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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 theorical 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.

1.2. Methodology

The methodology adopted is the qualitative and conceptual analysis of the literature on various pricing strategies adopted and practices followed by different multinationals in the global markets. Ethical issues associated with such pricing practices are also discussed. The study does not collect primary data and conduct an empirical analysis.

2. CONSIDERATIONS IN PRICING OF PRODUCTS FOR GLOBAL MARKETS

Multinationals selling products in global markets must contend with a number of issues in pricing like geographical pricing, price escalation, transfer prices, dumping charges, pricing for emerging markets and for individuals at the bottom of the pyramid. Related to these, two issues which are particularly thorny include pricing problems of gray markets and counterfeits (Cao & Zhang, 2020). Various other issues of pricing in global markets are discussed. The strategies adopted by companies to solve those issues are discussed. The study focuses on the issues in the current system. The discussions elaborate how the issues in the current system may be addressed. Previous studies have aimed at doing analysis from empirical perspectives. This study aims to analyze the various issues in pricing strategies from a conceptual perspective.

2.1. Geographical Pricing

Companies do not set a uniform price in all the markets in which they operate globally. Rather, they develop a pricing structure which reflects variations in geographical demand and costs. In geographical pricing, companies decide how to price its products to different customers in different geographical markets and countries (Hanna & Dodge, 2017). A company needs to decide whether higher prices should be charged to customers in distant markets to cover higher distribution costs. At the same time, a company may decide to charge lower prices to win additional businesses (Mandal, 2019). In global markets, companies also need to think of accounting for exchange rates and the strength of different currencies in different countries. The purchasing power of individuals in a country is a major deciding factor while setting prices for different products in that country (Léonard, Sillard, Varlet, & Zoyem, 2019).

Another major consideration is how to get paid. This issue is important when buyers do not have sufficient hard currencies to make immediate payment (Hopkins, 2017). Buyers offer other items in payment, a practice known as countertrade. Many U.S. companies are forced to accept this form of payment if they wish to continue doing business. Countertrade may account for 15 percent to 20 percent of world trade and takes several forms (Schlegelmilch, 2016):

- **Barter:** The buyer and the seller exchange goods between themselves with no money or third party involved.
- **Compensation Deal:** The buyer pays some percentage of the payment in cash and the rest in the form of products. For instance, a British aircraft manufacturer sold planes to Brazil for 70 percent cash and the rest in coffee.
- **Buyback Arrangement:** The seller may sell a plant, equipment, or technology to a company in another country. The seller then agrees to accept as partial payment products manufactured by the buyer with the supplied equipment. A U.S. chemical company built a plant for an Indian company and accepted partial payment in cash and the rest in the form of chemicals manufactured at the plant.
- **Offset:** The seller receives the full payment in cash for overseas sales. However, the seller also agrees to spend a substantial amount of the money in that country within a stipulated time period. In the Gorbachev regime, PepsiCo sold its cola syrup to the government of Soviet Union for

rubles. PepsiCo agreed to buy Russian vodka at a specified rate and sell it in the United States (Ramirez, 1990).

The challenges which companies might face in applying geographical pricing include different levels of purchasing power parities of people in different geographical locations, different exchange rates in different geographical markets, and the process of payment of money.

2.2. Price Escalation

A specific brand of the same product may charge two different prices from customers in two different countries. A Gucci handbag may sell for $120 in Italy and for $240 in the United States (Bolton, Keh, & Alba, 2010). There are reasons for different prices in different markets. For example, Gucci must add the cost of transportation, tariffs, importer margin, wholesaler margin, and retailer margin to its factory price. All the different costs incurred by a company are finally charged from customers. Price escalation results from these added costs and currency-fluctuation risk. So, it may become necessary for a manufacturer to charge a price two to five times as high for one market compared to another to earn the same profit (Bolton, Keh, & Alba, 2010).

Companies have different options for setting prices in different countries:

1. **Setting a uniform price everywhere:** A company may set a standard uniform price for a product in all the markets it operates. However, based on this pricing strategy, it would earn quite different profit rates in different countries (Steenkamp, 2017). Another problem is that consumers in poor countries will perceive the price to be too high. Consumers in rich countries will perceive that the product is available at a cheap rate (Bolton, Keh, & Alba, 2010);
2. **Setting the price based on market price in each country:** A company can charge based on the prevalent market price in each country or based on what consumers in each country could afford to pay. However, this strategy ignores differences in the actual cost from country to country (Steenkamp, 2017). Also, intermediaries may be motivated to sell the products in those countries where the price is higher. In extreme cases, intermediaries in low-price countries may be motivated to reship the products to high-price countries and earn more profits (Bolton, Keh, & Alba, 2010);
3. **Setting the price based on the cost incurred in each country:** Companies may set a standard markup of its costs incurred in every market. However, customers in different markets may perceive the price differently. This strategy will mean that the price will be high in those markets where the costs incurred are higher. This might price the product out of markets where its costs are high (Liozu, 2019).

Companies may eliminate challenges in pricing by selling its product online. Prices become transparent and price differentiation between countries decline (Liozu, 2019). For example, the cost incurred in a classroom-based delivery of training may vary significantly from the United States to Germany to India. However, if the same training is delivered online, the pricing may be similar everywhere (Bolton, Keh, & Alba, 2010).

Companies sometimes take aggressive steps to overcome the global pricing challenge. Sometimes, countries have overcapacity, cheap currencies, and the need to export aggressively (Schlegelmilch, 2016). In such cases, companies from those countries push their prices down and devalue their currencies. Another major challenge in such markets is that the demand is sluggish. Consequently, customers are not willing to pay higher prices (Roslin, 2017).

Multinationals aim to overcome such situations in different ways. For example, Swedish home furnishing agent, IKEA competed successfully in China's challenging pricing market (Pierson, 2009). IKEA opened its first store in China at Beijing in 2002. Local stores in China were selling copies of the product designs of IKEA at a much lower price than that charged by IKEA (Fong, 2006). IKEA knew that Chinese customers are frugal and the only way to convince them for buying IKEA products is to reduce prices drastically. Western brands who sell products in Chinese markets usually price products such as makeup and running shoes 20 percent to 30 percent higher than that in their other markets. This was done to cover China's high import taxes and also to give their products added cachet (Fong, 2006). IKEA decided to manufacture the products meant for Chinese markets in China. IKEA stocked its Chinese stores with Chinese-made products. Adoption of this strategy reduced distribution and logistics costs and allowed IKEA to reduce its prices as low as 70 percent below their level outside China (Pierson, 2009). Western-style showrooms of IKEA provide model bedrooms, dining rooms, and family rooms, and suggest how to furnish them. This sense of personal care and touch impressed Chinese customers. The market share of IKEA in China increased from practically zero in 1995 to about 70 percent in 2012. Young couples in China are especially attracted by IKEA's stylish and functional modern styles. Although several Chinese players threaten the dominance of IKEA, the company maintains sizable stores in a number of locations in China (Pierson, 2009).

The challenge which companies might face includes discrimination in prices. Companies should be able to convince customers why different prices are charged from different customers.

2.3. Transfer Prices and Dumping

Transfer prices are those prices which are charged by one unit of a company to another unit of the same company for shipping products to its foreign subsidiaries (Simon & Fassnacht, 2019). If a company charges a subsidiary too high a price, it may end up paying higher tariff duties. However, it may pay lower income taxes in the foreign country. A company may also be accused of dumping if it charges its subsidiaries too low a price. The company charges either less than its costs or less than it charges at home. This strategy is adopted in order to enter a market and capture it within a short time period (Sen and Joseph, 2016). Governments of various countries have developed rules and regulations and implemented them to curb the practice of dumping (Wingfield, 2012). Governments encourage companies to report cases of dumping by other companies. Governments often force companies to charge the arm's-length price. This is the price charged by other companies for the same or a similar product. Such actions curb malpractices and encourage healthy competition.

The U.S. Department of Commerce handles dumping in a strict manner. When it finds evidence of dumping, it can impose a dumping tariff on the company guilty of dumping (Wingfield, 2012). At the same time, the U.S. government also supports clean-energy products. The U.S. Government decided to set anti-dumping duties of 44.99 percent to 47.59 percent in wind towers manufactured in China and Vietnam and sent to the United States (Wingfield, 2012).

Companies should decide the transfer prices to be charged. Also, dumping is an illegal trade practice. Companies should follow the rules and regulations formulated by governments and regulatory bodies.

2.4. Gray Markets and Preventive Measures

Multinationals face the problem of gray markets when they go global. Distributors divert branded products from authorized distribution channels either in-country or across international borders (Simon & Fassnacht, 2019). Distributors procure more products than they can sell in their own country. They then ship the products to those countries where the prices of such products are higher. Distributors benefit because of price differences in the two markets (Myers & Griffith, 1999).

Gray markets create problems for authentic distributors. Legitimate distributors have to invest in supporting a manufacturer's product less productive. They also need to make selective distribution channels more intense to reduce the number of gray market possibilities (Antia, Bergen, Dutta, & Fisher, 2006). Gray markets affect relationships among distributors. They also tarnish the manufacturer's brand equity and undermine the integrity of the distribution channel. Blinded by opportunities of earning higher revenues and profits, distributors may sell damaged products to consumers. Such products may pose risks to consumers. The products may be relabeled, obsolete, without warranty or support, or just counterfeit (Weaver, Whalen, & Faucon, 2012). Higher the prices and the urgency of products, higher are the chances of gray markets operating. For this reason, prescription drugs are often the target of gray markets. U.S. government regulations are monitoring the healthcare industry more closely after fake vials of Riche Holding AG's cancer drug Avastin were shipped to U.S. doctors (Weaver, Whalen, & Faucon, 2012).

Multinationals take steps to prevent gray markets. They maintain vigilance on distributors. They raise their prices to lower-cost distributors. They also change product characteristics or service warranties for different countries (Kumar & Baldi, 2016). In extreme cases, multinationals take legal steps against companies involved in gray markets. 3Com successfully sued several companies in Canada for using written and oral misrepresentations to get deep discounts on 3Com networking equipment. The money involved was a total of $10 million. The equipment which was worth millions of dollars, was sold to a U.S. educational software company and sent to China and Australia. However, the product ended up back in the United States after changing hands of a number of distributors (Blanchard, 2007).

Research studies have been conducted to suggest solutions to prevent gray market activities (Antia, Bergen, Dutta, & Fisher, 2006; Kumar & Baldi, 2016). One research study found out that gray market activities were prevented when huge penalties were imposed, manufacturers were able to detect violations, or mete out punishments in a timely fashion, or both (Antia, Bergen, Dutta, & Fisher, 2006).

Companies should aim to prevent gray market activities. They should impose penalties where violations are detected.

2.5. Counterfeit Products and Remedial Actions

Multinationals expand their production and manufacturing facilities in foreign markets and develop and expand global supply chain networks to spread their businesses (Rocks & Lieber, 2012). The chances of corruption, fraud, and quality control problems also increase due to such expansion activities. Several companies involved in doing business through counterfeit products have established sophisticated overseas factories which can replicate almost anything. Any established and well-known brand is at threat because chances are very high that a counterfeit version of the brand exists somewhere in the world (Wilson, Grammich, & Chan, 2016).

Counterfeiting creates a severe and negative impact on legal business. It is estimated to cost more than a trillion dollars a year. U.S. Customs and Border Protection seized $1.26 billion worth of goods in 2012. Countries which were mainly involved in counterfeiting included China (81 percent) and Hong Kong (12 percent). The products which were involved in counterfeiting included apparel and accessories, followed by electronics, optical media, handbags and wallets, watches, and jewelry (Hargreaves, 2012).

Consumers are sometimes forced to buy counterfeit products. At the Summer Olympics in London in 2012, the Egyptian Olympic team was forced to buy fake Nike gear from a Chinese distributor. The team admitted of thus encouraging counterfeit products because of Egypt's dire economic situation (White, 2012). Nike investigated the issue to verify the authenticity. Nike donated all the necessary training and village wear to the team (White, 2012).

The business of luxury brands is greatly affected by counterfeits. Luxury brands are costly and not many people can afford to buy them even when they desire to do so. Customers go for counterfeits in such cases. The profits of luxury brands such as LVMH Moët Hennessy Louis Vuitton, Tiffany, and Hermès are affected because of fake brands (Khan, Yang, & Chen, 2020). Faulty counterfeits can pose threats to human lives and may even kill people. Mobile phones with counterfeit batteries, counterfeit airline parts, and fake brake pads made of compressed grass trimmings pose safety risks to consumers (Grow, Tschang, Edwards, & Burnsed, 2008). Pharmaceuticals are equally affected by counterfeits. Fake teething powder in Nigeria, toxic cough syrup in Panama, and tainted baby formula in China have all caused deaths of children in recent years (Burnsed, 2008).

Almost any product can be replicated to introduce counterfeits. That way, almost all products are vulnerable. Microsoft estimates that four-fifths of Windows OS software in China is pirated (McIntyre, 2012). One anti-counterfeit consultant observed, "If you can make it, they can fake it." It is difficult to fight against counterfeits. In this age of advanced technology also, a new security system is at threat of being copied within a few months of introduction in the market (Shine, 2007).

The internet has made information readily available to everybody. After surveying thousands of items, LVMH estimated that 90 percent of Louis Vuitton and Christian Dior pieces listed on eBay were fakes. This prompted LVMH to sue the counterfeiters (Kong, 2007). Companies are taking aggressive steps to fight against counterfeiters. Manufacturers detect frauds online with web-crawling software. The software also warns violators of the consequences. This detection can be done without the need for any human intervention. Based on the findings of web-crawling software, Acushnet, maker of Titleist golf clubs and balls, shut down 75 auctions of knockoff gear in one day with the single click of a mouse (Kong, 2007).

Web-crawling technology can assist in searching counterfeit storefronts and sales by detecting domain names. The technology searches for domain names which are similar to that of legitimate brands. It also keeps track of unauthorized websites which use brand trademarks and logos of legitimate brands on their homepages. It tries to detect fakes and counterfeits by searching for keywords like *discount, cheap, factory variants,* and *authentic.* It searches for colors that products were never made in and prices that are far too low (Meraviglia, 2018).

The challenges for companies are to protect established brands from counterfeits. Companies should impose fines and impose strict penalties for the counterfeit brands.

2.6. Pricing for Emerging Markets

The foreign prices will be higher than their domestic prices for comparable products. For instance, an Apple iPad 3 that sells for $499 in the United States goes for $624 in the United Kingdom (Madden, 2011). This happens because Apple requires escalating its prices for several reasons. It must add the cost of transportation, tariffs, wholesaler margin, importer margin, and retailer margin to its factory price. Because of all these reasons, a company may need to set a price two to five times the price in the home country to generate the same profit (Madden, 2011).

Companies require making special considerations while selling their products in emerging markets. Purchasing power of consumers in emerging markets is lower than that in developed markets. To generate similar profits and to capture the markets in emerging economies, many companies develop simpler and smaller versions of their products with less features that can be sold at lower prices. Some other companies introduce new and affordable brands in emerging markets. These brands are not sold in developed markets. For example, Levi launched the Denizen brand for teens and young adults of developing markets in China, Brazil, and India (Drafta, 2011). Teens in such countries cannot afford to buy Levi's-branded jeans. The name "*Denizen*" combines the first four letters of *denim* with *zen*. *Zen* is a word with Japanese and Chinese roots that means "*meditative style*" or "*escape from the hustle and bustle of everyday life*" (Drafta, 2011).

Price is one of the key determinants of success for companies attempting to enter emerging markets. Entering such developing markets means that the target market consists of the exploding middle class in developing countries like Russia, China, Brazil, and India. The economies of these countries are growing by double digits annually (Mandal, 2020). However, at present, the global recession and weakened economy have slowed down growth in both domestic and emerging markets. Companies are shifting their focus to include a new target segment. This segment is called "bottom of the pyramid". It comprises of the world's poorest customers who constitute a majority of the population in developing countries (Prahalad, 2012). It is a vast untapped market with price being a major consideration. Companies are targeting this segment because it has a huge potential.

Unilever has adopted a unique pricing strategy for developing countries (Karamchandani, Kubzansky, & Lalwani, 2011). Previously, companies from Western countries used to paste new labels on the products and sell them at premium prices to a few premium customers in the developing countries. Unilever was one of the first companies which realized that by selling products with new labels pasted on them, companies are losing out on the majority of population in developing countries (Karamchandani, Kubzansky, & Lalwani, 2011). Unilever is the maker of such brands as Dove, Vaseline, and Lipton. It understood that the vast majority of Indian consumers were left out because of high prices of its brands. The prices were not affordable by tens of millions of Indian consumers (Prahalad, 2012). Unilever adopted a unique strategy to market its products to Indian consumers. It shrunk its packaging and set low prices that even the world's poorest consumers could afford. It developed packages of its shampoo, laundry detergent, and other products for single usage. Unilever could make a profit while selling its brand for just few Indian rupees a pack. As a result of this strategy, more than 50 percent of Unilever's revenues come from emerging countries (Prahalad, 2012).

Most countries realize that selling products profitably to the bottom of the pyramid requires more introspection. Companies will not succeed in the long run by just repackaging or stripping down existing products and selling them at low prices (Karamchandani, Kubzansky, & Lalwani, 2011). Low income consumers also have their own preferences and aspirations. They want products which provide them value. Now-a-days, companies focus on innovation to develop products that are attractive not only for their low prices but also provide value to bottom-of-the-pyramid consumers (Dutta & Snehvrat, 2020).

Companies face a lot of challenges while pricing for emerging markets. They should try to gauge the purchasing power of individuals and price their products accordingly. They should also aim to provide the products with optimum quality at the prices which are affordable for individuals from emerging markets.

3. LEGAL AND ETHICAL ASPECTS IN PRICING

There are various legal and ethical aspects in pricing of offerings for global markets. Some of them are highlighted below.

3.1. Deceptive or Illegal Price Advertising

It is illegal and also unethical for marketers to lie in advertising. However, a certain amount of "puffery" is allowed in advertising (Mandal, 2020). Marketers should keep in mind that price advertisements should never deceive consumers to the point of causing harm. For example, if a local car dealer advertiser advertises itself as offering the "best deals in town", then perhaps the communication will be considered as puffery. In contrast, if a brand claims "the lowest prices, guaranteed", then the claim is specific. If the claim is not true, it can be considered deceptive.

3.1.1. Deceptive Reference Pricing

Reference prices create reference points for the buyer against which to compare the selling price. The advertisement is informative if the reference price is authentic. The advertisement is considered deceptive if the reference price has been inflated or is just plain fictitious. The product may also cause harm to consumers (Gutenberg & Quinn, 2017). It is however, difficult to decide when a reference price is authentic and when it is not. It is difficult to set standards for reference prices. If an advertisement specifies a "regular price", just what qualifies as regular? How many units of a product should be sold at a store for the price to be authentic? Also, stores may try to sell the product at the reference price. However, consumers may not be willing to buy at the reference price. In such cases, it is difficult to label the price as reference price (Lohr, 2012). In general, if a seller is going to label a price as a regular price, the Better Business Bureau suggests that at least 50 percent of the sales have occurred at that price (Lohr, 2012).

3.1.2. Loss Leader Pricing

In leader pricing, price of a product is set above the store's cost. Leader price is a legitimate attempt to build store traffic by pricing a regularly purchased item aggressively (Mandal, 2020). In loss leader pricing, the price is set below the store's cost. Grocery and discount stores offer "buy one, get one free". Unless the markup for the item is 100 percent of the cost, the sales do not generate enough revenue from the sales of one unit to cover the store's cost for both units. This also means that the total for both the items is below cost. The manufacturer bears the cost of the promotion to generate volume. In some markets, this form of pricing is illegal (Lindsey-Mullikin & Petty, 2011).

3.1.3. Bait and Switch Approach

In bait and switch approach, sellers advertise items for a very low price without the intent to really sell any (Mandal, 2020). This approach is considered deceptive because the store lures customers in with a very low price on an item (the bait), only to aggressively pressure customers into purchasing a higher-priced model (the switch) by disparaging the low-priced item, comparing it unfavorably with the higher-priced model, or professing an inadequate supply of the lower-priced item (Bertini & Wathieu, 2008). It is difficult to enforce laws against bait-and-switch practices. This is because, salespeople always try to get customers to trade up to a higher-priced model without necessarily deliberately baiting them. It is difficult to prove with certainty whether a price is deceptive or not because it depends on the intent of the seller (Gbadamosi, 2019).

3.2. Predatory Pricing

Competition is tough and to sustain it, companies sometimes set a very low price for one or some of its products to drive the competitors out of business. This is called predatory pricing (Lindsey-Mullikin & Petty, 2011). Predatory pricing is illegal under both the Sherman Antitrust Act and the Federal Trade Commission Act. Predatory pricing creates a barrier for free trade and results in unfair competition. It also tends to promote oligopoly where a concentrated market is formed with a few dominant firms (Lohr, 2012).

It is difficult to prove whether pricing is predatory or not. First, the intent of the seller needs to be proved. It needs to be proved conclusively that the concerned firm intends to drive out the competition or prevent competitors from entering the market (Lohr, 2012). Secondly, it is equally difficult to prove that the firm charged prices lower than its average cost.

The issue of predatory pricing is gaining in importance because of Google's dominance in the search engine market (Mandal, 2020). Companies advertising with Google bid for specific keywords. The companies which win the bids have their products featured first in the paid search results section on the search engine. Again, Google penalizes companies for advertisements of poor quality and charges them more. This tactic ensures that users are more likely to find high-quality results from their searches (Miller, 2013). Google has kept the logic used to define quality, confidential. Experts and critics allege that Google manipulates the paid search results in such a way that it undermines competitors' offerings while promoting its own. Critics argue that the claims may be true. In 2012, the Federal Trade Commission (FTC) found enough evidence for search results manipulation. FTC recommended the government to sue Google. In 2013, a European Commission came to similar conclusions (Miller, 2013). The unresolved question remains: because of Google's dominance in the search engine market, with its resulting ability to control prices, would its practice of charging more for its "quality handicap" be predatory (Lohr, 2012)?

3.3. Price Discrimination

Companies follow many forms of price discrimination. However, only some of them are considered illegal under the Clayton Act and the Robinson-Patman Act (Mandal, 2020). Firms are said to be following price discrimination when they sell the same product to different resellers (wholesalers, distributors, or retailers) at different prices. Larger firms receive lower prices (Garrett, Burtis, & Howell, 2008).

Customers are offered quantity discounts based on the quantity they purchase. This form of price discrimination is considered legitimate based on the assumption that it costs less to sell and service 1000 units to one customer than 100 units to 10 customers (Reinhardt, 2010). Firms should however, ensure that quantity discounts are available to all customers. Quantity discounts should not be structured in such a way that they favor one or a few buyers over others (Reinhardt, 2010).

The Robinson-Patman Act is not applicable for sales to end-users. For example, consumers receive discounts on food and movie tickets, which is perfectly acceptable under federal law (Yonezawa, Gómez, & Richards, 2020). Firms like eBay which are involved in online auctions also practice a legal form of price discrimination because sellers are selling the same item to different buyers at different prices. Firms from health care industry offer a "sliding scale" based on income to deal ethically with the rising costs. In such offers, lower-income patients receive discounts or even free medical care, especially for children (Reinhardt, 2010).

3.4. Price Fixing

Price fixing is the process of controlling prices by colluding with other firms (González, Schmid, & Yermack, 2019). Price fixing might be either horizontal or vertical. Horizontal price fixing is considered illegal under the Sherman Antitrust Act. It becomes difficult to ascertain whether vertical price fixing should be considered illegal or not (Petty, 2016).

Horizontal price fixing occurs when companies that produce and sell competing products or services collude, or work together, to control prices, effectively taking price out of the decision process for consumers (Mandal, 2020). The process tends to reduce competition and is illegal. Six South African airlines were accused of colluding with the intention of raising the fares of flight tickets within the country during the World Cup (Business Wire, 2010). Tobacco companies have also been accused of colluding and fixing the prices of cigarettes worldwide. Competing firms should not be allowed to discuss about prices or terms and conditions of sale with competitors. If firms want to know competitors' prices, they should do so with the help of competitors' advertisements, their websites, or their stores (Business Wire, 2010).

Vertical price fixing occurs when firms at different levels of the same marketing channel (e.g. manufacturers and retailers) agree to control the prices at which consumers buy their products (Simon & Fassnacht, 2019). Manufacturers also encourage retailers to sell their products at a specific price to consumers. This price is called manufacturer's suggested retail price (MSRP). MSRP is set to reduce retail price competition among retailers, encourage retailers to provide complimentary services, and support the manufacturer's merchandise (Sacco & De Giovanni, 2019). MSRP is enforced by withholding benefits such as cooperative advertising or refusing to deliver merchandize to noncomplying retailers. The Supreme Court mandates that retailers are required to sell merchandize at MSRP on a case-by-case basis. Retailers should not be forced to sell at MSRP and should depend on individual circumstances (Bawden, 2011).

Some reputed candy producers engage in both horizontal price fixing and vertical price fixing as claimed by Canada's Competition Bureau. Canada's official Competition Bureau claims that rivals Mars (maker of candies like M&M's and Snickers, and the Dove line of chocolates) and Nestlé (which produces Butterfinger and Crunch candies, among others) have collaborated with different wholesalers to increase and fix the prices of their chocolates.

Apart from the firms themselves, the executives in charge of Nestlé Canada, Mars Canada, and a wholesale distributor, ITWAL have been named individually in the prosecution. The three firms have denied and have vowed to fight the charges (Garrett, Burtis, & Howell, 2008).

Hershey's Canadian arm was initially accused in the conspiracy. However, it cooperated with the authorities and this helped Hershey to avoid direct prosecution (Labaton, 2007). Hershey admits engaging in price fixing. However, it claims that the events happened under previous management and all the ethical issues have been solved. John Pacman, Canada's Interim Commissioner of Competition was confident and noted: "Price-fixing is a serious criminal offence and today's charges demonstrate that the Competition Bureau's resolve to stop cartel activity in Canada" (Garrett, Burtis, & Howell, 2008).

Pricing practices and decisions involve a number of ethical considerations. Firms should fix their pricing decisions and strategies based on thorough analysis. They should balance their goal of inducing customers, through price, to find value and the need to deal honestly and fairly with those customers. Buyers can be influenced by a variety of pricing methods. Firms should decide which of the methods work best for the seller, the buyer, and the community.

4. DISCUSSIONS

Despite shifting barriers, unstable governments, foreign-exchange problems, and technological pirating, companies need to target global markets. Companies require internationalizing their operations. Companies require adapting their marketing programs at various levels. Firms require adapting prices so that consumers in global markets find the prices affordable and firms also generate sufficient profits for themselves. At the price level, firms may have to set prices based on geographical locations. Firms may encounter price escalation, transfer prices, dumping, gray markets, and discounted counterfeit products. Firms may also require developing and implementing specific pricing strategies for emerging markets and for targeting consumers at the bottom of the pyramid.

Firms operating in international markets require adapting prices based on the requirements of the markets and based on other specific considerations. Firms cannot set a uniform price in all the markets in which they operate globally. Pricing of products should reflect variations in geographical demands and costs involved. Firms also set different prices for different markets based on a number of cost considerations. Firms require handling transfer prices carefully and aim to encourage healthy competition by avoiding dumping. Sometimes, government intervention may also be required to curb unethical practices like dumping. Firms should not encourage creation of gray markets. Firms also require initiating strict actions against counterfeit products. Firms should price their products differently for emerging and developing markets and for individuals who form a majority of the population in such markets as bottom of the pyramid.

4.1. Theoretical Implications

The contribution of the study lies in the fact that an in-depth discussion of the various considerations in pricing for global markets was done. Different ethical issues associated with the pricing strategies and initiatives adopted by companies operating in global markets were discussed. Based on the discussions presented, academicians may understand the different pricing considerations for doing business in global markets. They might also suggest improved strategies for fixing prices in order to have maximum returns from global markets.

4.2. Managerial Implications

The discussions will sensitize managers of firms doing business in global markets about the various issues related to pricing in global markets and how to handle them. Managers will also realize that the process of setting prices for global markets requires analysis of a number of practical considerations simultaneously. They will be able to appreciate different legal and ethical aspects related to pricing of products in global markets. They require analyzing all the situations carefully and adopt suitable strategies to win through them and establish their companies in global markets. They may also collect primary data and conduct empirical analysis to arrive at realistic results and actionable strategies.

5. CONCLUSION

The study discussed the various aspects of pricing which companies operating in global markets need to consider. The study reviewed a number of issues in pricing for global markets like geographical pricing, price escalation, transfer prices, dumping, gray markets, counterfeit products, pricing for emerging markets and for individuals at the bottom of the pyramid. Different legal and ethical aspects related to pricing of products in global markets were discussed. Efforts were made to include the relevant and the latest literature related to pricing in global markets. However, firms operating in global markets are facing new pricing challenges continuously. Firms should understand those challenges and take actions to convert those challenges into opportunities.

Marketers apply a number of strategies and tactics for setting or changing a price. Companies sometimes get into trouble while setting prices. Some common legal issues pertain to advertising deceptive prices. Sometimes, firms compare a reduced price with a regular or reference price. Before doing that, firms must have actually sold the product or service at the regular price. Another form of deceptive price advertising is bait and switch. Sellers advertise items for a very low price without any intent to really sell at that price. Collusion among firms to fix and regulate prices is always illegal. Deceptive or illegal pricing is an important ethical issue which requires consideration. Deceptive pricing may include deceptive reference pricing, loss leader pricing, and bait and switch approach towards pricing. All these different pricing approaches were discussed. Some of the other legal and ethical aspects in pricing for global markets include predatory pricing, price discrimination, and price escalation. All the above issues were discussed in detail.

5.1. Limitations of the Study

The study focused on conducting a qualitative and conceptual analysis of the pricing strategies and initiatives adopted by companies to be successful in global markets and the corresponding ethical issues associated with such strategies and initiatives. The study did not collect primary data and conduct an empirical analysis for various companies in the global markets.

5.2. Avenues of Future Research

Researchers may refer to the discussions done in the study to understand the various practical aspects related to pricing which companies operating in global markets need to consider. They will also understand the various legal and ethical aspects related to pricing in global markets. The issue is a contentious one and research should be conducted to appreciate various legal and ethical aspects of pricing which might affect consumers. Researchers may conduct studies and suggest practices, rules, and regulations to be followed so that the interests of customers and other stakeholders in global companies are protected. Researchers may collect primary data related to pricing strategies and initiatives adopted by companies in global markets and conduct an empirical analysis to arrive at specific strategies and initiatives to be adopted by companies. Researchers and practicing managers require keeping themselves updated about the latest trends, developments, and pricing challenges in the global markets to suggest better pricing strategies for multinationals operating in global markets.

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Pratap Chandra Mandal is an Assistant Professor (Marketing) at Indian Institute of Management, Shillong, India. He has completed graduate degree from the reputed Indian Institute of Technology, Kharagpur (IIT Kharagpur), India (Bachelor of Technology in Mechanical Engineering), post-graduate degree from Vinod Gupta School of Management, IIT Kharagpur (Masters in Business Administration), PhD (Marketing) from Vinod Gupta School of Management, IIT Kharagpur. His research concerns customer relationship management, customer satisfaction, services marketing, marketing intelligence, and qualitative methods in management. He is the editor-in-chief of two international journals and is on the editorial board of journals like Journal of Global Marketing. Pratap has won several prestigious scholarships and awards throughout his academic career.