

Suite 408**PRICING, QUOTATIONS AND TERMS*****Introduction******Pricing Considerations******Traditional Components******Look Hard at Additional Costs*****408.01 INTRODUCTION**

Proper pricing, complete and accurate quotations, choosing the terms of the sale, and selecting the payment method are four critical elements in selling a product or service overseas. Of the four, pricing can be the most problematic, even for an experienced exporter.

408.02 PRICING CONSIDERATIONS

The price considerations listed below will help an exporter determine the best price for the product overseas.

- At what price should the firm sell its product in the foreign market?
- What type of market positioning (customer perception) does the company want to convey from its pricing structure?
- Does the export price reflect the product's quality?
- Is the price competitive?
- Should the firm pursue market penetration or market-skimming pricing objectives abroad?
- What type of discount (trade, cash, quantity) and allowances (advertising, trade-off) should the firm offer its foreign customers?
- Should prices differ by market segment?
- What pricing options are available if the firm's costs increase or decrease?
- Is the demand in the foreign market elastic or inelastic?
- Are the prices going to be viewed by the foreign government as reasonable or exploitative?
- Do the foreign country's antidumping laws pose a problem?

As in the domestic market, the price at which a product or service is sold directly determines a firm's revenues. It is essential that a firm's market research include an evaluation of all of the variables that may affect the price range for the product or service. If a firm's price is too high, the product or service will not sell. If the price is too low, export activities may not be sufficiently profitable or may actually create a net loss.

408.03 **TRADITIONAL COMPONENTS**

The traditional components of determining proper pricing are costs, market demand, and competition. Each of these must be compared with the firm's objective in entering the foreign market. An analysis of each component from an export perspective may result in export prices that are different from domestic prices.

408.04 **LOOK HARD AT ADDITIONAL COSTS**

It is also very important that the exporter take into account additional costs that are typically borne by the importer. They include tariffs, customs fees, currency fluctuation transaction costs and value-added taxes (VATs). These additional costs can add substantially to the final price paid by the importer, sometimes resulting in a total of more than double the domestic price.

Please see '**Acknowledgements**' for sources of research.