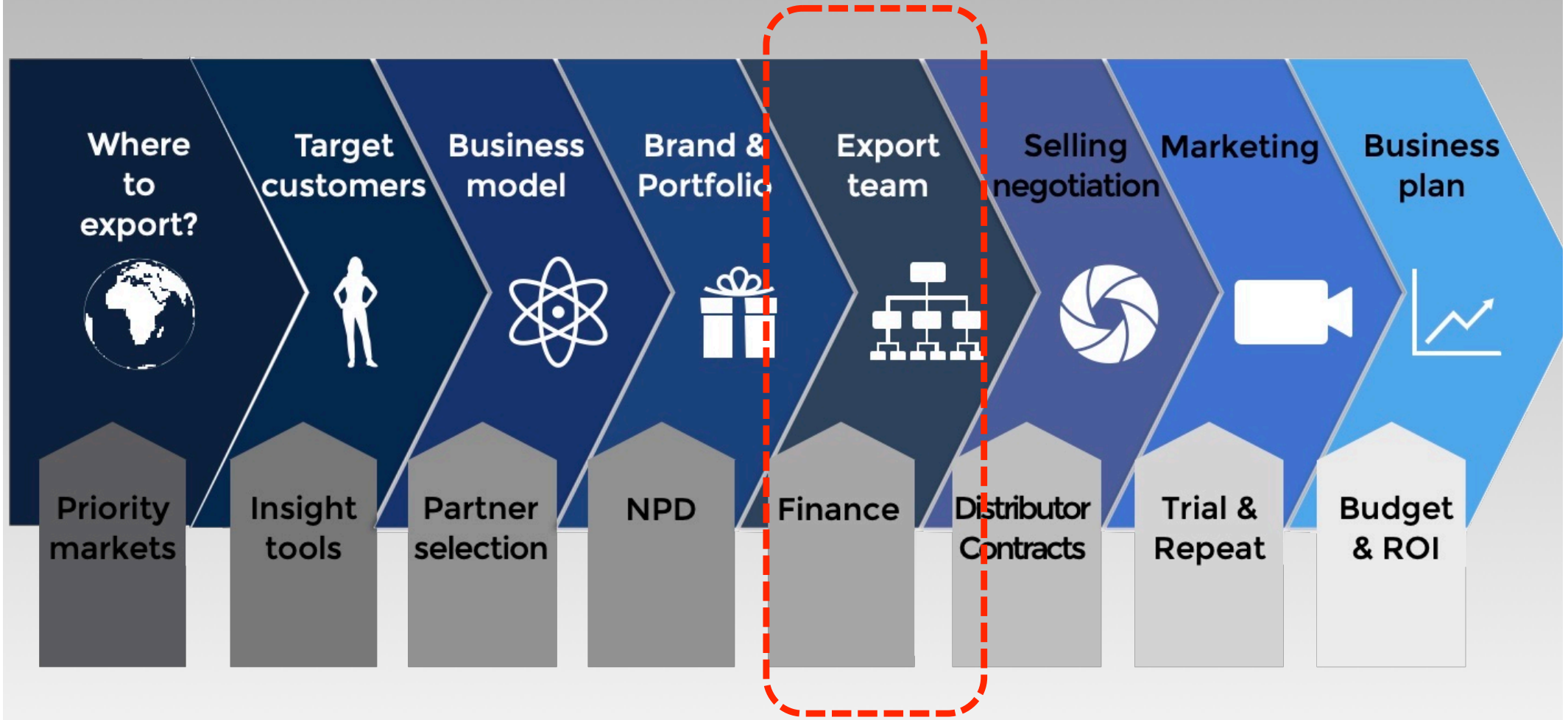
Export & Expand

E-Learning Programme for Consumer Companies

Export Pricing

5. Export Team & Finance



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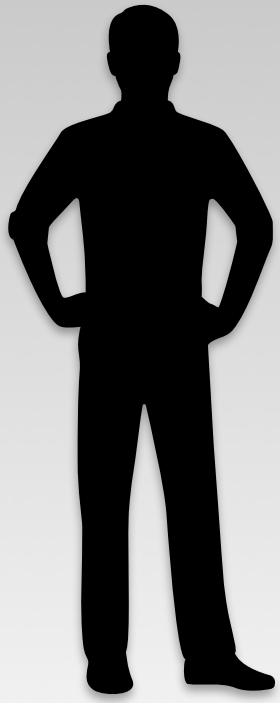
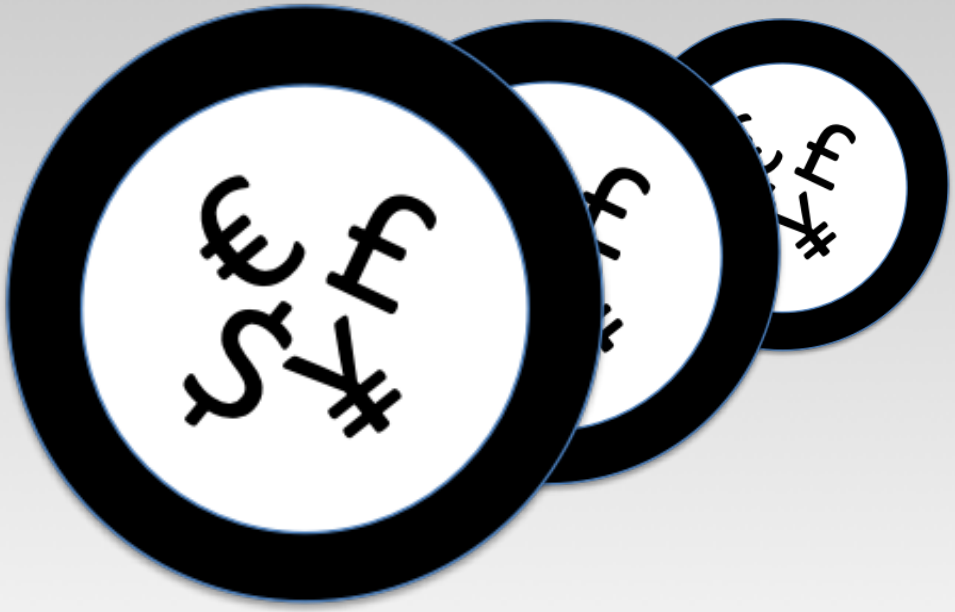
Controlling your Export Pricing





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The Key Elements of Export Pricing

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It is critical for the exporter to understand and control pricing. Many brands fail to perform adequately due to uncompetitive pricing.

Retail Selling Price	Retail selling prices need to be benchmarked relative to similar products in the export market (not the prices in the domestic market!)
Sales Tax	Sales tax, VAT, GST or other vary around the world and in some cases different states
Retailer's Buying Price	Your distributor (and/or) initial trade research should give you an indication of the (front) margins expected by the trade. They vary by product category and sales channel and customer
Price promotions & rebates	These are so-called "back margins" which are critical to a retailer's profitability. They include items like annual rebate, promotional and listing fees and central distribution allowances
Importer/Wholesaler price	Your price to the importer or distributor and the margin they expect to make. You need to check what their margin includes (e.g. marketing, damages, warehousing…)
Import Tariffs	These are based on custom (HS codes) and vary by product category and country.
Marketing Expenses	An allowance needs to be made for sales materials, POP, sampling, demonstrators plus any mainstream advertising. Many importers expect the exporter to fund this.
Logistics & shipping	Logistics and shipping costs from the factory to the importer. These costs may be "hidden" if a CIF price is quoted

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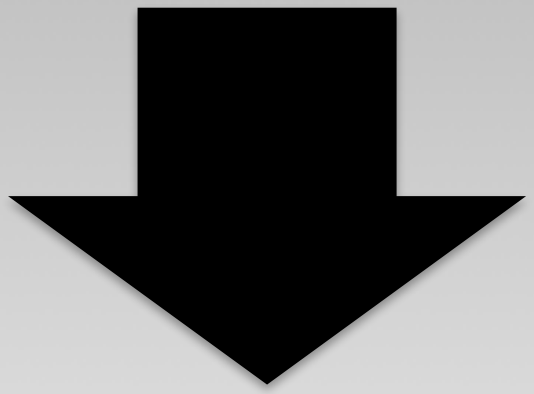
If the exporter's products are "uncompetitive" it requires a review of the business model approach and product range!



Lower costs
(Value chain esp. no. partners, margins…)

Increase value
(More efficient logistics esp. order sizes, shared containers)

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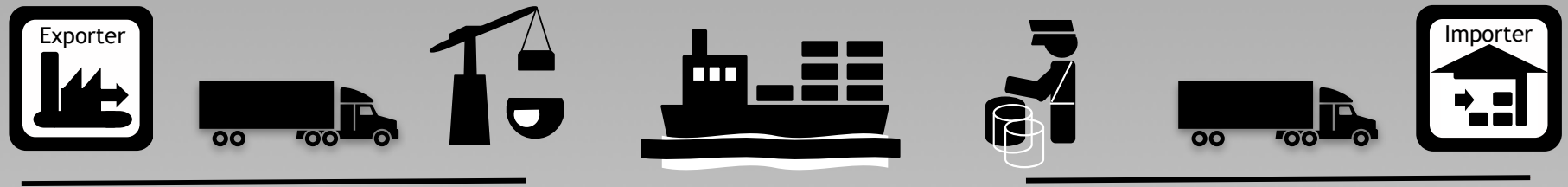
IncoTerms Overview



Export factory

Import Warehouse

EXW	Ex-works, Export and import clearance done by buyer	EXW
FOB	FOB, Free on Board / Export clearance by seller, import clearance by buyer	FOB
CIF	CIF, Cost insurance freight / Import clearance by buyer	CIF
DDP	DDP, Duty Delivery Paid, Exporter handles export & import clearance	DDP

Exporter

Buyer

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EXW: Ex-Works

- Ex-Works means the seller makes the goods available for delivery at his premises (i.e. a factory or warehouse) to the buyer;
- The seller is not responsible for loading the goods onto a delivery vehicle, clearing the goods for export or any insurance;
- An EXW contract means the buyer takes all the risk in moving the goods to their ultimate destination.

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FOB: Free on Board

- Free-on-board means it is the seller's responsibility to deliver the goods onto a vessel at the port of shipment
- In an FOB contract the seller clears the goods for export
- The buyer bears the freight (from the port and internally in the arrival country) plus the insurance costs for the transfer.

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CIF: Cost, Insurance & Freight

- The seller pays the export costs (e.g. customs clearance), freight and insurance to deliver the goods to a named port in the destination market
- It is the seller's duty to procure any export licenses for the goods

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DDP, Duty Delivery Paid, Exporter handles export & import clearance

DDP: Delivered Duty Paid

- The seller takes full responsibility to deliver the goods to the buyer at a named place in the destination country;
- DDP means the seller pays for freight, insurance and customs clearance;
- DDP represents the maximum obligation for a seller.

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Export Payment Options

Consignment

Exporter sends goods to customer, agreeing to be paid only when customer has sold them

Open Account

Exporter sends goods to customer, before payment is due

Bank Guarantee

A guarantee from a financial institution that the debts from a borrower will be met (to a given level)

Letter of credit

A letter from a financial institution guaranteeing the buyer's payment will be received on time for the correct amount

Factoring

The exporter sells his "receivables" to the factor who advances immediate payment (at a % of the seller's price)

Up front

The exporter receives full up front payment from the buyer in advance of the goods being shipped

In addition to the above, export credit insurance may be available; some are Government backed

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Export Pricing Summary

Exporters often have a greater influence over the in-market selling price than they appreciate; having a great value for money offer is key to driving off-take

- Understand how margins break down across the value chain from ex-factory to consumer selling price
- Be open to changes if your pricing is uncompetitive
- State clearly what trading terms your prices are based upon
- For new customers, upfront payments are the lowest risk

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