

DETERMINING YOUR PRICE

*Proper pricing is a key ingredient in successful exporting. This section of *The Exporter's Guide* covers the various cost elements that should be considered, and identifies pricing methods and strategies. As pricing is generally more applicable to product exporters than it is for service exporters, the following information focuses on the export of manufactured goods.*

COSTING

Costing is the first step. Once a detailed analysis is prepared, you should have a clear idea of what a transaction will cost, when particular costs will be incurred and therefore what kind of financial arrangements you'll need to support the transaction.

The following worksheet, *A Guide to Export Costing*, summarizes the basic cost categories involved in exporting and suggests a quick method of incorporating them into the planning process.

PRICING

Pricing analysis will help you to determine the commercial viability of the transaction, i.e. the price that can be reasonably charged for your product in the target market. Alternatively, by establishing that the transaction cannot be profitable, it will save you from wasting time and effort on a deal that won't work.

To determine an appropriate price, take into consideration the competitive situation in your target market and ask the following questions:

- What prices are other suppliers (and exporters) charging for the product or service? (Try to get copies of competitors' price lists.)
- How strong is local demand for your product or service?
- How fast is local demand growing?

These questions can be answered through careful market research. Talking to potential foreign customers, foreign agents and distributors as well as other intermediaries can provide you with a reasonably good understanding of local market conditions.

If your calculated price for the export is higher than prevailing prices in the target market, you will have to differentiate yourself from your competitors by offering superior quality, better service or some other unique attribute.

Intelligent export pricing consists of more than the mechanical task of calculating your price. Successful companies also focus on strategic goals in setting their price.

You can use several pricing strategies to determine the profitability of your export transaction. The following table, *A Summary of Pricing Strategy*, provides some of the basic approaches to pricing.