

Global and regional pricing

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Global and Regional Pricing Global and Regional Pricing Question Companies can significantly improve their profits and competitiveness by using regional pricing strategy. The term regional pricing implies that, the same product may be priced differently in Tampa as compared to Miami, two regions separated by only four hours. According to Fletcher (2009), regional pricing is important because it enables businesses to use strategic location advantage to optimize profits or cover up sales gaps that are generated from locations experiencing low demand. Fletcher observes that since price sensitivity varies from one neighborhood to another or from one region to another, it would be prudent for business owners to respond to the demands of the different regional markets. The rationale for charging different prices, based on the specific regions, is that a particular region may demand businesses to charge a lower price for their products, while another location may require higher pricing due to the quality or reputation of the product. A person travelling from Tampa to Miami using a personal car will always discover that the price of Gasoline varies depending on the distance from the main highway, with higher prices being charged close to the highway and lower prices far away from the highway. Similarly, retail stores in the same locality may charge lower prices, for same products on the store floor, in different regions as a way of increasing sales volume from stocks that are not moving, improve store traffic or compete directly with different stores and retail chains. Differential regional pricing is therefore dependent on the popularity of the product, the competitiveness of the product and demographic characteristics of the customers in the different regions.

Question 2

Price discrimination entails charging different prices for the same product or a variation of the same product, in different countries. Microsoft Corporation has emerged as a monopoly in the development and sell of computer software and programs. The company offers several versions of the Microsoft office program, which are priced differently, based on the various categories of consumers, including businesses, academia and personal computer users. Through price discrimination, Microsoft separates its consumers and charges different prices with the goal of capturing customer surpluses and optimizing its profit margins. Microsoft has been accused of charging different prices to the different consumers of the same product. Popa (2012) observes that Microsoft, Apple and Adobe face risks of legal proceedings due to their persistent use of price discrimination against customers in Australia. He notes that these companies offer their products at a premium price, in Australia, as compared to the other countries in which they serve. He argues that Microsoft faces risks of being issued with subpoenas due to its failure to offer details and justification for their pricing strategy in Australia. Similarly, Rimmer (2013) observes that it is not fair to modify prices and charge different prices for domestic and international prices. He argues that charging different prices for the same product is not only discriminatory but also an infringement of consumer rights. Further, Rimmer (2013) asserts that there is no justification for charging different prices for the Microsoft programs since they are essentially the same regardless of where they are sold. As such, there is no justification for charging more priced for products such as the BMW in other countries even though they may afford it. Although Microsoft has come out strongly in defending its price discrimination

strategy, citing factors such as high costs of labor and logistics in Australia, a court proceeding seems inevitable should the current talks and negotiations on the subject fail to achieve mutual consensus. It would, however, be interesting to find out the possible impact of these debates on the pricing policies, copyrights laws and consumer rights, even as more international countries such as New Zealand joins Australia in questioning the business ethics behind price discrimination.

References

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