International Marketing Plan Workbook

The purpose of the International Marketing Plan workbook is to prepare your business to enter the international marketplace. Ask yourself: Should I expand my company through exporting? Do I have any products or services* I can export? This workbook will lead you step-by-step through the process of exporting your product to an international market.

The workbook is divided into sections. Each section should be completed before you start the next. After you have completed the entire workbook, you will be ready to develop an international marketing plan to export your product. The remaining chapters of this *Guide* will assist you in determining where and how to find the resources to begin exporting successfully.

* When ***products*** are mentioned, ***services*** should be assumed also.

Planning

Why complete this workbook and write a plan?

Six reasons it will be worth your time and effort:

1. Careful completion of this workbook will help evaluate your level of commitment to exporting.
2. The completed workbook can help you assess your products' potential for the global market.
3. The workbook gives you a tool to help you better manage your international business operations successfully.
4. The completed workbook will help you communicate your business ideas to persons outside your company. It is excellent starting point for developing an international financing proposal.
5. Businesses are managed more successfully when operating from a business plan.
6. A plan forces the business to stay focused on primary objectives and provides a measuring too of results as each step is achieved.

Can't I hire someone to do this for me?

No! Nobody will do your thinking or make decisions for you. This is your business. If the marketing plan is to be useful, it must reflect *your* ideas and efforts.

Why is planning so important?

The planning process forces you to look at your future business operations and anticipate what will happen. This process better prepares you for the future and makes you more knowledgeable about your business. Planning is vital for marketing your product in an international marketplace and at home.

Any firm considering entering into international business transactions must understand that doing business internationally is not a simple task. It is stimulating and potentially profitable in the long-term but requires much preparation and research prior to the first transaction.

In considering products or services for the international market, a business needs to be:

1. Successful in its present domestic operation.
2. Willing to commit its resources of time, people and capital to the export program. Entry into the international market may take as long as two years of cash outflow to generate profit.

3. Sensitive and aware of the cultural differences in doing business in other countries.

Approach your export operations in the same way you would your domestic operations—using sound business fundamentals. Developing an international marketing plan helps you assess your present market situation, business goals and commitment, which will increase your opportunities for success.

A marketing plan is a process, not a product. It must be revised on a continual basis as your knowledge increases about international markets. Yo will be surprised how much easier it is to update a marketing plan after the first one is written. Planning is a continuous process. Plus, after a revision or two you will know more about your international business market opportunities to export products.

Goal Setting

Identifying business goals can be an exciting and often challenging process. It is, however, an important step in planning your entry into the international marketplace. The following exercise is an additional step to help clarify your short- and long-term goals.

Step 1: Define long-term goals.

A) What are your long term goals for this business in the next 5 years?

Examples: increase export sales by _____% annually or _____% market share or _____% profitability or return on assets.

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

B) How will the international trade market help you reach your long-term goals?

Step 2: Define short-term goals.

A) For your international business, what are your first year goals?

Examples: select a sales/distribution outlet in the export markets chosen; develop relationships with agents/distributors; participate in the trade shows or trade missions in chosen market(s).

B) What are your two-year goals for your international business products/services?

Example: Modify product for metric definition; expand international opportunities from initial penetration of a market to other similar markets.

_____

_____

_____

_____

_____

_____

_____

_____

_____

Step 3: Develop an action plan with timelines to reach your short-term goals.

_____

_____

_____

_____

_____

_____

_____

_____

_____

Identifying Products With Export Potential

List below the products your company sells which you believe have export potential. Write down why you believe each product will be successful in the international marketplace. The reasons should be based on your current knowledge, rather than any research.

Products/Services	Reasons for Export Success
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____

Based on reasons for export success, select one or more products you believe might have the best prospects for exporting.

Decision Point: These products have export potential.

Yes No

If YES, go on to next steps.

Step 1: Select the most exportable products to be offered internationally.

To identify products with export potential, you need to consider products that are sold successfully in the domestic market. The product should fill a targeted need for the purchaser in export markets according to price, value to customer/country and market demand.

What are the major products my business sells?

1. _____
2. _____
3. _____

What product(s) do you feel have the best potential for international trade?

1. _____
2. _____
3. _____

Step 2: Evaluate the product(s) to be offered internationally.

What makes your product(s) attractive for an overseas market?

1. _____
2. _____
3. _____

What do you believe international buyers will purchase your company's products?

1. _____
2. _____
3. _____

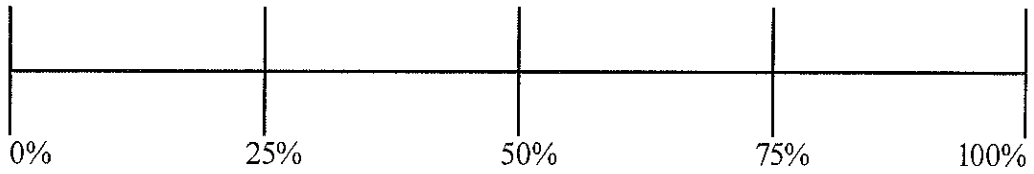
Determining Your Company's Export Readiness

Pros and Cons of Market Expansion

Brainstorm a list of pros and cons for expanding your market internationally. Based on your current assumptions about your company, your company's products and any market knowledge, determine your probability of success in the international market.

Pros	Cons
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____
4. _____	4. _____
5. _____	5. _____

Pros and Cons of Market Expansion



Your Business/Company Analysis

Step 1: Why is your business successful in the domestic market? Give specific reasons. What is your company's annual growth rate?

1. _____
2. _____
3. _____

Step 2: What are the competitive advantages of your products or business over the domestic and international businesses?

List them:

1. _____
2. _____
3. _____

Step 3: What is your level of commitment and that of your company's top management to expanding into international markets? How much preparation time, planning and resources are you willing to commit to implementing and export program?

1. _____
2. _____
3. _____

Industry Analysis

Step 1: Determine your industry's growth for the next three years.

Talk to people in the same business or industry, research industry-specific magazines, attend trade fairs and seminars, and search the U.S. Department of Commerce's website for industry specific reports at www.export.gov

1. _____
2. _____
3. _____

Step 2: Research how competitive your industry is in the global markets.

Locate industry sector reports available at www.export.gov, evaluate import-export statistics from the Bureau of Census (www.census.gov), or contact your trade association, local U.S. Small Business Administration (SBA) office or the nearest U.S. Department of Commerce's Export Assistance Center (EAC).

1. _____
2. _____
3. _____

Step 3: Find out your industry's future growth in the international market.

Have you contacted your nearest U.S. Export Assistance Center (EAC) for information on U.S. government programs that can help you to identify qualified, potential agents or distributors in your target markets, including the Gold Key and International Partner Search programs?

1. _____
2. _____
3. _____

Step 4: Research federal or state government market studies that have been conducted on your industry's potential international markets.

Obtain information available through the U.S. Department of Commerce at www.export.gov, or contact your local EAC, SBA, or SBDC office, or your trade association.

1. _____
2. _____
3. _____

Step 5: Find export data available on your industry.

Contact your EAC, SBA, or SBDC office or research the statistics available at www.export.gov.

1. _____
2. _____
3. _____

Developing Your Export Marketing Plan

Read Chapters 2 and 3 of this *Guide* before completing this section.

Step 1: Select the best countries to market your product.

Since the number of world markets to be considered by a company is very large, it is neither possible nor advisable to research them all. Thus, your firm's time and money are spent most effectively by using a sequential screening process.

Your first step in this process is to select the more commercially attractive countries for your product. Preliminary screening involves defining the physical, political, economic and cultural environment. Research the www.export.gov website for U.S. Department of Commerce Country Commercial Guides for each country in which there is a Foreign Commercial Service presence. In addition, the Department of State has background reports on each country at www.state.gov, as does the Central Intelligence Agency's *World Factbook* which can be accessed at www.cia.gov.

(1) Select 3 countries you think have the best market potential for your product;
(2) Review the market factors for each country;
(3) Research data/information for each country;
(4) Rate each factor on a scale of 1–5 with 5 being the best; and
(5) Select a target market country (C) based on your ratings (R).

Market Factor Assessment	Country	Rating	Country	Rating
Demographic/Physical Environment:				
• Population size, growth, density				
• Urban and rural distribution				
• Climate and weather variations				
• Shipping distance				
• Product-significant demographics				
• Physical distribution and communication network				
• Natural resources				
Political Environment:				
• System of government				
• Political stability and continuity				
• Ideological orientation				
• Government involvement in business				
• Attitudes toward foreign business (trade restrictions, tariffs)				
Competitive Environment:				
• Other competitive offerings				
• Uniqueness of your product/service				
• Pricing of competitive products (non-tariff barriers, bilateral trade agreements)				
• National economic and development priorities				

Market Factor Assessment	Country	Rating	Country	Rating
Economic Environment:				
• Overall level of development				
• Economic growth; GNP, industrial sector				
• Role of foreign trade in the economy				
• Currency: inflation rate, availability, controls, stability of exchange rate				
• Balance of payments				
• Per capita income and distribution				
• Disposable income and expenditure patterns				
Social/Cultural Environment:				
• Literary rate, educational level				
• Existence of middle class				
• Similarities and differences in relation to home market.				
• Language and other cultural considerations				
Market Access:				
• Limitations on trade: high levels, quotas				
• Documentation and import regulations				
• Local standards, practices, and other non-tariff barriers				
• Patents and trademark protection				
• Preferential treaties				
• Legal considerations for investment, taxation, repatriation, employment, code of laws				
Product Potential:				
• Customer needs and desires				

Market Factor Assessment	Country	Rating	Country	Rating
• Local production, imports, consumption				
• Exposure to and acceptance of product				
• Availability of linking products				
• Industry-specific key indicators of demand				
• Attitudes toward products of foreign demand				
• Competitive offerings				
Local Distribution and Production:				
• Availability of intermediaries				
• Regional and local transportation facilities				
• Availability of manpower				
• Conditions for local manufacture				

Indicators of population, income levels and consumption patterns should be considered. In addition, statistics on local production trends, along with imports and exports of the product category, are helpful for assessing industry market potential. Often, an industry will have a few key indicators or measures that will help determine the industry strength and demand within an international market. A manufacturer of medical equipment, for example, may use the number of hospital beds, the number of surgeries and public expenditures for health care as indicators to assess the potential for tis products.

What do you believe international buyers will purchase your company's products?

_____

_____

Step 2: Research how competitive your industry is in the global markets.

Much of this information can be obtained from an industry trade association for your particular industry.

What is your present U.S. market percentage?

_____

_____

What are the projected sales for similar products in your chosen international markets for the coming year?

_____

_____

What sales volume will you project for your products in these international markets for the coming year?

_____

_____

What is the projected growth in these international markets over the next five years?

_____

_____

Step 3: Identify Customers Within Your Chosen Markets.

What companies, agents or distributors have purchased similar products?

_____

_____

What companies, agents or distributors have made recent requests for information on similar products?

_____

_____

What companies, agents or distributors would most likely be prospective customers for your export products?

_____

_____

Step 4: Determine Method of Exporting.

How do other U.S. firms sell in the markets you have chosen?

_____

_____

Will you sell direct to the customer?

1. Who will represent your firm?

_____

_____

2. Who will service the customers' needs?

_____

_____

Step 5: Building A Distributor or Agent Relationship.

Plan to travel to the country in question as many times as is necessary to build a successful relationship.

Will you appoint an agent or distributor to handle your export market? Consider legal advice from the Export Legal Assistance Network (ELAN). A free initial consultation is available by request through an SBA District Office, SBDC, SCORE or U.S. Export Assistance Center.

_____

_____

1. What facilities does the agent or distributor need to service the market?

_____

_____

2. What type of client should your agent or distributor be familiar with in order to sell your product?

_____

_____

3. What territory should the agent or distributor cover?

_____

_____

4. What financial strength should the agent or distributor have?

_____

_____

5. What other competitive or non-competitive lines are acceptable or not acceptable for the agent or distributor to carry?

_____

_____

6. How many sales representatives does the agent or distributor need and how often will they cover the territory?

_____

_____

Will you use an export management company (EMC) to do your marketing and distribution for you?

Yes No

EMCs do not have to represent your company exclusively on a worldwide basis. Rather, they sometimes can represent you in specific regional markets. For example, you might contract with an EMC to sell your products in Latin American markets, while you continue to handle direct export sales to Europe and Asia.

If yes, have you development an acceptable sales and marketing plan with realistic goals you agree to?

Yes No

Comments:

_____

_____

Marketing Your Product/Service

Given the market potential for your products in international markets, how is your product or service distinguished form others—attractive or competitive?

1. What are your product's advantages?

_____

_____

2. What are your product's disadvantages?

_____

_____

3. What are your competitors products' advantages?

_____

_____

4. What are your competitors products' disadvantages?

_____

_____

What needs does your product fill in a foreign market?

_____

_____

What competitive products are sold abroad and to whom?

_____

_____

How complex is your product? What skills or special training are required to:

1. Install your product?

_____

_____

2. Use your product?

_____

_____

3. Maintain your product?

_____

_____

4. Service your product?

_____

_____

What options and accessories are available?

_____

_____

_____

1. Has an aftermarket been developed for your product?

_____

_____

2. What other equipment does the buyer need to use your product?

_____

_____

3. What complimentary goods does your product require?

_____

_____

If your product is an industrial good:

1. What firms are likely to use it?

_____

_____

2. What is the useful life of your product?

_____

_____

3. Is use or life of product affected by climate? If so, how?

_____

_____

4. Will geography affect product purchase; for example transportation problems?

_____

_____

5. Will the product be restricted abroad; for example tariffs, quotas or non-tariff barriers?

_____

_____

If your product is a consumer good:

1. Who will consume it? How frequently will the product be bought?

_____

_____

2. Is consumption affected by climate?

_____

_____

3. Is consumption affected by geography; for example, transportation problems?

_____

_____

4. Will the product be restricted abroad; for example, tariffs, quotas or non-tariff barriers?

_____

_____

5. Does your product conflict with traditions, habits or beliefs or customers abroad?

_____

_____

Support Functions

To achieve efficient sales offerings to buyers in the targeted markets, you should address several concerns regarding products, literature and customer relations.

Step 1: Identify product concerns.

Can the potential buyer see a functioning model or sample of your products that is substantially the same as would be received from production?

Yes No

Comments:

_____

_____

_____

_____

What product labelling requirements must be met? (Metric measurements, AC or DC electrical, voltage, etc.) Keep in mind that the European Union countries now requires 3 languages on all new packaging and Mexico requires labels in Spanish, while Canada requires labels in French, under the North American Free Trade Agreement.

_____

_____

When and how can product conversion requirements be obtained?

_____

_____

Can product be delivered on time as ordered?

Yes No

This is especially important since letters of credit are unforgiving when it comes to delivery promise dates.

Comments:

_____

_____

Step 2: Identify literature concerns.

If required, can you produce product literature in a language other than English?

Yes No

Do you need a product literature translator to handle the technical language?

Yes No

What special concerns should be addressed in sales literature to ensure quality and informative representation of your product? Keep in mind that translations should reflect the linguistic nuances of the country where the literature will be used.

_____

_____

Step 3: Identify customer relations concerns.

What is delivery time and method of shipment?

_____

_____

What are payment terms? Will financing be necessary to support either the pre-shipment (production) or post-shipment (accounts receivable) working capital needed for these orders? If so, are you aware of export financing programs offered by the SBA and the Export-Import Bank?

_____

_____

What are the warranty terms? Will inspection/acceptance be required?

_____

_____

Who will service the product when needed?

_____

_____

How will you communicate with your customer . . . through a local agent or fax? Via Internet?

_____

_____

Are you prepared to give the same order and delivery preferences to your international customers that you give to your domestic customers?

Yes No

Marketing Strategy

In international sales, the chosen "terms of sale" are most important. Where should you make the product available: at your plant; at the port of exit; landed at the port of importation; or delivered free and clear to the customer's door? The answer to this question involves determining what the market requires, and how much risk you are willing to take.

Pricing strategy depends on "terms of sale" and also considers value-added services of bringing the product to the international market.

Step 1: Define International Pricing Strategy

How do you calculate the price for each product?

_____

_____

What factors have you considered in setting prices?

_____

_____

Which products' sales are very sensitive to price changes?

_____

_____

How important is pricing in your overall marketing strategy?

_____

_____

What are your discount policies?

_____

_____

What terms of sales are best for your export product?

_____

_____

Step 2: Define promotional strategy.

What advertising materials will you use?

_____

_____

What trade shows or trade missions will you participate in, if any?

_____

_____

What time of year and how often will foreign travel be made to customer markets?

_____

_____

Step 3: Define customer services.

What special customer services do you offer?

_____

_____

What types of payment options do you offer?

_____

_____

How do you handle merchandise that customers return?

_____

_____

Sales Forecast

Forecasting sales of your product is the starting point for your financial projections. The sales forecast is extremely useful, so it is important you use realistic estimates. Remember that sales forecasts show the expected time the sale is made. Actual cash flow will be affected by delivery date and payment terms.

Step 1: Fill in the units-sold line for markets 1, 2, and 3 for each year on the following worksheet.

Step 2: Fill in the sales price per unit for products sold in markets 1, 2 and 3.

Step 3: Calculate the total sales for each of the different markets (units sold x sales price per unit).

Step 4: Calculate the sales (all markets) for each year—add down the columns.

Step 5: Calculate the five year total sales for each market—add across the rows.

Sales Forecasts—First Five Years

	1	2	3	4	5
Market 1					
Units Sold					
Sale Price/Unit					
Total Sales					
Market 2					
Units Sold					
Sale Price/Unit					
Total Sales					
Market 3					
Units Sold					
Sale Price/Unit					
Total Sales					
Total Sales					
All Markets					

Cost of Goods Sold

The cost of goods sold internationally will differ from cost of goods sold domestically if significant product alterations will be required. These changes will affect costs in terms of material, direct and indirect labor costs.

Pass Through Costs

To ascertain the costs associated with the different terms of sale, it will be necessary to consult an international freight forwarder. For example, a typical term of sale offered by a U.S. exporter is cost, insurance and freight (CIF) port of destination. Your price can include all the costs to move the product to the port of destination and other costs necessary to complete the export transaction. However, many of these costs are incurred

by the exporter to provide a service to the importer. For example, you can price your product *Ex Works* and let your customer worry about getting the product to their destination from your factory or warehouse. However, most exporters arrange many of the details (transportation, insurance, etc.) for their customers. These costs should be identified separately on the invoice and Passed Through with little or no markup.

A typical cost work sheet will include some of the following factors. These costs are in addition to the material and labor used in the manufacture of your product.

export packing	forwarding
container loading	export documentation
inland freight	consular legalization
truck/rail unloading	bank documentation
wharfage	dispatch
handling	bank collection
terminal charges	cargo insurance
ocean freight	other misc.
bunker surcharge	telex
courier mail	demurrage
tariffs	import duties

To complete this worksheet, you will need to use data from the sales forecast. Certain costs related to your terms of sale may also have to be considered. For example, include cost of capital if you are extending payment terms.

Step 1: Fill in the units-sold line for markets 1, 2, and 3 for each year.

Step 2: Fill in the cost per unit for products sold in markets 1, 2 and 3.

Step 3: Calculate the total costs for each of the different markets (units sold x cost price per unit).

Step 4: Calculate the cost of goods sold—all products for each year—add down the columns.

Step 5: Calculate the five year cost of goods for each market—add across the rows.

Cost of Goods Sold—First Five Years

	1	2	3	4	5
Market 1					
Units Sold					
Cost Per Unit					
Total Cost					
Market 2					
Units Sold					
Cost Per Unit					
Total Cost					
Market 3					
Units Sold					
Cost Per Unit					
Total Cost					
Cost of Goods Sold					
All Markets					

International Marketing Expenses

To determine marketing costs for your export products, you should include costs that apply only to international marketing efforts. For example, cost for domestic advertising of services that do not pertain to the international market should not be included. Examples of most typical expense categories for an export business are listed below. Some of the expenses will be first-year, start-up expenses; others will occur every year.

Step 1: Review the expenses listed below. These are expenses that will be incurred because of your international business. There may be other expense categories not listed—list them under "other expenses."

Step 2: Estimate your cost for each expense category.

Step 3: Estimate any domestic marketing expense included that is not applicable to international sales. Subtract these from the international expenses.

Step 4: Calculate the total for your international overhead expenses.

Expense	**Cost**			
	Market 1	**Market 2**	**Market 3**	**Total Yr 1**
Legal Fees				
Accounting Fees				
Promotional Material				
Travel				
Communication				
Equip/Fax/Internet				
Advertising Allowances				
Promotional Expenses				
Other Expenses				
Total Expenses				
Less Domestic Expenses Included Above, if any				
Total International Marketing Expenses				

Projected Income Statement—Years 1 to 5, All Markets

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each year.

Step 1: Fill in the sales for each year. You already have estimated these figures; just recopy them on the work sheet.

Step 2: Fill in the cost of goods sold for each year. You already have estimated these figures; just recopy them on the work sheet.

Step 3: Calculate the Gross Margin for each year (Sales minus Cost of Goods Sold).

Step 4: Calculate the Operating Expenses specifically associated with the international marketing program for each year.

Step 5: Allocate the International Division's portion of the firm's overall domestic operating expenses (International's portion of lighting, office floor space, secretarial pool, etc.)

	1	2	3	4	5
International Sales					
Cost of Goods Sold					
Gross Margin					
International Operating Expenses					
Legal					
Accounting					
Advertising					
Travel					
Trade shows					
Promotional Material					
Supplies					
Communication Equipment					
Interest					
Insurance					
Other					
International Division's Domestic Expense Allocation					
Total International Operating Expense					
Net Profit Before Income Taxes					

Break-Even Analysis

The break-even is the level of sales at which your total sales exactly cover your total costs, which includes non-recurrent fixed costs and variable costs. This level of sales is called the Break-Even Point (BEP) sales level.

In other words, at the BEP sales level, you will make at net profit. If you sell less than the BEP sales level, you will have a net loss.

To calculate the break-even point, costs must be identified as being either fixed or variable. *Fixed expenses* are those which the business will incur regardless of its sales volume—they are incurred even when a business has no sales—and include such expenses as rent, office salaries and depreciation. *Variable expenses* change directly and proportionately with a company's sales and include such expenses as Cost of Goods Sold, sales commissions, etc. Some expenses are semi-variable in that they vary somewhat with sales activity but are not directly proportionate to sales. Semi-variable expenses include utilities, advertising and administrative salaries. Semi-variable expenses ideally should be broken down into their fixed and variable components for an accurate break-even analysis. Once a company's expenses have been identified as either fixed or variable, the following formula is used to determine its break even point.

$$\textbf{Break-Even Point} = \frac{\textbf{Total Fixed Expenses}}{1 - \dfrac{\textbf{Total Variable Expenses}}{\textbf{Sales Volume}}}$$

Note: In addition to a break-even analysis, it is highly recommended that a profit and loss analysis be generated for the first few actual international transactions. Since there are a great number of variables relating to costs of goods, real transactions are required to establish actual profitability and minimize the risk of losses.

Timetable

This is a worksheet that you will need to work on periodically as you progress in the workbook. The purpose is to ensure that key tasks and objectives are identified and completed to ensure accomplishment of your states goals.

Step 1: Identify key activities.

By reviewing other portions of your marketing plan, compile a list of tasks that are vital to the successful operation of your business. Be sure to include travel to your chosen market as applicable.

Step 2: Assign responsibility for each activity.

For each identified activity, assign one person primary responsibility for the completion of that activity.

Step 3: Determine scheduled start date.

For each activity determine the date when work will begin. You should consider how the activity fits into your overall plan as well as the availability of the person responsible.

Step 4: Determine scheduled finish date.

For each activity determine when the activity must be completed.

Action Plan

Project/Task	Person	Start Date	Finish Date

Summary

Step 1: Verify completion of previous pages.

You should have finished all the other sections in the workbook before continuing any further. You are now ready to summarize the workbook into an exporting plan for your company.

Step 2: Identify your international marketing plan audience.

What type of person are you intending to satisfy with this plan? A banker? The company's chief executive officer? The summary should briefly address all the major issues that are important to this person. You may want to have several different summaries, depending on who will read the marketing plan.

Step 3: Write a one-page summary.

You will now need to write no more than a page summarizing all the previous work sheets you have completed.

Determine which sections are going to be most interesting to your reader. Write one to three sentences that summarize each of the important sections. Keep in mind that this page will probably be the first read by this person. It is extremely important the summary be brief yet contain the information most important to the reader. This section should make the reader want to read the rest of your plan.

Summarize the sections in the order that they appear in the workbook.

International Marketing Plan Summary

Preparing An Export Price Quotation

Setting proper export prices is crucial to a successful international program; prices must be high enough to generate a reasonable profit, yet low enough to be competitive in overseas markets. Basic pricing criteria—costs, market demand, and competition—are the same for domestic and foreign sales. However, a thorough analysis of all cost factors going into producing goods for export, plus operating expenses, result in prices that are different from domestic ones (remember freight cost, insurance, etc., are *pass through costs* identified separately and include little or no markup).

Marginal cost pricing is an aggressive marketing strategy often used in international marketing. The theory behind marginal cost concludes that if the domestic operation is making a profit, the nonrecurrent annual fixed costs are being met. Therefore, only variable costs and profit margin should be used to establish the selling price for goods that will be sold in the international market (this strategy is used for domestic pricing as well). This results in a lower price for international goods yet maintains the profit margin. The risk of this strategy becomes apparent when the domestic operation becomes unprofitable and cannot cover the fixed costs, as each incremental sale could result in a larger loss for the company. This is a complex issue that can yield substantial benefits to company with manageable risks. Some effort should be made by management to understand this pricing strategy.

Cost Factors

In calculating an export price, be sure to take into account all the cost factors for which you, the exporter are liable.

1. Calculate direct materials and labor costs involved in producing the goods for export.
2. Calculate your factory overhead costs, prorating the amount of overhead chargeable to your proposed export order.
3. Deduct any charges not attributable to the export operation, especially if export sales represent only a small part of total sales.
4. Be sure operating expenses are covered by your gross margin. some of these expenses directly tied to your export shipments may include:

travel expenses	catalogs, slide shows, video presentations
promotional material	export advertising
commissions	transportation expenses (usually *pass through costs*)
packing materials	legal expenses*
office supplies*	patent and trademark fees*
communications*	taxes*

rent*	insurance*
interest*	provision for bad debts
market research	credit checks
translation costs	product modification
consultant fees	freight forwarder fees (usually *pass through* costs)

5. Allow yourself a realistic price margin for unforeseen production costs, operating expenses, unavoidable risks and simple mistakes that are common in any new undertaking.
6. Also allow yourself a realistic profit or markup.

Other Factors To Consider

Market Demand—As in the domestic market, product demand is the key to setting prices in a foreign market. What will the market bear for a specific product or service? What will the estimated consumer price for your product be in each foreign market? If your prices seem out of line, try some simple product modifications to reduce the selling price, such as simplification of technology or alteration of product size to conform to local market norms. Also keep in mind that currency valuations alter the affordability of goods. A good pricing strategy should accommodate fluctuations in currency, although your company should quote prices in dollars to avoid the risks of currency devaluations.

Competition—As in the domestic market, few exporters are free to set prices without carefully evaluating their competitors' pricing policies. The situation is further complicated by the need to evaluate the competition's prices in each foreign market an exporter intends to enter. In a foreign market that is serviced by many competitors, an exporter may have little choice but to match the going price or even go below it to establish a market share. If, however, the exporter's product or service is new to a particular foreign market, it may be possible to set a higher price than normally charged domestically.

**These items will typically represent the expenses of the total operation, so be sure to prorate these to reflect only the operating expenses associated with your export operation.*

Worksheets

Export Programs & Services

This worksheet helps you identify organizational resources that can provide programs and services to assist you in developing your international business plan and increase your export sales.

Organizations

Services	SBA Office	USDOC Office	SBDC	USEAC	Trade Associations	Colleges	World Trade Centers
Readiness to Export Assessment							
Market Research Studies							
Counseling							
Training Seminars							
Education Programs							
Publications							
Export Guides							
Databases							
Trade Shows							
Financing							
Partner Search							

Export Costing Worksheet

Quote Preparation

Pricing is a reflection of all costs incurred and influenced by the competitiveness of the marketplace. The quotation must first determine the domestic *ex works** costs and then identify the additional costs incurred to sell overseas.

Export Costing Worksheet

Reference Information

1. Our Reference_____
2. Customer Reference_____

Customer Information

3. Name_____
4. Address_____
_____
_____
5. Cable Address_____
6. Telex No._____
7. Fax No._____
8. E-mail Address_____

Product Information_____

9. Product_____
10. No. of Units_____
11. Net Weight_____(unit)
12. Gross Weight_____

SIC Code_____

13. Dimensions_____ x _____ x _____
14. Cubic Measure_____(sq.in.)
15. Total Measure_____
16. H.S. No._____

***Ex Works* Costs**

17. Direct Materials_____
18. Direct Labor_____
19. Factory Burden_____
20. Cost of Goods_____

*Ex works *means that the seller fulfills his delivery obligation to the buyer when he has made the goods available at his factory, warehouse or other place of business.*

21. Selling Expenses_____(should be less than domestic sales)
22. General Expenses_____(includes cost of money borrowed)
23. Administrative Expenses_____
24. Export Marketing Costs (product changes, labeling)_____
25. Profit Margin_____
26. *Ex Works* Price_____

Additional Exporting Costs

27. Foreign sales commission (if applicable)
28. Special export packing costs (typically 1 to 1.5 percent above *ex works* price)
29. Special labeling and marking (to protect from moisture, theft, rough handling)
30. Inland freight to pier (normal domestic common carrier; should also carry insurance)
31. Unloading charges (include demurrage, if any)
32. Terminal charges (include wharfage, if any)
33. Consular documents (includes Shippers Export Declaration [SED], export license an or certificate of origin)
34. Freight (port-to-port)—determined by freight forwarder
35. Freight forwarder fees (*must* be included)
36. Export Insurance (insurance for transit risk; also for credit risk, if credit-worthiness of buyer is unknown
37. Cost of credit (include credit reports, letter of credit costs, admendments, if any)

38. Total additional export costs_____

Quote = *Ex Works* Price + Total of additional exporting costs