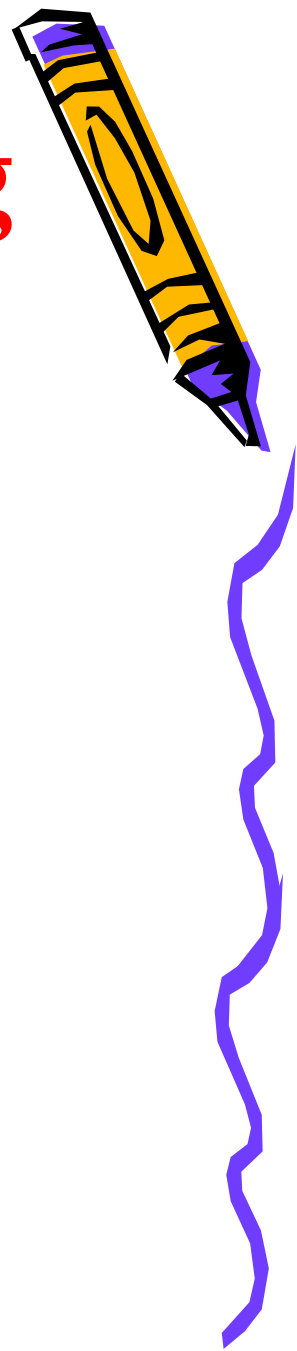


International Marketing

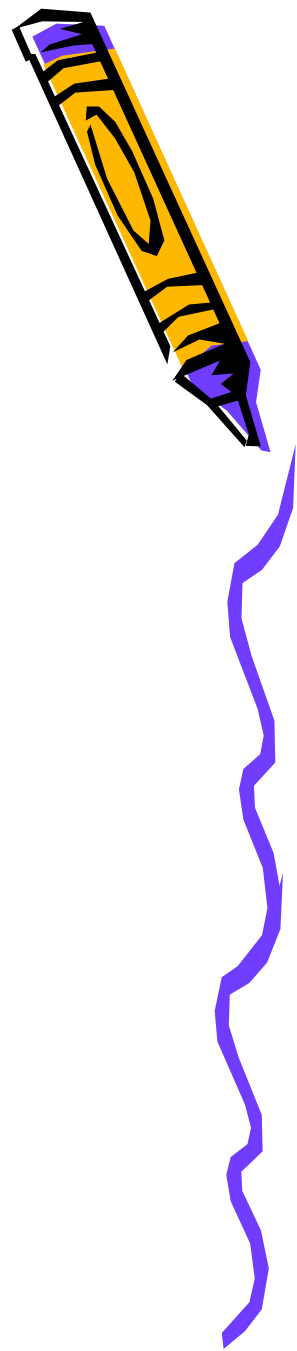


Chapter 9

Global Price Decision



- **Global pricing**
- **Global pricing strategies**
- **Global pricing decisions**



A. Global Pricing

What is price?

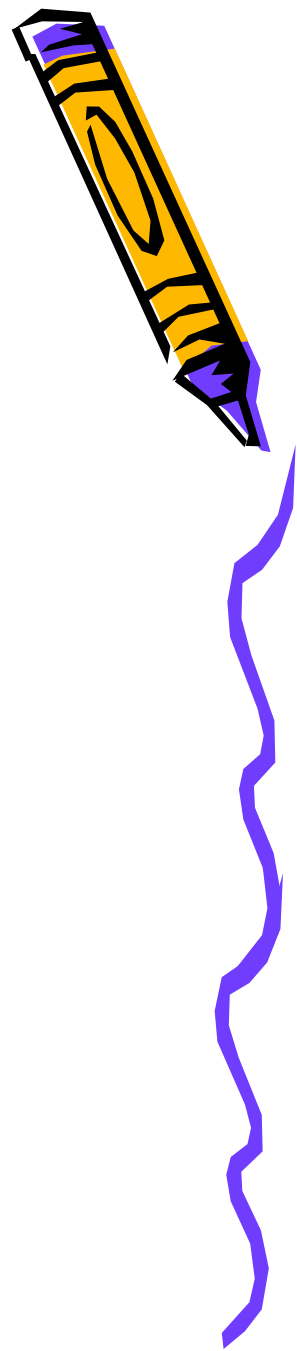
The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.



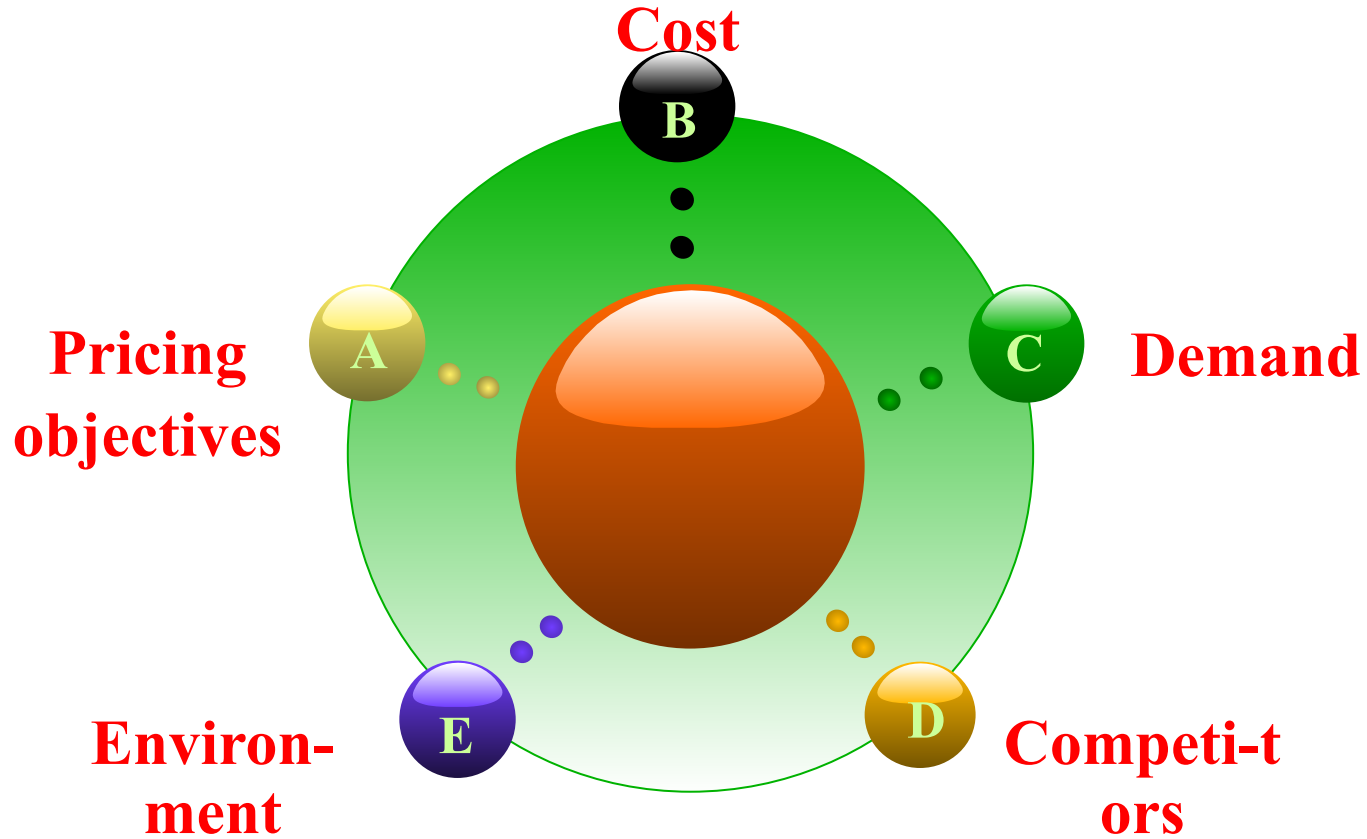
- **Global pricing** is one of the most critical and complex issues that a global firms face.
- Price is the only marketing mix instrument that creates revenues. All other elements entail costs. A company's global pricing policy may make or break its overseas expansion efforts.
- Multinationals also face the challenge of how to coordinate their pricing policy across different countries.



CASE



Factors affecting global price



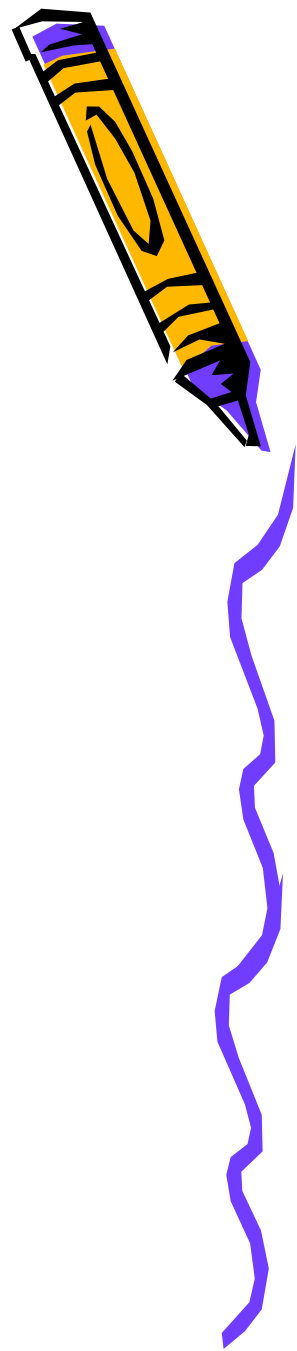
1.Pricing objectives



- **Pricing objectives** give direction to the whole pricing process. Determining what your objectives are is the first step in pricing.
- When deciding on pricing objectives you must consider: the overall financial, marketing, and strategic objectives of the company; the objectives of your product or brand; consumer price elasticity and price points; and the resources you have available.



- enhance the image of the firm, brand, or product
- maximize short-run profit
- increase sales volume (quantity)
- increase market share
- company growth
- maintain price leadership
- desensitize customers to price
- discourage new entrants into the industry



2. Cost



- Include fix and viriable costs associated with the product.
- Exporting involves more steps and substantially higher risks than domestic marketing. To cover the incremental costs (shipping, insurance, labor,promotion etc), the final foreign retailprice will often be much higher than the domestic retail price.



3.Demand

- Demand is an important element of global pricing. If demand of the host country is strong, the price of product might be higher in that country.



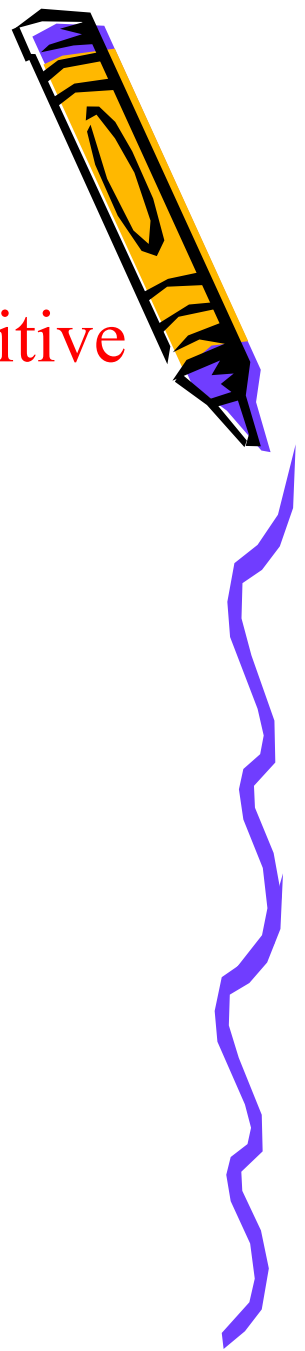
CASE



漫画中国

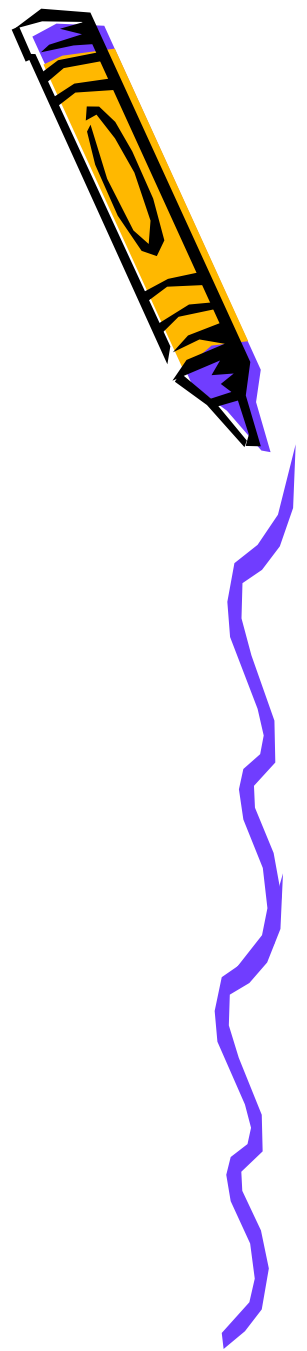
4. Competitors

- Pricing decisions are also bounded by **competitive action**. If competitors are manufacturing or sourcing in a lower costs country, it may be necessary to cut prices to stay competitive.



5. Environment

- Currency fluctuations (exchange rate)
- Inflation
- Government policy (tariff)



- When currency fluctuation occurs, there are two options for pricing: one is to **fix the price of products in country target market**. In this case, any appreciation or depreciation of the value of the currency in the country of production will lead to gain or losses for the seller.
- The other option is to **fix the price of products in home country currency**. If it is done, any appreciation or depreciation of the home country currency will result in price increases or decreases for customers and no immediate consequences for the seller.



- ***Inflation*** is a worldwide phenomenon. Inflation requires periodic adjustments. These adjustments are caused by rising costs that must be covered by increased selling prices.
- An essential requirement when pricing in an inflationary environment is the maintenance of operating profit margins.



都说人民币升值，
可我老觉得钱越来越贬值。

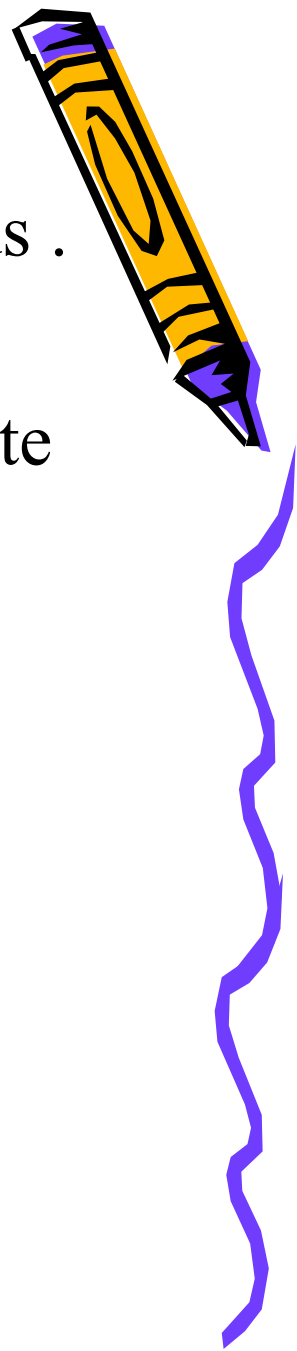


Tariff

- A tariff is a tax placed on imported goods. Each country has separate tariff regulations. **WHY?**
- Tariff increases government funds. For example, countries that do not grow bananas may create a tariff on importing bananas. The government would then make money from businesses that import bananas.



It is also used to raise the price of imported goods .

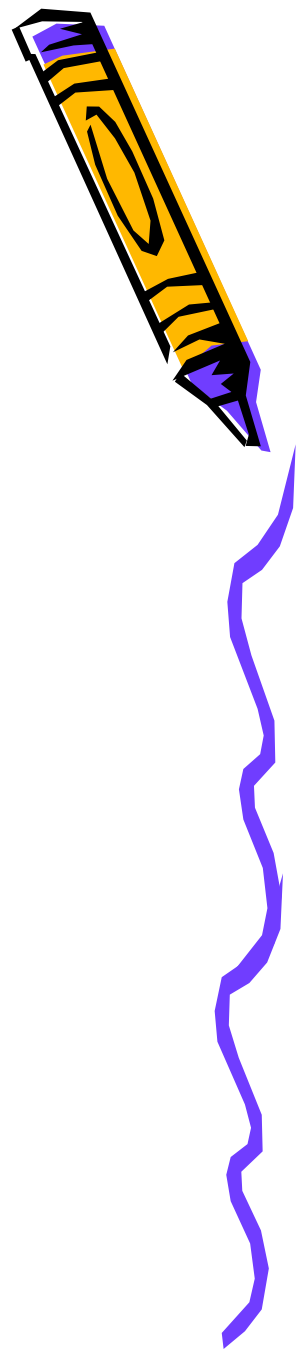


A higher tariff allows a local company to compete with foreign competition.

When no tariff or other restrictions are placed on imported goods, it is called free trade.



CASE



CASE 1

- $175 + 10\% \text{ tariff} + 30\% \text{ Consumption tax} + \text{others} = 275$
- $275 + 5\% \text{ Operation tax} + 17\% \text{ Value added tax} + \text{others} = 540$



CASE 2



CCTV 13
新闻

物料	成本
咖啡豆	1.6元
牛奶	2元
一次性用品	1元
一共 4.6元	

一杯
咖啡拿铁



10月20日
星期日

11:15 13~24℃ · 南京 多云 13~23℃ · 上海 多



B. Global pricing strategies

Cost -Based Pricing

Demand-Based Pricing

Competition-Based Pricing



1. Cost -Based Pricing

Cost – plus pricing

First calculates the cost of the product, then includes an additional amount to represent profit.

$(\text{average variable cost} + \text{allocation of fixed costs}) * (1 + \text{markup}\%)$.



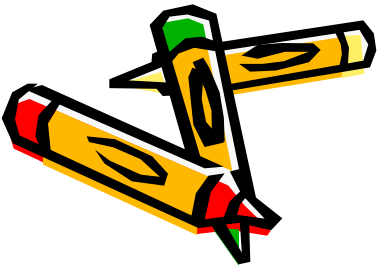
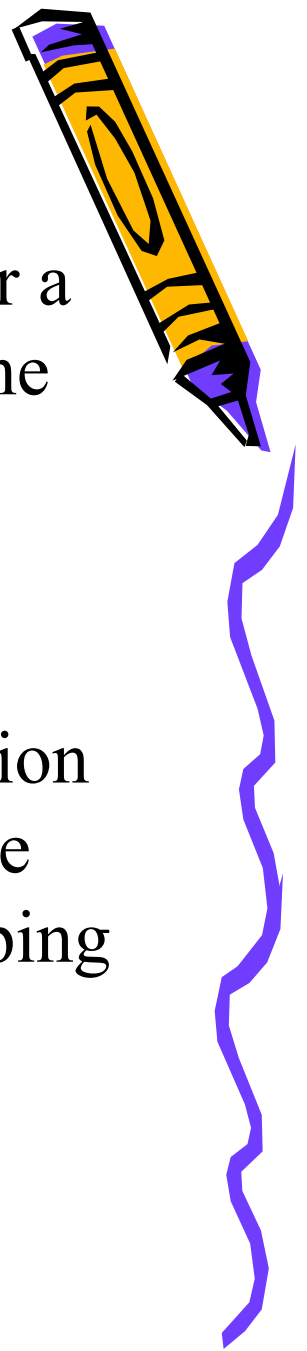
- If a business sells a microwave that has a variable cost of \$15.00, a fixed cost allocation of \$5, and a desired markup of 30%
- The price of the microwave using this method would be $(\$15 + \$5) * (1 + 0.30)$, or \$26.



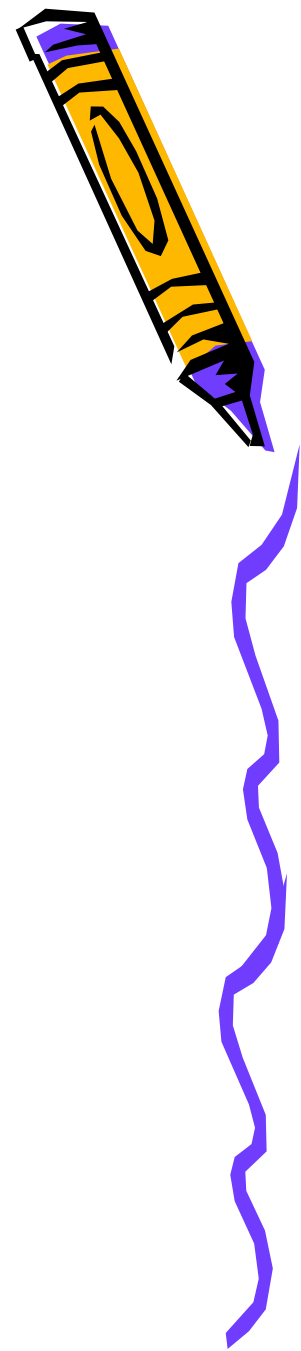
Dumping

Dumping is the act of charging a lower price for a good in a foreign market than one charges for the same good in a domestic market. This is often referred to as selling at less than "fair value".

Anti dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect. Thus, the purpose of anti dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade.



Think about...

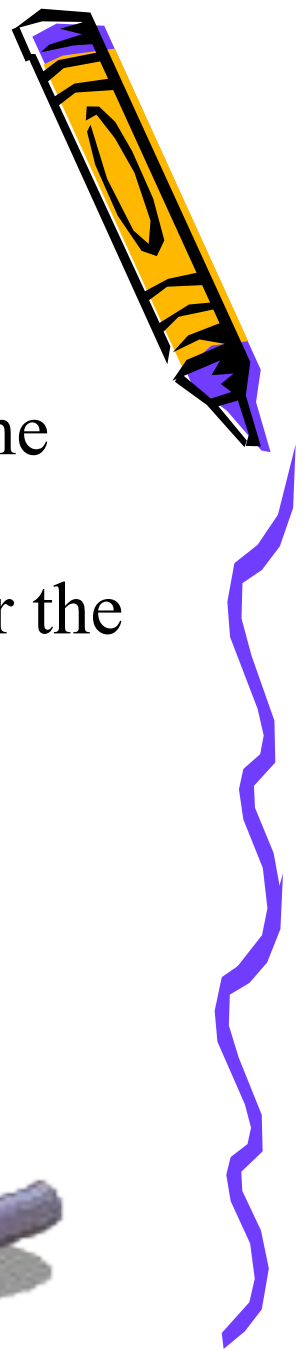


B. Demand based pricing

1. Value- Based Pricing

It sets selling prices on the perceived value to the customer, rather than on the actual cost of the product, the market price, competitors prices, or the historical price.

2. discriminating pricing



Value- Based Pricing

Cost based pricing



Value-based pricing



CASE

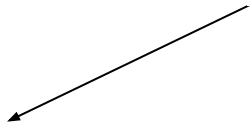


Discriminating pricing

□ Time



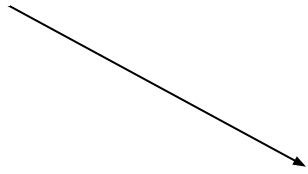
□ Place



**Super
market**



Restaurant



PUB, KTV



C. Competition -Based Pricing



Going-rate
pricing



Sealed-bid
pricing



C. Global pricing decisions

Portfolio Pricing

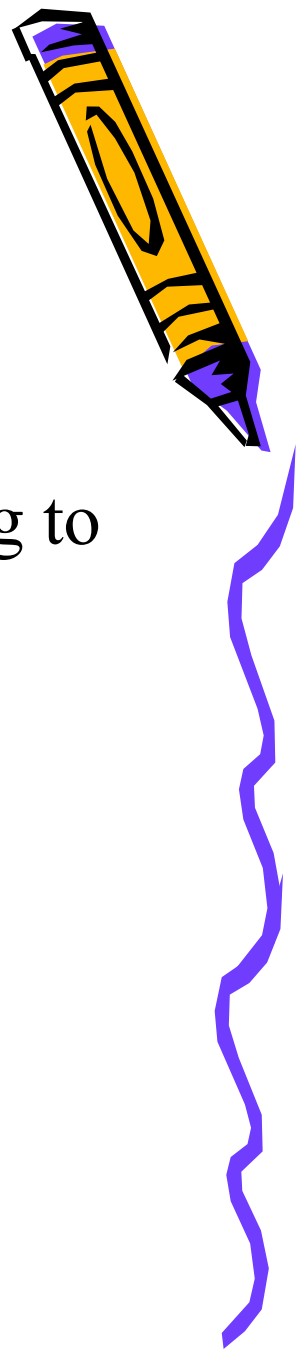
Promotional Pricing

Psychological Pricing

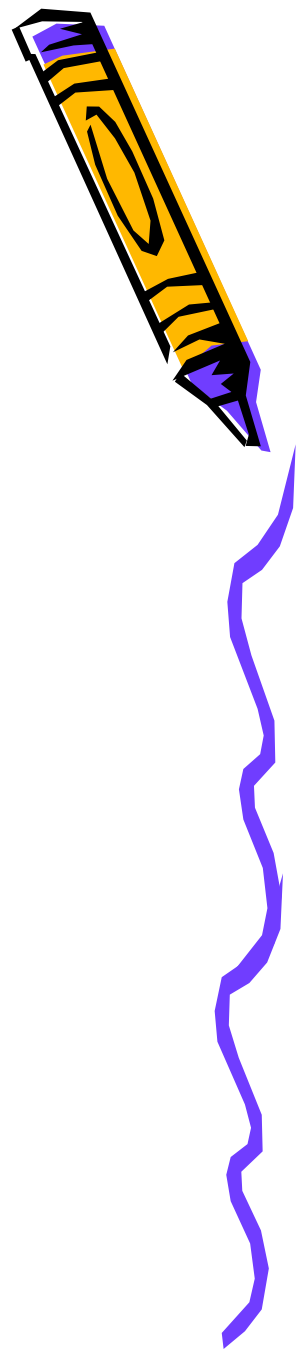


1. Portfolio Pricing

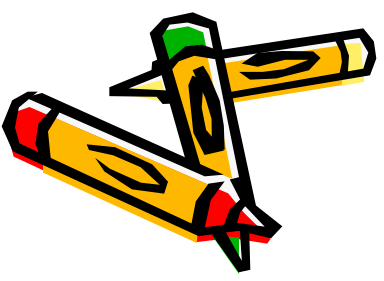
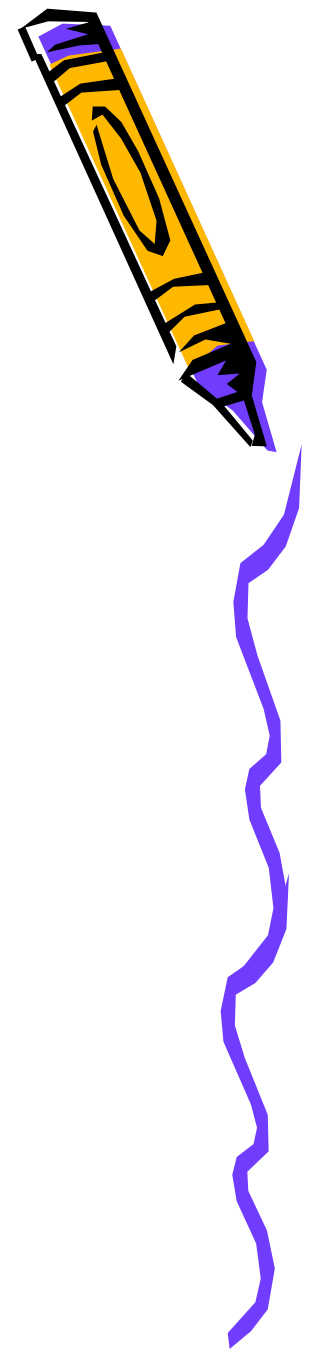
The term portfolio refers to any collection of financial assets. It is a generally accepted principle that a portfolio is designed according to the investor's risk tolerance, time frame and investment objectives.



CASE 1



CASE 2



CASE 3



CASE 4



2. Promotional Pricing



第二件 5折

OLAY 保湿乳液 原价 18.90 现价 9.40	OLAY 保湿乳液 原价 14.90 现价 7.95	OLAY 保湿乳液 原价 29.90 现价 14.95	OLAY 保湿乳液 原价 30.00 现价 15.00
OLAY 保湿乳液 原价 39.00 现价 19.50	OLAY 保湿乳液 原价 11.90 现价 5.90	OLAY 保湿乳液 原价 15.90 现价 7.90	OLAY 保湿乳液 原价 58.00 现价 29.00

买1 送1 FREE

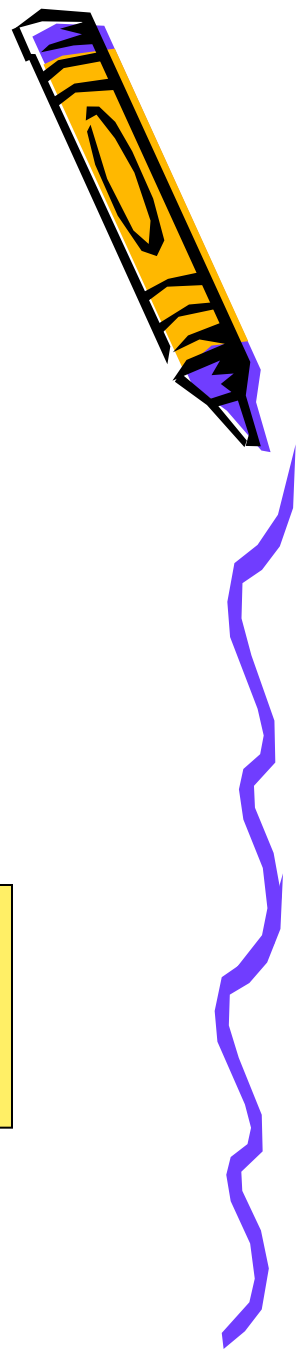
OLAY 保湿乳液 5.90	OLAY 保湿乳液 19.90	OLAY 保湿乳液 12.90	OLAY 保湿乳液 25.00
OLAY 保湿乳液 8.80	OLAY 保湿乳液 25.60	OLAY 保湿乳液 9.90	OLAY 保湿乳液 12.00

买可伶可俐产品满 25元 立减 5元

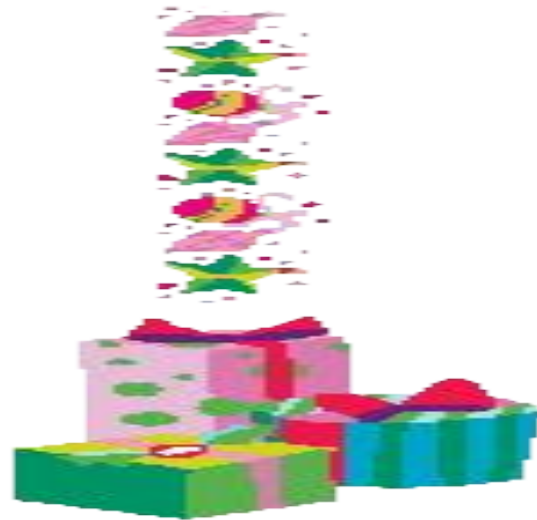
买卡尼尔产品满 88元 立减 18元

买旁氏产品满 99元 POND'S 立减 20元

Buy one , Get one free



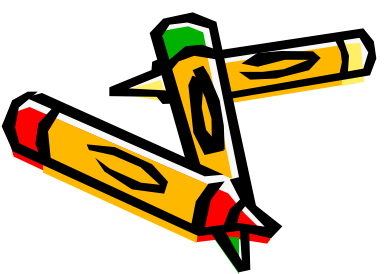
SPRING SALE
SUMMER SALE
AUTUMN SALE
YEAR END SALE
CHRISTMAS SALE
EASTER SALE



3. Psychological Pricing

4.99 VS 5

2400 VS 2399.95



Transfer pricing

Transfer pricing refers to the prices paid for goods, services and financing among related entities .

These could be payments among divisions within a company, or payments between a company and a subsidiary or joint-venture partner. Such transactions often occur across international boundaries

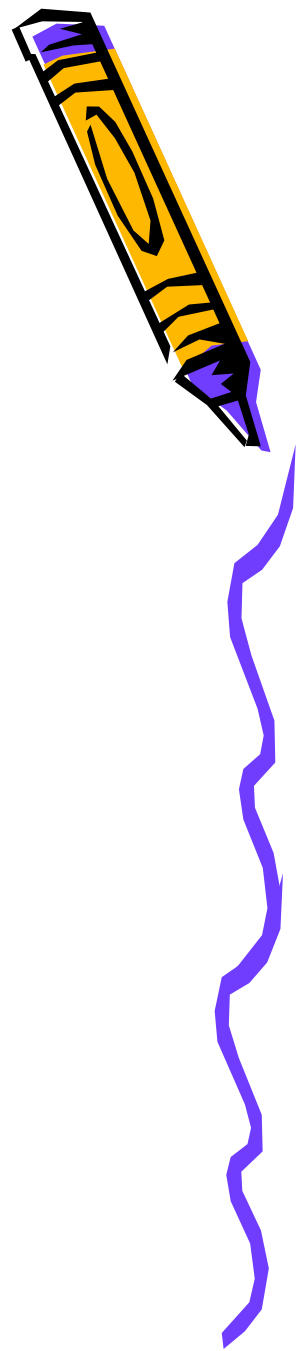


- Multinational enterprises are growing in number and complexity and are increasingly integrating their operations globally.
- It may operate in countries with different tax rates, import duties, etc Transfer price will **affect the profit** of the divisions involved. It should be set to **minimize** profits in high-tax countries and **maximize** them in low-tax countries



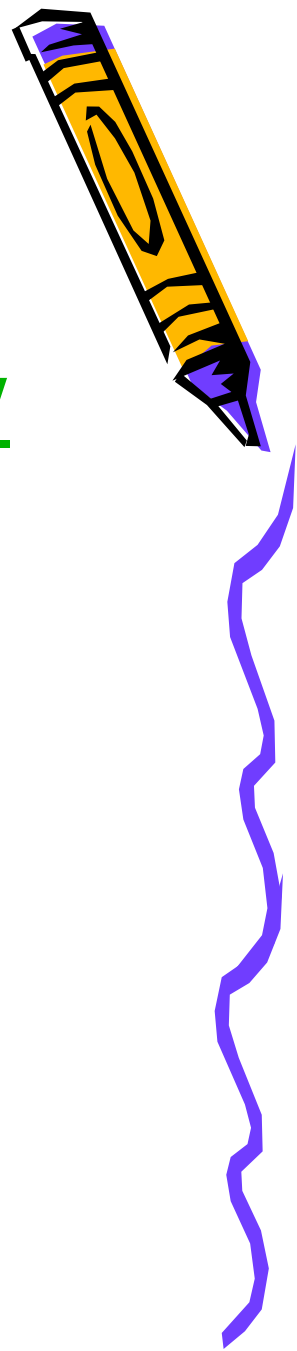
Summary

- Global pricing
- Global pricing strategies
- Global pricing decisions
 - Transfer pricing



Reference

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- 国际税收





谢谢

bingo

