What is predatory pricing?

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In news– Recently, the Competition Commission of India has dismissed allegations of predatory pricing against e-commerce platform Shopee.

About predatory pricing?

- Predatory pricing is a **deliberate strategy, usually by a dominant firm, of driving competitors out of the market by setting very low prices or selling below the firm's incremental costs** of producing the output.
- **The aim is that existing or potential competitors within the industry will be forced to leave the market,** as they will be unable to effectively compete with the dominant firm without making a loss.
- Once the predator has successfully driven out existing competitors and deterred entry of new firms, it can raise prices and earn higher profits.
- It violates antitrust laws, as it makes markets more vulnerable to a monopoly.
- However, **allegations of this practice can be difficult to prosecute** because defendants may argue successfully that lowering prices is part of normal competition, rather than a deliberate attempt to undermine the marketplace.
- **The difference between predatory pricing and competitive pricing is** during the recouping phase of lost profits by the dominant firm charging higher prices.
- Predatory pricing usually will cause consumer harm and is considered anti-competitive in many jurisdictions making the practice illegal under some competition laws.