

*Information Sheet:*

# International Distributor Pricing Concept

## 1. U.S. (Domestic) Price: How to apply... and how not!

A company's domestic price has two strong factors to consider for use as a base for establishing its international prices; they are (or should be!):

1. **COMPETITIVE**
2. **PROFITABLE**

Also, a company's domestic prices (trade and/or end-user "list") can serve as an international price model if the international sales and/or distribution of the products follows basically the same path to market as in the U.S.; (i.e. distributor/wholesale, dealer/retailer, end-user).

**CAUTION** — Using domestic prices without careful consideration of foreign market factors may result in prices too high to be competitive!

## 2. Understanding concepts of:

- A. **ALTITUDE** = How to price to support programs.
- B. **PROGRAM** = "Hook," or valid reason for lower net price.

The majority of export sales, particularly for the company starting to export, are generally executed through an intermediary — distributor, agent, or manufacturer's representative.

Most intermediaries will want sales assistance from the manufacturer. This generally means help in areas of transportation, advertising/promotion, finance/credit, and, of course, competitive prices.

One effective way for the exporter to provide help is to offer price discounts for services rendered. In order to provide this sales assistance, the international prices must be high enough to provide appropriate discounts for programs of assistance and still yield a profit while being competitive. This means starting with a high list price that the company can net back to a final sales price, or the concept of creating price ALTITUDE....

**NOTE:**

1. "High" prices (List) are not effective if proper industry sector discounts are not applied (no foreign or domestic buyers will pay prices that cannot be competitive in their market!).
2. Low prices (net-net factory) may look attractive, but they do not allow the company any margin for providing assistance and developing a good business working relationship (**marketing partnership!**).
3. Discounts provided are meaningless and simply establish a lower price unless they are provided for good reasons. Providing a good reason is done by developing a program to meet anticipated needs (note section on Building Global Distribution).

Thus, a higher price (**ALTITUDE**), providing programs for assistance (**HOOK**) by using price discounts, can be an effective sales tool for exporting.

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