabilities lens is therefore extended cautiously: the study does not overclaim formal dynamic capability development, but it demonstrates how sensing, seizing and reconfiguring can be observed in everyday pricing practices.

5.6 Practical Implications

The findings offer practical implications for micro and small food-business owners, SME agencies and entrepreneurship trainers. First, owners should use a simple pricing corridor checklist before changing prices. The checklist should ask three questions: What is the minimum price needed to cover costs? What is the maximum price customers are likely to accept? What visible value cues must be protected to justify the price? This directly reflects the study's finding that pricing decisions involve a cost floor, an affordability ceiling, and value acceptance.

Second, owners should improve cost visibility through simple costing tools. Ingredient-cost sheets, portion-costing templates, margin calculators and platform-fee calculators can help owners determine whether prices cover actual costs. This is especially important for businesses using delivery platforms, because platform commissions can reduce profit even when sales volume appears strong. Empirical food-platform research shows that price-related factors and service cues influence satisfaction and fairness perceptions, reinforcing the importance of transparent and careful platform pricing (Dsouza et al., 2025; Tan et al., 2025). Third, businesses serving price-sensitive markets should use affordability-preserving options rather than relying only on price increases. These options include small and large cup sizes, student prices, set meals, bundles, limited-time promotions and end-of-day offers. Such practices allow businesses to protect accessible price points while still managing cost pressure.

Fourth, price increases should be managed as value-communication events. Businesses should communicate price changes early, explain cost-related reasons when appropriate, maintain portion size where possible and use visible cues such as menu signage, ingredient explanation and promotional reinforcement. This reduces the risk that customers interpret price changes as unfair. Fifth, SME support agencies should develop practical pricing support modules for micro and small food businesses, including cost calculation, break-even pricing, platform-fee pricing, portion costing, promotion planning, and price-change communication.

5.7 Boundary Conditions

The concepts developed in this study should be understood within specific boundary conditions. The explanation is most applicable to owner-managed micro and small food businesses that sell frequently purchased products, interact directly with customers, face visible affordability pressure, operate with limited pricing analytics, and experience input-cost volatility. The pricing corridor may operate differently in larger restaurant chains, premium dining, subscription-based food services or businesses with strong brand power and higher customer willingness to pay. The bounded nature of the explanation is important because the study does not claim that all firms price in the same

way. Instead, it clarifies the conditions under which adaptive hybrid pricing becomes particularly relevant: volatile costs, affordability-sensitive customers, repeat-purchase food markets, direct customer feedback and limited ability to transfer cost increases fully to customers. These conditions help position the findings as a contextual explanation rather than a universal pricing model.

6.0 Conclusion

This study examined how micro and small food businesses make pricing decisions under cost volatility, customer affordability pressure and value-perception constraints. Based on qualitative evidence from 12 Malaysian micro and small food and beverage businesses, the study shows that pricing operates as an adaptive hybrid capability rather than a single cost-based, competition-based or value-based method. The central contribution is the pricing corridor: cost functions as the pricing floor, customer affordability functions as the pricing ceiling and value perception functions as the mechanism of price acceptance. Owner-managers sustain this corridor through practical routines such as cost tracking, gradual price adjustments, supplier searches, student pricing, portion maintenance, product-size adjustments, platform-specific pricing, and price-change communication. The study contributes to the pricing strategy, behavioural pricing, and SME capability literature by showing how informal yet disciplined pricing routines help resource-constrained food businesses balance cost recovery, affordability, and fairness. The findings are limited to 12 qualitative cases in the Malaysian food and beverage context and should be extended through larger quantitative studies, customer-response research and practical pricing intervention tools for micro and small enterprises.

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