Setting prices

Strategic pricing is one of the most important factors in achieving financial success in your export business. Part of setting a realistic export price, and therefore an appropriate profit margin, is to examine production, delivery costs, competition and market demand. You should also understand the variables of your target market and other export-related expenses such as:

- currency exchange rates;
- market research and credit checks;
- receivables/risk insurance;
- business travel;
- international postage, cable and telephone rates;
- translation;
- commissions, training charges, and other costs involving foreign representatives;
- consultants and freight forwarders; and
- product or service modification and special packaging.

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Poor market research – the exporter takes insufficient time to collect background information about the target markets, such as consumer demand, the competitive landscape, local import laws, customs requirements and other important factors.

Market demand

As in domestic markets, demand in foreign markets can affect your price. In other words, what will the market bear?

For most consumer goods, per-capita income is a fairly good way to gauge a market's ability to pay. Per-capita income for most industrialized nations is similar to that of Canada or the United States, while it is much lower for the rest of the world.

It's true that some products or services may create such a strong demand that even low per-capita income will not affect their selling price. Generally, though, simplifying products or services to reduce the selling price may be the best option in less affluent markets.

Remember that currency valuations affect affordability. Your pricing should try to accommodate currency fluctuations and the comparative value of the Canadian dollar.

Competition

In domestic markets, few companies can set prices without considering their competitors' pricing. This is also true in exporting.

If you have many competitors in a foreign market, you may have to match or undercut the going price to win a share of the market. If your product or service is new to a market, though, you may be able to set a higher price.

Pricing strategies

How will each market affect your pricing? To begin with, you have to include things like product modifications, shipping, and insurance in your calculations. And as mentioned above, you can't ignore your competitors' pricing.

Refer to your market objectives when setting your price. For example, are you trying to penetrate a new market? Looking for long-term market growth? Or pursuing an outlet for surplus production?

You may have to tailor your marketing and pricing objectives to certain markets. For example, pricing strategies for developing nations, where per-capita income may be low, will differ from your objectives for high per-capita markets.