

## 14.0 PRICING PRODUCTS FOR THE SOUTHWESTERN U.S. MARKET

When pricing products for the Southwestern U.S. market the following points should be carefully considered:

The need to be competitive — interviews with all key groups contacted during the course of this study emphasized that the Southwestern U.S. computer industry is extremely price conscious. From the Canadian point of view, this means not only should products be attractively priced but transactions involving products exported to the U.S. should be kept as simple as possible. Potential customers stressed that it is necessary for Canadian companies to bring their products to the market because U.S. buyers will not feel the need to shop in Canada. For this reason, pricing should include all brokers' costs, customs duty, and any other contributing costs. Agent's, distributor's or sales representative's commission should be included. This will make it possible to quote an all inclusive price. Pricing in U.S. dollars should be a matter of standard practice.

All freight costs should be included. This will be necessary if products are to be warehoused and distributed in the market area or whether they are to be shipped directly to a customer's premises. Fear of excessive freight costs has often held Canadian manufacturers back from developing worthwhile U.S. markets. The section on freight in this report will be helpful as a general guide to minimize transportation costs.

Before commencing a business relationship with an American company, it will be necessary to discuss the question of payment terms thoroughly. Canadian suppliers will be aware that events often move rapidly in the computer industry. For this reason, an adequate credit report should be obtained when dealing with small companies particularly for initial orders. Canadian suppliers may feel comfortable in dealing with large established American organizations on an open-order basis but, here again, it must be remembered that a number of leading U.S. companies in the field have developed severe financial problems over the last year and this could seriously affect payment prospects. If Canadians supply direct from Canada rather than through distributors, a Letter of Credit can be used. This has always been the most satisfactory solution for long range international commercial transactions.