

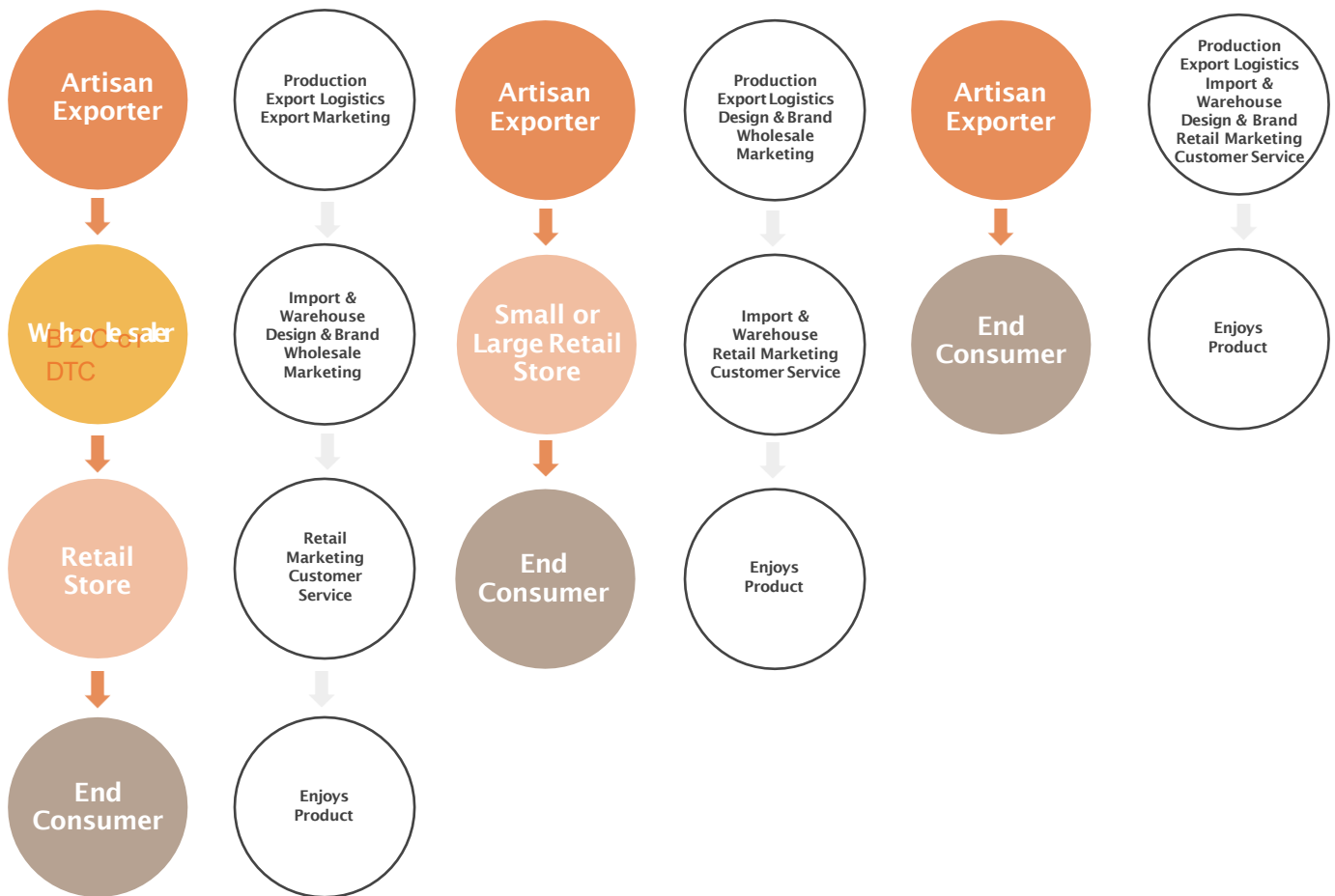


Distribution Costs & Export Pricing

Standard = An enterprise can calculate the approximate end retail price of their product and understands the margin structure for their distribution channel.

Identify Export Distribution Channels & Understand Responsibilities:

- Responsibilities for each role in the distribution channel for global handmade products change as distribution channels shorten.
- **Responsibilities = costs** that must be factored into export pricing. More responsibilities = more costs





Distribution Costs & Export Pricing (con't)

Two Methods for Estimating Costs & Export Pricing

Option #1: Calculate costs at each step along distribution channel using **Export Price Terms**.

Option #2: Use standard market **Formulas** for markups or margins from export to end retail.

Export Price Terms: commonly used for global handmade products

- **Ex-Works or Ex-Factory** = price as product leaves your workshop or warehouse
- **FOB (Free On Board)** = price as product leaves export country
- **Landed or DDP (Delivery Duty Paid)** = FOB plus shipping, insurance, customs fee, import duties and delivery to customer (DDP is usually shipped by courier)
- **Wholesale** = price a wholesaler sells to a retail store
- **Retail** = price the end customer pays

Example:

How to use these export price terms to calculate the end retail price of a product

Ex-works value of an average export order: \$2,000 (100 units @\$20 each)	⇒	Ex-Works	\$20.00
Cost of preparing export documentation, packing shipment and delivering to port of exit: \$200 in total (\$200/100 units = \$2.00/unit)	⇒	FOB	+ \$2.00 \$22.00
Shipping, insurance, customs, duties & delivery: \$600 (\$600/100 units = \$6.00/unit)	⇒	Landed	+ \$6.00 \$28.00
Wholesale: Landed x2	⇒	Wholesale	x2 \$56.00
Retail: Wholesale x2	⇒	Retail	x2 \$112.00



Distribution Costs & Export Pricing (con't)

Standard formulas: The following are standard markups from the FOB price to the end-retail price for global handmade products distributed through two common distribution channels.



FOB x 3-5 = Retail

FOB x 5-7 = Retail

Activity

- 1 Complete the following with your pricing based on your distribution channel. You do not need to complete all prices; only complete the prices that are relevant to your distribution channel.

Ex-Works _____

FOB _____

Landed _____

Wholesale _____

Retail _____

- 2 Or, determine the end retail price of your top 3 best selling items using one of the standard mark-up formulas.

(FOB) _____ x _____ = _____