Export Costing

At this stage, Mr. Kampouris calculates the c.i.f. price based on the manufacturer's offer and the direct exporting costs involved. The results (per wheelbarrow) of his computations are as follows:

	Net f.o.b. ex plant (manufacturer's offer)		C$41.72
+	Direct exporting costs (DEC)		
	Inland freight	C$0.37	
	Handling		
	Storage		
	Marking		
	Preparation and		
	delivery containers	C$4.67	
	Wharfage		
	Overseas freight		
	Interest	C$1.30	
	Banking costs	C$0.12	
	Insurance	C$0.30	
	Total DEC		C$ 6.76
=	Total c.i.f. before profit		C$48.48
+	Targeted profit		C$ 3.39
=	Total c.i.f., including targeted profit		C$51.87

Mr. Kampouris is faced with a major gap between a demand price of C$43.09 and an offer price of C$51.87. The first thing he will do is figure out how he can save on direct exporting costs and decide how much he can reduce his targeted profit.

By finding a cheaper mode of transportation and better credit terms, he manages to cut his DEC by C$1.10. Because he is interested in the transaction, he is also willing to cut his targeted profit to C$2.50 per wheelbarrow. As a result, he can reduce the c.i.f. price by C$3.60 to C$48.27. It is still a long way to go. What is the manufacturer willing to do?