Pricing for International Markets Cateora-18

Pricing Policy

- **Pricing objectives**
  - views
    - prices are active instrument of accomplishing market objectives
      - company sets prices to achieve objectives rather than following market prices
    - static element in business decisions
      - company only exports excess of inventory, places low priority on foreign business and exports sales are passive contributions to sales volume
- **Parallel Imports**
  - Companies have to guard against competition with their own subisidiaries and branches

Approaches to international pricing

- **Policiy relates to net price received**
- **Full cost vs. variable-cost-pricing (on marginal cost)**
  - Fullcost companies keep the same price
  - variable cost -different prices, same item, different country
- **Skimming vs. penetration pricing**
  - depends on the competition, innovation, market characteristics of product and company characterístics
    - skimmig-reach a segment of market price insensitive and willing to pay premium prices. It maximizaes profit
    - penetration aims to stimulate the market and sales growth by low prices. It maximizes the revenue by fighting the competition to come
- **Price escalation**
  - the higher the price abroad the higher the cost of exporting
  - **Exchange rate fluctuations**
    - related not only to dollar value
  - **Middleman and transportation costs**
  - **Inflation-Deflation**
    - related to the cost of replacing the item
- **Leasing in international markets**
- **Countertrade as pricing tool**
  - types of countertrade
    - barter- direct exchange of goods between two parties in a transaction
    - compensation deals- involve payments in goods and cash
    - counterpurchase-recompra-retracto
    - product buyback agreement-when the sale involves goods or services thar produce other goods and services
  - problem of countertrading
    - determining the value of and potential demnd for the goods offered
- **Transfer pricing strategy**
  - prices of goods transferred from a company´s operating unit or sales unit in one country to its units elsewhere...known as intracompany princing as well
- **price quotation**
- **administered pricing**
  - an attempt to establish the prices for an entire market
- **cartels**
- **Government infkuenced pricing**
  - Gvmnt active pressure on price determination

to reduce price escalation

- lowering costs of goods
- lowering tariffs
- lowering distribution costs
- using foreign or free trade zones to lessen price escalation