

Theme: Pricing for international market

Task 1

1. Explain the difference between cost-based and value-based pricing in an international context.
2. What is price escalation? Give one real-world cause.
3. Why can a firm have the same product but different final prices in two countries?
4. Define transfer pricing and explain one ethical or legal risk.
5. What is gray market (parallel importing) and how does it relate to price differences?
6. When does penetration pricing make more sense than skimming in foreign markets?
7. What does currency risk mean for pricing decisions?
8. Explain dumping in simple terms and why governments care.
9. Name one reason psychological pricing may fail across cultures.
10. What is the role of Incoterms in international pricing?

Task 2

You export a smart blender from Uzbekistan to Germany.

- Ex-factory price: \$60
- Export packing & documentation: \$4
- Inland transport to port: \$3
- Ocean freight & insurance: \$5
- Import duty: 8% (applied to CIF value)
- Distributor margin: 25%
- Retailer margin: 35%
- VAT: 19% (applied to consumer price before VAT? → Assume VAT is added at the end)

Tasks

1. Calculate the landed cost (CIF + duty).
2. Build a price ladder from factory price → consumer price.
3. Identify three cost drivers causing escalation.
4. Propose two strategies to reduce the final price *without destroying margins* (e.g., packaging redesign, route change, local assembly, channel change).
5. If a competitor sells a similar blender at €129, would you (a) match price, (b) premium price, or (c) withdraw? Justify with logic.

Task 3

You price a product in Turkey at ₺2,000. Your costs are partly in USD. Suddenly, the local currency depreciates by 20%.

Tasks

1. List 4 pricing responses a firm can choose (e.g., keep price, increase price, reduce pack size, change sourcing, hedge, re-negotiate channel margins).
2. Choose one response and justify it based on:
 - o customer price sensitivity

- o competitor reaction
 - o brand position (premium vs mass)
 - o long-term market goals
3. Create a simple rule (a pricing policy) for future volatility (e.g., “if FX moves more than X%, we adjust price by Y% within Z weeks”).