

# Pricing and Ethical Issues for Global Markets: Strategies and Initiatives

Pratap Chandra Mandal, Indian Institute of Management, Shillong, India

## ABSTRACT

Multinationals operating in global markets require analyzing several pricing considerations. They require setting appropriate prices of their products for each of the markets they operate in. Price of a product is an important criterion which decides whether a product will get sold or not. Companies contend with a number of issues in pricing like geographical pricing, price escalation, transfer prices, dumping charges, pricing for emerging markets, and pricing for individuals at the bottom of the pyramid. There are several legal and ethical aspects in pricing. These include deceptive or illegal prices – deceptive reference pricing, loss leader pricing, and bait and switch approach towards pricing; predatory pricing; price discrimination; and price fixing. The contribution of the study is that it conducts a conceptual analysis of the literature on pricing strategies and ethical issues. The analysis is validated by collecting and analyzing information from literature. It discusses how multinationals facing such situations should handle them, establish their businesses in global markets, and generate substantial revenues and profits.

## KEYWORDS

Bottom of the Pyramid, Counterfeiting, Dumping, Emerging Markets, Geographical Pricing, Gray Market, Price Escalation, Transfer Prices

## 1. INTRODUCTION

The world has shrunk dramatically in recent years and has become a global village (Okoye & Udegbunam, 2019). Companies serving global markets understand that the world is multi-cultural. The requirements and preferences of customers in markets of different countries are not the same. For this reason, products of one country need adaptation to be accepted by customers in another country (Duarte, Yamasaki, Rocha, & Silva, 2019). Although opportunities to compete in the global market are high, the risks are also significant. Consequently, companies selling their products in global markets require internationalizing their operations (Hult, Gonzalez-Perez, & Lagerström, 2020).

Global markets have specific requirements which cannot be satisfied uniformly by regional markets (Tiedemann, Johansson, & Gosling, 2020). Most products require at least some adaptation before being launched in global markets (Prabhu, 2020). For example, Coca-Cola is sweeter or less carbonated in certain countries. A bottle of Coca-Cola may not have the same price in all international

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markets. Companies should review their products based on different elements. The elements may include distribution, communication, and pricing of the products. Companies must make sure that their brands are relevant to consumers in the markets they enter. Multinationals selling abroad require considering a number of issues in pricing their products. Pricing becomes an important issue because the purchasing of a specific brand of a product by consumers is determined to a large extent by the price of the product (Kumar & Steenkamp, 2013). The study focuses on the various considerations in pricing strategy for products before entering global markets.

Companies adopt different pricing strategies and tactics for their products and services. Unscrupulous firms find ample opportunities for engaging in pricing practices that can hurt consumers (Hamilton & Chernev, 2013). There are several legal and ethical implications connected to the pricing strategies and tactics adopted by companies. Prices tend to fluctuate naturally and respond to varying marketing conditions (Lindsey-Mullikin & Petty, 2011). Firms rarely attempt to control the market in terms of product quality or advertising. Instead, many companies often engage in pricing practices that can unfairly reduce competition or harm consumers directly through fraud and deception. A number of laws and regulations have been formulated both at the federal and at the state levels to prevent unfair pricing practices (Mandal, 2019). However, many of the laws and regulations are poorly enforced while others are difficult to prove (Lohr, 2012).

The study focuses on various legal and ethical aspects in pricing of offerings especially when marketers enter global markets. The contribution of the study lies in the fact that an in-depth qualitative and conceptual analysis of the literature on pricing strategies adopted by companies in global markets and the associated ethical issues was done.

The contribution and the novelty of the study lies in the fact that analysis is based on arguments focusing on the literature from a conceptual perspective. Although empirical analysis has not been performed, it is believed that conceptual analysis based on arguments will provide better insights. Very few studies have aimed at doing conceptual analysis of pricing strategies and the associated ethical issues. Although the study does not offer a new method of analysis, it is believed that conceptual arguments will help bother marketers and researchers to appreciate the pricing and ethical issues in global markets better. The study is innovative in the sense that conceptual arguments will provide better insights. This study will help both marketers and researchers to appreciate the issues in pricing strategies for global markets from a conceptual perspective.

The study is structured as follows.

Section 2 deals with different considerations in pricing of products for global markets. Such considerations include geographical pricing (sub-section 2.1), price escalation (sub-section 2.2), transfer prices and dumping (sub-section 2.3), gray markets and preventive measures (sub-section 2.4), counterfeit products and remedial actions (sub-section 2.5), and pricing for emerging markets (sub-section 2.6). Section 3 deals with the different legal and ethical aspects in pricing for global markets. Such aspects include deceptive or illegal price advertising (sub-section 3.1), predatory pricing (sub-section 3.2), price discrimination (sub-section 3.3), and price fixing (sub-section 3.4). Section 4 focuses on discussions done throughout the study with sub-sections 4.1 and 4.2 focusing on theoretical implications and managerial implications respectively. Section 5 concludes the study with sub-section 5.1 focusing on limitations of the study and sub-section 5.2 highlighting the avenues of future research.

### **1.1. Objective of the Study**

The objective of the study is to understand the pricing strategies adopted by companies in global markets and the ethical issues associated with such strategies. The aim is to conduct a qualitative and conceptual analysis of the pricing strategies followed by companies in the global markets and the ethical issues associated with such pricing strategies based on available literature.

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