

THE CONTENTS OF A QUOTATION

Quotations ought to include:

- a detailed product description;
- the quantity of the product offered;
- the quality of the product and how it is guaranteed;
- a description of how the product is to be packaged;
- the mode of transport, intermodal transit requirements and dates specifying when the goods can be shipped (e.g. by sea, air, train or truck, "right away," or "first opportunity");
- frequency of delivery;
- the price of the product (by weight, length, unit or other measure);
- the currency of the quotation (Canadian or US dollars, Mexican pesos);
- the origin of the quotation (the company's plant and/or head office, a sea or air port);
- the terms of delivery (e.g. DDP)
- the term of sale (e.g. letters of credit (L/C), documents on payment, documents on acceptance, COD at foreign airport; and
- the shipping and delivery date.

A quotation sent to a potential buyer in response to an inquiry is a binding commitment to deliver goods at the price and on the terms specified. Therefore, great care must be taken to ensure that all the relevant details are included and fully understood by the prospective customer. A freight forwarder can offer valuable assistance in developing quotations.

After the firm responds to the initial inquiry, the prospective buyer may choose to make a formal offer to buy. Acceptance of the offer can be made only by the firm to which the offer is directed. If the offer prescribes a procedure or a timeframe within which the offer must be accepted, acceptance can only be made in accordance with the required procedure and within the required timeframe. An accepted offer constitutes a legally binding contract. Once acceptance has been made, no changes can be made to the contract without the mutual written consent of the parties.

Alternatively, an offer can be modified through a counteroffer. If the gap between the parties is too great to handle through an exchange of letters or faxes, then formal negotiations may have to be undertaken to close the deal.

The quotation can take the form of a "pro forma" invoice transmitted by letter, fax or telex. Export price quotations are typically more detailed than those prepared for domestic sales. The quotation should include the product, the price at point of delivery, the time of shipment, and the terms of the sale (e.g. irrevocable letter of credit, sight draft, etc.). It should also include information on the gross shipping weight, cubic volume, or other relevant measures. Freight insurance and other costs should be included if requested by the buyer, to allow for calculation of the landed cost.

CONTRACTS

The following are some of the features of a written contract for the export sale of goods that should be kept in mind by the exporting firm. The contract should:

- be drawn up by persons who have the legal power to bind the parties to the contract;
- specify which country's laws govern the contract;
- explicitly exclude any terms that the parties do not wish to include;
- specify the price of the goods, the terms of sale, the terms of payment and the currency of settlement;