



● **predatory pricing** N-UNCOUNT

If a company practises **predatory pricing**, it charges a much lower price for its products or services than its competitors in order to force them out of the market.

Predatory pricing by large supermarkets was threatening the livelihood of smaller businesses in Queensland shopping centres. Utah Pie charged that the defendants had engaged in predatory pricing by selling pies below cost.

● **price cutting** N-UNCOUNT
price war (price wars) N-COUNT

If a company engages in **price cutting**, it reduces the price of its products or services in order to try to sell more of them. If competing companies are involved in a **price war**, they each try to gain an advantage by lowering their prices as much as possible in order to sell more of their products or services and damage their competitors financially.

An understandable reluctance to travel, shared by many people following the terrorist attacks in the United States, has led to some drastic price cutting by holiday companies. ... a price-cutting campaign. Their loss was partly due to a vicious price war between manufacturers that has cut margins to the bone.

● **price fixing** N-UNCOUNT

If competing companies practise **price fixing**, they agree to charge the same price as each other for similar products or services.

... companies that have engaged in price-fixing. ... allegations of price fixing.

● **price discriminate** (price discriminates, price discriminating, price discriminated) VERB
price discrimination N-UNCOUNT

If a company **price discriminates**, it charges different prices to different consumers or in different markets for the same products or services. **Price discrimination** is the practice of charging different prices to different consumers or in different markets for the same products or services.

The firm must identify how much its customers are willing to pay before it can effectively price discriminate. ... the government's past efforts to prevent price discrimination.

● **undercut** (undercuts, undercutting, undercut) VERB

If you **undercut** someone or **undercut** their prices, you sell a product more cheaply than they do.

The firm will be able to undercut its competitors whilst still making a profit. ... promises to undercut air fares on some routes by 40 per cent. Prices were undercut and profits collapsed.

Common Collocations

to undercut a **competitor** to undercut a **rival**
to undercut **prices**

● **cartel** (cartels) N-COUNT

A **cartel** is an association of similar companies or businesses that have grouped together in order to prevent competition and to control prices.

Since RTZ has no agreements with other producers, it cannot be accused of running a cartel. Since 1993 OPEC, the oil cartel dominated by Saudi Arabia, has kept its output constant at around 25m barrels a day.

● **restrictive practice** (restrictive practices) N-COUNT

Restrictive practices are ways in which people involved in an industry, trade, or profession protect their own interests, rather than having a system which is fair to the public, employers, and other workers. [BRIT]

The Act was introduced to end restrictive practices in the docks. We had further plans to tackle restrictive practices and other inefficiencies in the medical profession.

● **loss leader** (loss leaders) N-COUNT

A **loss leader** is an item that is sold at such a low price that it makes a loss in the hope that customers will be attracted by it and buy other goods at the same shop.

Economy sliced bread became a loss leader and the supermarkets turned to new premium products to recoup their margins. Firms such as Gillette and Kodak have long pushed loss leaders like razors and cameras so as to make a killing out of the blades and film that go with them.

● **collude** (colludes, colluding, colluded) VERB
collusion N-UNCOUNT

If one person, company, or organization **colludes** with another, they co-operate with them illegally or secretly. **Collusion** is secret or illegal co-operation between companies or organizations.

Staff were colluding with tourist bus drivers and using the same ticket five or six times. He found no evidence of collusion between record companies and retailers. Some stockbrokers, in collusion with bank officials, obtained large sums of money for speculation.

➤ **market leader**: Topic 3.3; **monopoly**: Topic 3.3; **rival**: Topic 3.3



PRACTISE YOUR VOCABULARY

1 Use the terms in the box to complete the paragraph.

undercuts predatory pricing collude restrictive practice price wars price fixing cartel

When a business sells a product at a lower price than its competitors it _____ them. Companies responding to each others' price cuts by cutting prices further engage in _____. Firms which use price cutting to hurt their rivals or to drive them out of the market practise _____. When there are many businesses in a particular market but only a few companies dominate it, many companies follow the price set by the market leader. In extreme cases firms might even _____ with other companies, and practise _____. This activity is often illegal and is an example of a _____. A group of suppliers who agree to fix a price for their products are known as a _____. Often a cartel will exploit the consumer by overpricing their goods, because they are able to suppress competition.

2 Tick (✓) a column to show who benefits first in each case:

	the seller	the consumer
predatory pricing		
price cutting/price wars		
price discrimination		
cartels		
restrictive practices		
loss leaders		

3 What are the following examples of? Choose from the terms listed in the ~~box~~ ^{table} above.

- a Company A, a supermarket, buys milk at 15p per litre and sells it at 12p per litre in the hope that customers will buy other more expensive products.
- b Company B manufactures all kinds of household electrical appliances. It has just come into competition with a new company that makes only food mixers. Company X has cut the price of its mixers by 25%.
- c Company C is a bank. It charges its business customers 40p for each cheque they write, but this service is free to individual account holders.
- d Company D has just reduced the price of its newspapers by 5p after its main rival announced that it was reducing its price by 3p.
- e Company E, a French perfume maker, refuses to allow their products to be sold at HIPLIE, the budget supermarket.
- f Companies F, G and H have got together to set up an agency to coordinate the marketing of their products.

4 Choose the correct term in each sentence.

- a If a government is keen to increase competition it might pass laws against:
 - i undercutting prices
 - ii the operation of cartels
 - iii price wars
- b Which of the following is likely to lead to higher prices?
 - i selling loss leaders
 - ii price fixing
 - iii undercutting competitors' prices
- c Which strategy focuses on selling increased numbers of the product?
 - i price cutting
 - ii price fixing
 - iii collusion