

# Pricing Ethics: Balancing Fairness and Profitability

by: Kirk Jackisch

The topic of ethical pricing is one that challenges companies to balance their economic goals with the need to maintain ethical practices. The struggle to remain profitable while upholding ethical standards is a complex and multifaceted issue that requires a comprehensive solution that takes into account the needs of all stakeholders. By embracing innovative solutions that balance profit and principle, companies can ensure that they are able to remain competitive and profitable while maintaining the highest ethical standards, as the author explains. Kirk Jackisch is the Global President of Iris Pricing Solutions. He can be reached at [kjackisch@pricingsolutions.com](mailto:kjackisch@pricingsolutions.com).



## Navigating the Ethical Pricing Conundrum

Pricing is a crucial aspect of any business, as it determines the profitability of a company and its ability to remain competitive. However, when setting prices, it is important to consider not only economic factors, but also ethical considerations. In this article, we will look at the various ethical issues that arise in pricing and how businesses can strike a balance between fairness and profitability.

One of the main ethical concerns in pricing is **price discrimination**. This occurs when a company charges different prices for the same product or service to different groups of customers. While price discrimination can be a useful strategy for maximizing profits, it can also be seen as unfair if it is based on factors such as race, gender, or age. To avoid ethical problems, companies

must ensure that their pricing policies are transparent and non-discriminatory, and that they are able to justify any differences in prices.

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The **exploitation of vulnerable consumers** is another ethical concern in pricing. This can occur when companies charge high prices for essential goods and services, such as medication or energy, to those who are unable to pay (see [Price Gouging During the Covid-19 Pandemic](#)). To avoid this, companies must consider the impact of their pricing policies on vulnerable consumers and

ensure that they are not taking advantage of their situation.

**Price fixing**, which occurs when companies conspire to set prices at a certain level, is a third ethical concern in pricing. This is illegal in many countries and is considered unethical because it reduces competition and raises consumer prices. To prevent this, businesses must avoid any practices that could be interpreted as price fixing.

## Balancing Profit and Principle: 5 Challenges to Businesses

The topic of ethical pricing can be tricky to solve for several reasons:

- 1. Competition:** Companies are often under pressure to remain competitive in a crowded market, which can lead them to adopt unethical pricing practices in order to remain profitable.

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- 2. **Complexity:** Pricing is a complex issue that involves many factors, including supply and demand, production costs, and customer preferences, making it difficult to find a balance between profit and principle.
- 3. **Perception of unfairness:** Unethical pricing practices, such as price discrimination or exploiting vulnerable customers, can lead to a perception of unfairness among customers, which can damage a company's reputation and reduce customer loyalty.
- 4. **Limited regulation:** There is limited regulation in many industries around the world, which means that companies have more freedom to set prices as they see fit. However, this also means that there is a lack of oversight and accountability for ethical pricing practices.
- 5. **Differing opinions:** Different stakeholders, including customers, employees, and advocacy groups, may have different opinions about what constitutes ethical pricing, making it challenging for companies to find a solution that satisfies everyone.

**Finding a Balance: Solutions for Ethical Pricing Challenges**

- **Implement flexible pricing models:** One solution is for companies to adopt more flexible pricing models that take into account the needs of a wider range of customers. This could involve offering discounts

to vulnerable customers, implementing tiered pricing systems, or offering bundles and packages that provide better value for money.

- **Adopt a customer-centric approach:** Companies can also adopt a customer-centric approach to pricing, which means putting the needs of customers at the center of all pricing decisions. This can be done by conducting market research to better understand the needs and preferences of customers and using this information to develop pricing policies that are fair and reasonable for both the company and its customers.
- **Foster transparency and open communication:** Companies can foster transparency and open communication with their customers by being clear about the reasons for any changes in prices and explaining how their pricing policies work. This can help build trust and reduce the perception of unfairness among customers.
- **Encourage ethical behavior among employees:** Companies can also encourage ethical behavior among their employees by providing training on ethical pricing practices and establishing a clear code of conduct that outlines acceptable behavior in relation to pricing. This can help ensure that employees understand the importance of ethical pricing practices and are equipped to make informed decisions.

- **Collaborate with other stakeholders:** Companies can also collaborate with other stakeholders, such as industry associations and advocacy groups, to promote ethical pricing practices and raise awareness of the issues involved. This can help to create a more level playing field and ensure that companies are held accountable for their actions.

In conclusion, the topic of ethical pricing is one that challenges companies to balance their economic goals with the need to maintain ethical practices. The struggle to remain profitable while upholding ethical standards is a complex and multifaceted issue that requires a comprehensive solution that takes into account the needs of all stakeholders. While it may be tempting for companies to prioritize profits over principle, it is important to remember that **unethical pricing practices can have serious long-term consequences**, including damage to a company's reputation, reduced customer loyalty, and decreased public trust. By embracing innovative solutions that balance profit and principle, companies can ensure that they are able to remain competitive and profitable while maintaining the highest ethical standards. Ultimately, ethical pricing practices are not only the right thing to do, but they are also essential for building and maintaining a successful and sustainable business in the long term.



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