
The deal turns out to be quite lucrative for all three parties. At \$34.33 f.o.b. ex plant, the trading company makes \$3.10 (\$43.09 [landed target price in Port of Spain] less \$5.66 [DEC] less \$34.33) per wheelbarrow, fairly close to his original targeted profit of \$3.39. The manufacturer makes the usual average profit of \$5.45 and in addition gains a contribution to overhead (factory burden, administration and marketing costs) of \$8.36 (\$34.33 – \$25.97). For this particular operation, the reverse of what was feared happens: exports subsidize domestic activities rather than the reverse. The importer gets the same price as he would have had from Denmark. He also saves by not having to pay interest or letter of credit charges (since the trading house didn't require one). The free parts are included in the deal and an additional intangible advantage is that Naim is buying from his friend Kampouris whom he trusts and who will be there to solve any problems which may arise.

While the above example relates to the establishment of a price in a demand sourcing situation, the factors considered are also relevant in a supply marketing situation. Furthermore, some general observations can be made concerning this case that apply to export pricing as a whole.

First, as an export intermediary the trading house plays a key role in linking supply and demand and in obtaining the best possible export conditions, particularly with regard to transportation and financial costs.

Second, manufacturers should pay close attention to costing for export. They should not include such things as non-applicable domestic marketing costs and should carefully scrutinize the applicability of overhead costs related to factory burden and administration.

Third, negotiations between manufacturers and traders must be quite open-ended. An open-book policy will actually pay off for both sides when it comes to setting prices and conditions to win overseas contracts.

This approach to negotiations can only be built on mutual trust. Trust is the essential basis for establishing trader-manufacturer partnerships that can be winning propositions on today's intensely competitive international scene.