



Market-driven Export Pricing Strategies

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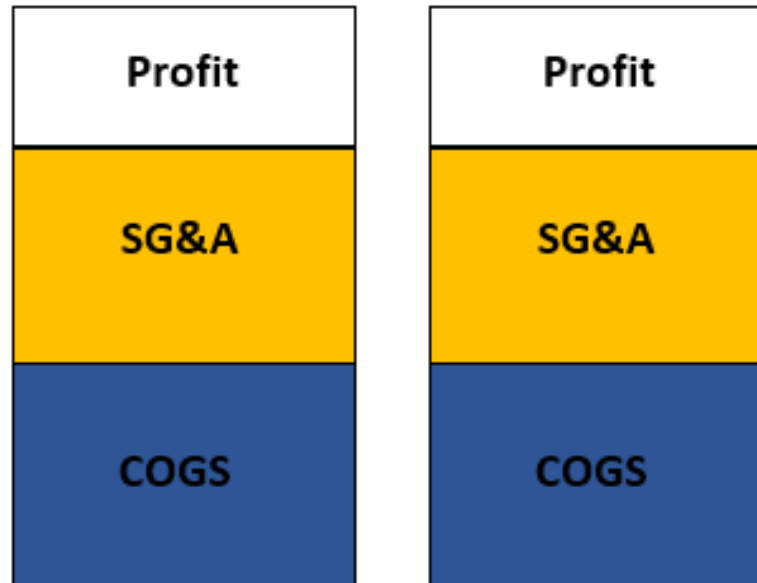
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Pricing for Export Markets

- Market-driven decision-making
- Internal cost considerations
- Overhead allocations
- Variable pricing or Marginal-cost Pricing

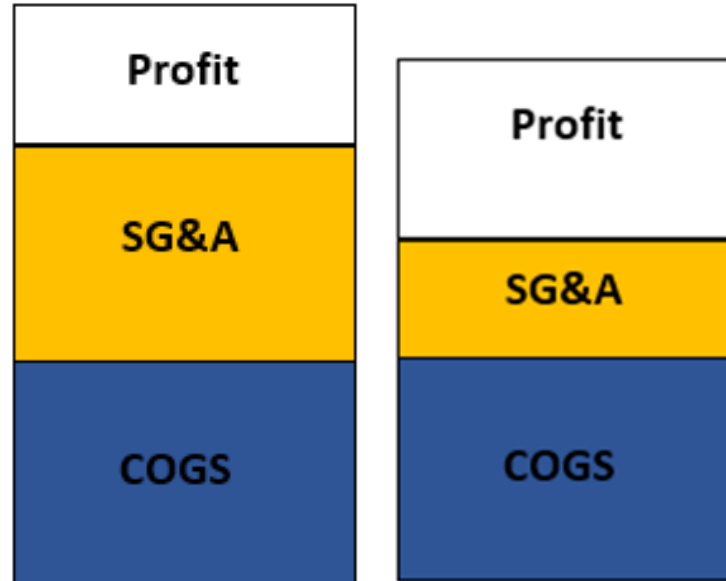


Domestic Pricing (Evenly Distributed Overheads)



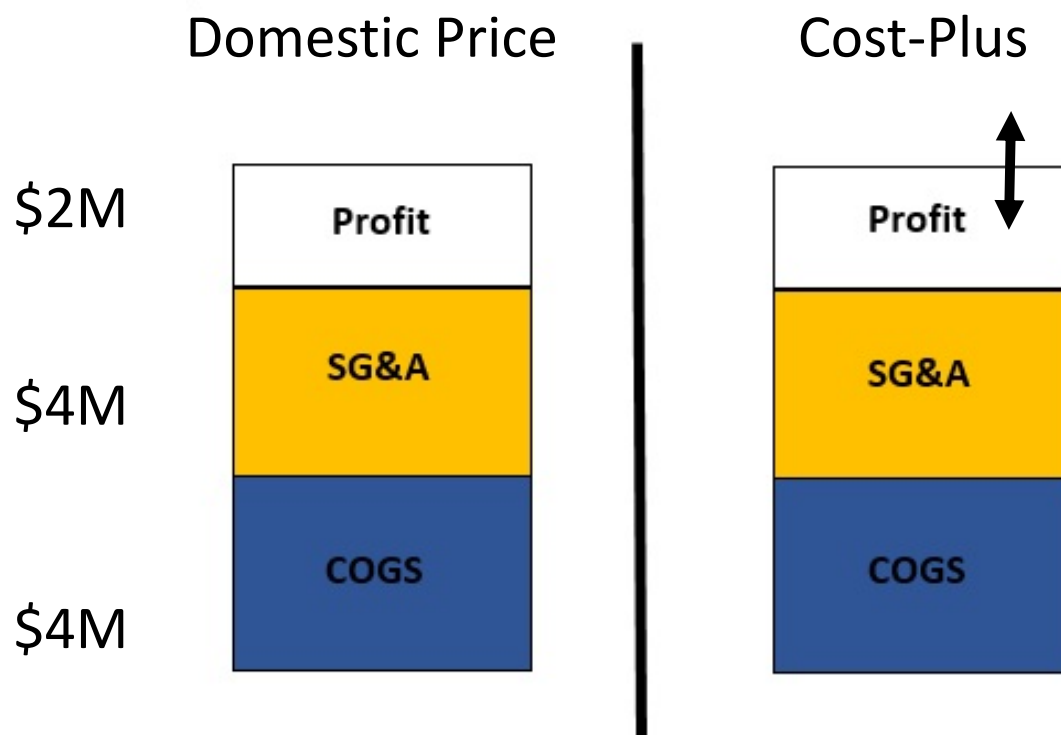
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Domestic Pricing (Activity-Based Costing)



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Lowest EXW Price?



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Ex Work Costs	
Direct Materials	
Direct Labor	
Factory Burden	
Cost of Goods	
Selling Expenses (should be less than domestic sales)	
General Expenses (includes cost of money to be borrowed)	
Administrative Expenses	
Export Marketing Cost (product changes, labeling)	
Profit Margin	
Total Ex Works Price	
Additional Exporting Costs	
Foreign Sales Commission (if applicable)	
Special Export Packaging Costs (typically 1-1.5% above ex works price)	
Special Labeling and Marketing (to protect from moisture, theft, rough handling)	
Inland Freight to Pier (normal domestic common carrier; should also have carry insurance)	
Unloading Charges (include demurrage, if any)	
Terminal Charges (include wharfage, if any)	
Consular Documents (includes Shippers Export Declaration (ED), export license and/or certificate of origin)	
Freight (port-to-port) (determined by freight forwarder)	
Freight Forwarder Fees (must be included)	
Export Insurance (insurance for transit risk; also for credit risk; if credit-worthiness of buyer is unknown)	
Cost of Credit (include credit reports, letter of credit costs, amendments, if any)	
Total Additional Exporting Costs	
Quote : Ex Works Price + Total Additional Exporting Costs	

Cost-Plus

Export Costing Worksheet

Cost-plus Pricing Often Too High



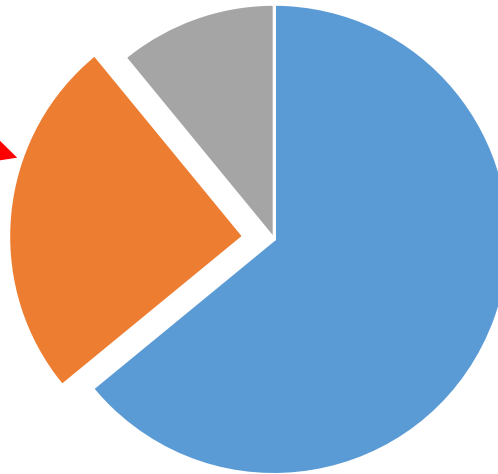
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Customer/Consumer Pricing



Market

- Segment A
- Segment B
- Segment C

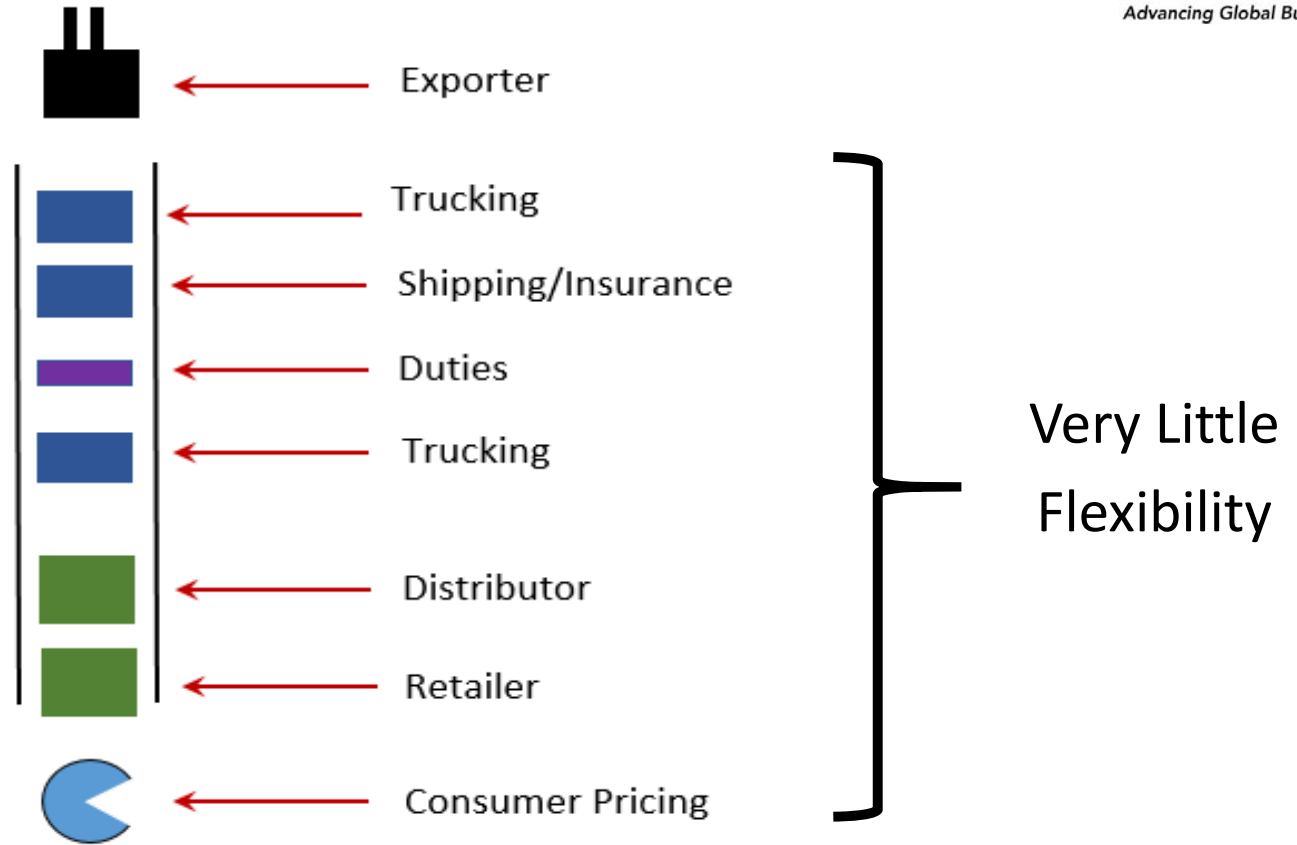


Marketing Mix (4Ps)

Tailored for target segment

Competitive Landscape
often dictates positioning

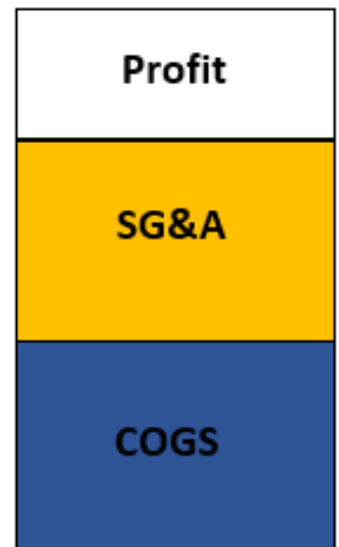
Market-driven Pricing



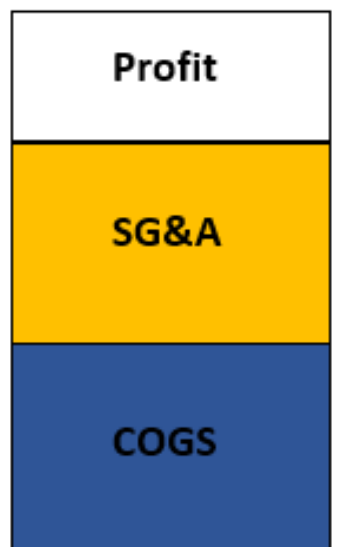
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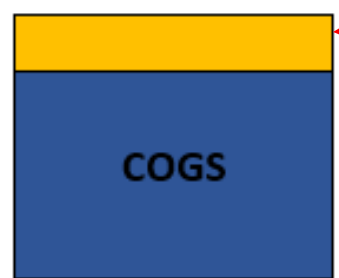
Domestic Price



Cost-Plus

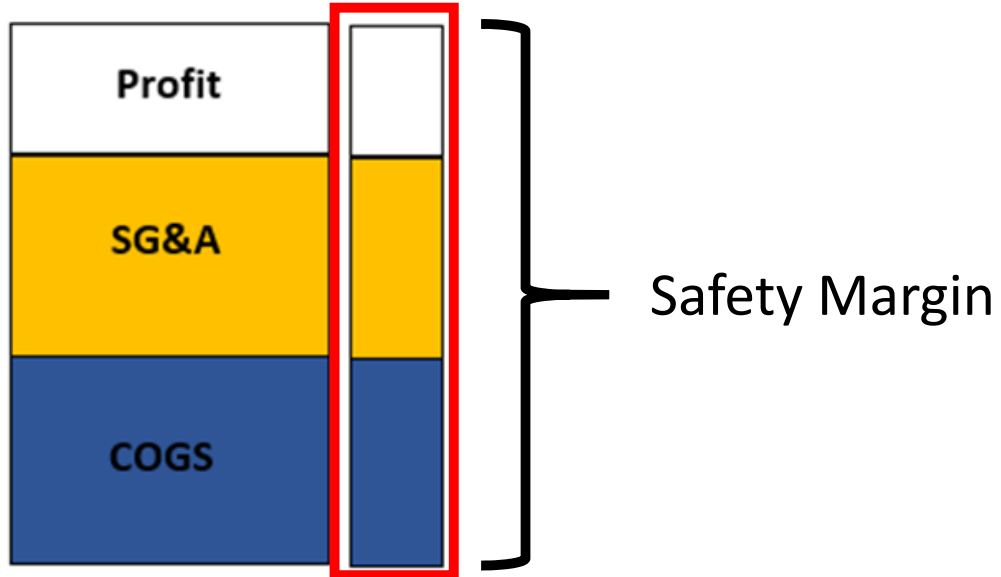


Marginal-cost Approach



Incremental
Export
Marketing Costs
+
Whatever
margin can be
earned

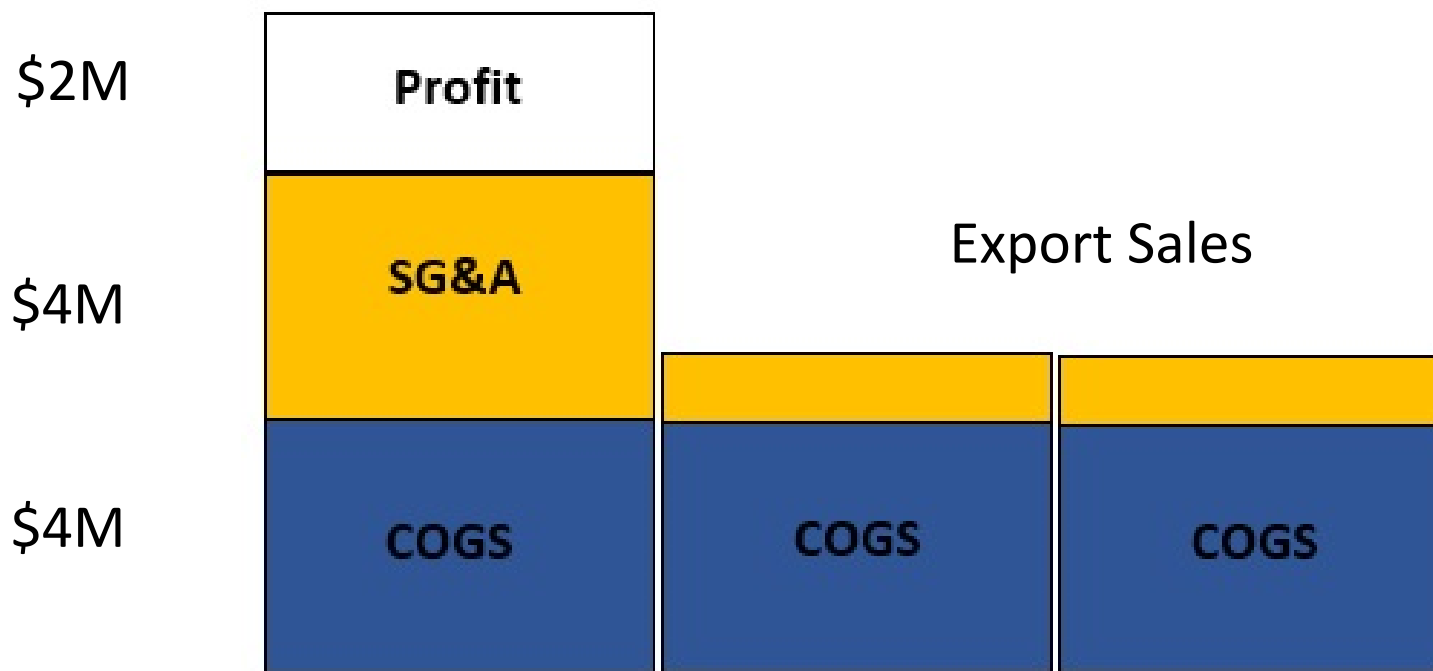
The CFO's Reaction



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Pricing for Export Markets

Domestic Sales

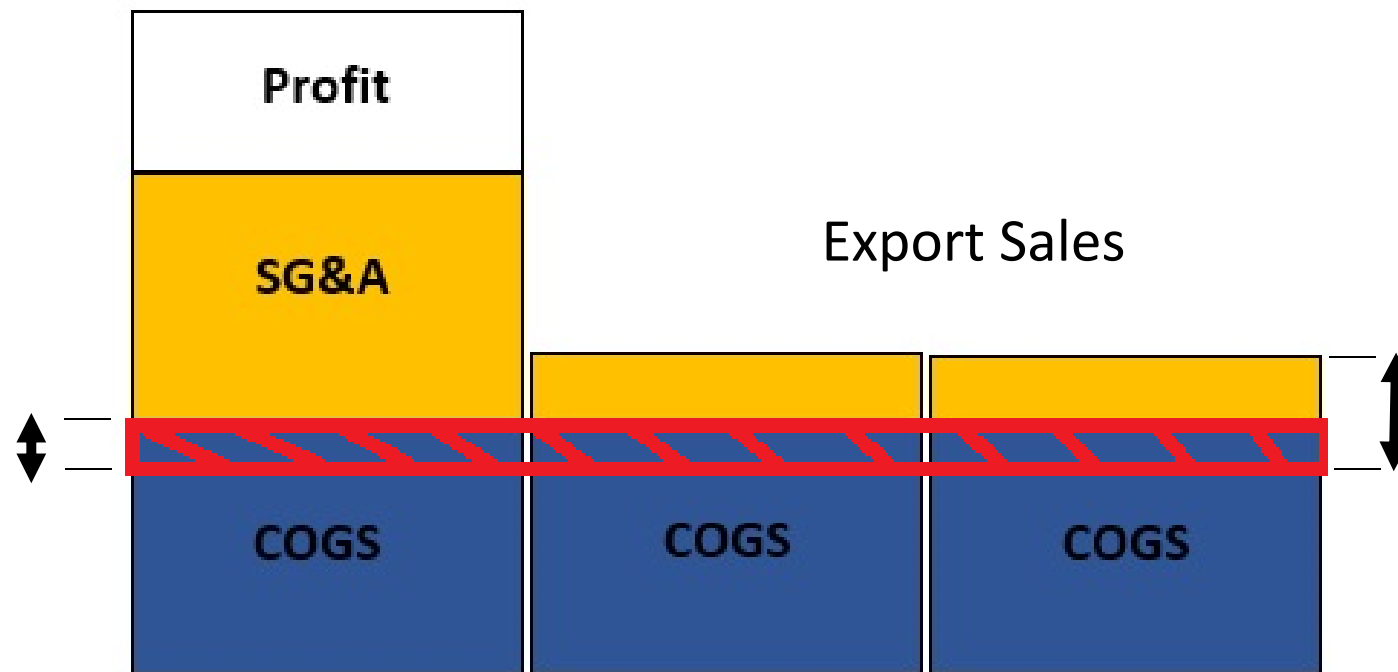


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Pricing for Export Markets



Domestic Sales



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Grey Market Issues

- Goods sold into the export markets (at extremely low prices) should be sufficiently different from the goods sold in the domestic market (e.g., packaging/labelling)
- Minimises risk that the exported goods will be shipped back and resold to the company's customers (via the gray market).

Dumping

- Occurs when product sold in the importing country at lower price than in home market
-and when local competitors in the importing country are “injured”
- In most cases SME Exporters have unique products not in direct competition with local businesses.
- Competition between foreign exporters generally not a concern to importing country (i.e., good for consumers)

Questions



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