Contract

A contract is just as necessary in exporting as in domestic business. It should be viewed not only as a means of legal protection but also as an instrument for fostering the clearest possible understanding between two parties. Lastly, the manufacturer or the trading house should remember that a contract which attempts to wring every last concession from the other party is not an achievement but, rather, a sure sign that the deal will never work. Indeed, a contract will be a success only to the degree that it incorporates terms that work to the equal advantage of all contracting parties.

Pricing for Export Success

Traders serve as intermediaries in matters that relate not only to product specifications but also to price. As regards price, they negotiate with both the seller and buyer. Their role is likely to involve persuading the foreign buyer to accept a higher price or the seller a lower price or convincing both to compromise when they are too far apart. It may also include negotiating better terms for freight, insurance handling and financial costs.

For an example of pricing in a demand sourcing situation, return to the case of wheelbarrow exports to Trinidad. Mr. Kampouris has found a Canadian supplier who is offering to meet the delivery deadline with a product of the required specifications at a price of C$41.72 ex plant — after quantity and cash discounts, and net of federal tax which does not apply on exports.

Naim in Trinidad already has an offer from the Danes at US$31.00 (C$43.09) c.i.f. Port of Spain. Mr. Kampouris first tries to get Naim to go higher. The answer is "No." Naim remains unimpressed by the superior quality of Canadian wheelbarrows; even if they are the world's best, he would still prefer to have his 600 wheelbarrows at US$31.00, or even cheaper. In this particular case, the trader can either try to meet the buyer's conditions or let the deal drop. Mr. Kampouris decides to pursue the transaction.