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Export price: how to make it more competitive

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Abstract

The main purpose of this paper is to identify the key factors that enhance price competitiveness in export markets. Export price setting is a crucial managerial decision determining the ability to compete in foreign markets.
Export price competitiveness depends on a comprehensive identification of environmental factors and a congruence of pricing decisions and actions by the company. Competitive export price should be flexible and change over time due to external and internal environmental conditions. Based on the reviewed and examined scientific research findings, the article establishes the most important environmental factors that have an impact on price competitiveness in export markets. Their probable effect on export pricing decisions has been discussed in the article.
Scientific studies on export pricing practices are collected and reviewed. The research methods used in the article are systemic and comparative scientific literature analysis.

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Keywords: Export pricing; External factors; Internal factors; Export experience; Competitive intensity.

Introduction

Price is one of the most important factors of the competitive situation, which has a direct impact on the exporting company's sales and profitability. Price is also the most flexible element of the marketing mix which can be quickly adapted to environmental changes. Moreover, the consequences of price changes are more direct and immediate than those of any other marketing mix instrument, as they result in subsequent customer and, in most cases, competitor reactions (Stöttinger, 2001). Kohli and Suri (2011) argue that pricing is a creative exercise in math and behavioural psychology. Furthermore, even minor fluctuations in pricing can have a significant impact on both,

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revenues and profitability.

Many researchers agree that price can be the easiest and the fastest way to increase competitiveness (Hinterhuber & Liozu, 2014; Obadia & Stöttinger, 2015; Dolgui & Proth, 2010). Smith, Sinha, Lancioni and Forman (1999) state that pricing is the dominant competitive weapon. The results of Hinterhuber and Liozu (2014) research show that companies which implement innovation to their pricing activities significantly outperform their competitors. It shows that innovation in pricing may be a company's most powerful source of competitive advantage.

However, pricing decisions can be complicated because of the uncertainties associated with today's dynamic environments. Nowadays traditional price strategies are changing very rapidly, sometimes evolving into dynamic and complex pricing policies aimed at dealing with the new environment and the competition (Narangajavana, Garrigos-Simon, García, & Forgas-Coll, 2014). This is especially true for export pricing which is confronted with additional environmental factors. Obadia (2013) states that setting appropriate export prices is crucial to a company's economic performance, but it is also highly demanding because of the complexity and wealth of influential factors.

In order to set a more competitive export price it is not enough to rely only on fundamental knowledge of pricing, previous experience, and intuition. This requires reliable and comprehensive information about influencing environmental factors. Only a detailed analysis of these factors and competent interpretation of their impact allows to increase the efficiency of export pricing decisions. By contrast, the inability to respond to environmental considerations fairly quickly may also contribute to pricing errors that affect the company's performance adversely (Iyer, Xiao, Sharma, & Nicholson, 2015). Changes in the environment require new solutions, and export pricing decisions should be regularly reviewed, monitored and adjusted under the necessity.

In addition to the lack of information and the risk faced by the exporter, researchers point out such export pricing related issues: heightened competition, different trade customs, documentation, language barriers, bureaucracy, gray market activities, longer terms of payment, volatile exchange rates and other legal, institutional and cultural barriers (Myers, Cavusgil, & Diamantopoulos, 2002; Solberg, Stöttinger, & Yaprak, 2006; Navarro, Losada, Ruzo, & Diez, 2010). Also the theoretical and practical issues of export pricing have been analyzed by Obadia (2013; 2015), Stöttinger (2001; 2006; 2015), Sousa and Bradley (2009), Tzokas, Hart, Argouslidis and Saren (2000), Tan and Sousa (2011), Argouslidis and Indounas (2010).

Despite the fact that environmental factors impact on export price competitiveness is emphasized in many scientists works, however a comprehensive identification of the most significant determinants, evaluation of their influence that allows to increase the competitiveness of pricing, is missing.

The main purpose of the paper is to identify the key factors that enhance price competitiveness in export markets. The article complements and expands scientific studies on export pricing practices.

Scientific studies on export pricing practices are collected and reviewed. The research methods used in the article are systemic and comparative scientific literature analysis.

Export price setting should be approached at two different levels – the external and the internal – and both of them must be taken into account. In the next sections we discuss the main factors of external and internal environments which have the strongest impact on competitive export price setting.

1. External environmental determinants influencing export price competitiveness

Export pricing has to respond effectively to the contingencies in the external environment. Iyer et al. (2015) state that pricing is a decision that needs to be continuously examined and frequently adjusted, consequently pricing calls for detailed information on the environment as well as information on the impacts of prices on the company's marginal profits. According to Smith et al. (1999) pricing in today's competitive markets is a difficult task because the fluctuations in prices and the quick reactions by competitors to any price moves by large companies has made it difficult to establish consistent long-term pricing policies. Rusetski (2014) argues that "the complexity of pricing decisions and time pressures that often accompany them, prompt the need for fast, simplified decision algorithms".

Easier access to information for customers and the increasing dynamism of the environment have transformed the basis of competitiveness and have led to a fact that one of the most critical elements for companies becomes the ability to set and manage pricing strategies in order to deal with these new situations. This is especially true for companies active in highly dynamic and "hyper-competitive" industries (Narangajavana et al., 2014).