

# Why do Retailers Charge Different Prices for Identical Products Across Countries? An Investigation in the CPG Industry

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## **Abstract**

Identical products sold by the same retailer in different countries often have different prices. Using cross-country scanner data, we examine (i) to what extent prices for identical products at the same retailer differ across countries in the Consumer Packaged Goods market and (ii) if prices differ, which factors drive this cross-country price gap? We propose that the cross-country price gap of a specific SKU depends on the physical proximity of a store to its home country (cross-border) equivalent, the retailer's perceptual proximity to its local competitors, and local demand motives. In addition, the importance of these drivers will differ for private label SKUs owned and managed by the retailer versus national brand SKUs sold by the retailer. Whereas policy makers assume that cross-border arbitrage will ensure similar prices, our preliminary insights show that this is not the case.

**Keywords:** *Pricing-to-market; cross-country price differentiation; multinational retailers*

**Track:** Pricing & Promotions