

Analysis of seeing red over international gray markets article

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Here Article: Prince, M and Davies, M. (2000). " Seeing red over international gray markets", Business Horizons. March-April. pp. 71-74.

According to Melvin Prince and Mark Davies, in the article " Seeing Red Over International Gray Markets," gray markets are working as a serious threat to several manufactures and licensed retailers. Furthermore, these grey markets present a legal market that in the end, focuses on getting the consumer the best quality at the best price. Therefore, whether or not gray markets are useful really depends on whether one asks the company or the consumer. What the gray market allows is the sale of the important at a price that is usually less than what the licensed retailer can sell. United States Courts have stated that manufactures can cut products depending on whether or not the product is actually licensed. The manufacturers can alert customs about unauthorized products entering the United States, and customs will act to prevent this. However, not all people feel that these products should be excluded from the market. The idea the United States grew up around is the free market economy, and many argue that these actions are just another offshoot of this. Many people who purchase these unlicensed imports view manufactures in a hypocritical light, saying that manufactures sell off excess items in gray markets to bring up cash flows. One industry that felt this gray market bind is Apple Computes, Inc. Apple has spent quite a bit of time and money in an effort to bring up the value of the Mac and further improve the reputation of the computer and the company. Apple Computers has spent much of its time and effort focusing on

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providing excellent customer service and instruction in order to help people who purchase their computers better use the computers. However, gray marketers are not concerned at all with customer service quality, and this is where Apple Computers, Inc is running into problems. Customers can purchase Macs from these gray markets and then complain about the customer service presented after the computer has been purchased. Apple is trying to fight this issue and combat the problem. They began to refuse to sell their products to certain dealers if they were aware the dealers would then sell the products on the gray market. Another major issue customers had when buying these computers from gray markets was the location of the products. Many customers bought their computers from overseas, and thus got directions presented to them in a foreign language. Furthermore, shipping to another country can sometimes void the warranty of the computer.

Another company with a similar problem is Asda and Tesco superstores. This business is having a hard time currently, mainly because there are gray market superstores located in the United Kingdom. The European Court of Justice recently stated " A brand owner has not exhausted his EU trademark rights by allowing his goods to be sold outside the EEA, and can still use those rights to prevent 'gray' or parallel importation and sale of those goods into Europe without its consent." An after effect of this ruling could be felt in the United States, where some companies that had products being sold in similar large superstores began removing their products from Asda and Tesco. However, the superstores may still win because the only thing they must legally prove is that they got the products through a legal route.

Gray markets can be viewed as a very complex issue. Neither one of the companies mentioned above have really been able to totally solve the problem of gray markets. Gray markets, regardless, can serve to either increase or decrease the portion of the market share for a manufacturer. Gray markets obviously run a huge risk for most manufacturers because they can serve to give manufactures a bad name, like Apple. Thus, there may be no one solid solution for gray markets, as each company will have to attack each problem from a different perspective.

References

Prince, M and Davies, M. (2000). " Seeing red over international gray markets", Business

Horizons. March-April. pp. 71-74.

References