

Different types of dumping with example

Dumping is of several types. They are as follows.

- Sporadic dumping
- Predatory dumping
- Persistent dumping; and
- Reverse dumping

1. Sporadic dumping: Manufacturers practice sporadic dumping to get rid of excess merchandise. A manufacturer with unsold inventories avoids starting a price war in the home market to preserve his competitive position. Excess supplies are destroyed. Example, Asian farmers dumped small chickens into the sea. Another method is to have the excess supply dumped in a foreign market where the product is normally not sold. Thus, sporadic dumping is aimed at liquidating excess stocks that may arise occasionally.

2. Predatory dumping (Intermittent dumping): While sporadic dumping is occasional, predatory dumping is permanent. Predatory dumping is also known as intermittent dumping. It involves sale of goods in overseas markets at a price lower than the home market price. This is selling at a loss to gain access to a market and eliminate competition. After the competition is eliminated, the company becomes a monopolist. Monopoly position is then used to increase the price. Anyway, there is a disadvantage that former competitors may rejoin the market because of high profit margins.

Example,

Hitachi was accused of following predatory dumping for its EPROM (electrically programmable read only memory) chips.

Zenith in USA accused Japanese Television manufacturers of using predatory dumping. A charge was leveled against Japanese manufacturers for false billing and secret rebates to set low predatory prices on T.V. sets in U.S markets. It was argued that they tried to drive U.S firms out of business in order to gain a monopoly.

3. Persistent dumping (Long period dumping): Persistent dumping as the name itself implies is the most permanent type of dumping. It involves consistent selling at lower prices in one market than in the rest of the market. This practice is based on the fact that markets vary in terms of overhead costs and demand characteristics. In persistent dumping, the firm may use

marginal cost pricing abroad while using full cost pricing (covering fixed costs at home) in domestic market.

Japan, for example, sold consumer electronics at high prices in its own country. This is because it has no foreign competition. But it lowered prices in the U.S market in order to maintain market share.

4. Reverse dumping: Reverse dumping is followed in the overseas markets where the demand is less elastic. Such markets tolerate a higher price. Thus, dumping is done in the manufacturer's home market by selling locally at a lower price.