18 Pricing

An additional margin of say 8 per cent per annum or 2 per cent flat on goods being sold into Japan on an on-going basis with an average period of three months between date of order and date of payment, must surely be taken into one's overall strategy. It cannot be left as 'financial perks', because part of the marketing strategy might well require a reduction in price of 2 per cent, the failure of which might mean loss of orders. For the same reason the receivables concerned cannot be merely hived off to pay for imports, otherwise the 2 per cent is no longer available as the means of providing the reduction in price.

In the case of capital goods sold on extended terms of credit, the additional margins available from the forward sale of certain currencies can be very substantial indeed ranging up to 21 per cent on the face value of the contract. In cases such as these it is essential that the currency aspect be taken into account not only from a pricing viewpoint but also with regard to quoting and the competition with which the exporter may be confronted.

With regard to imports direct from overseas payable in currencies, the buyer has to calculate the price of buying the currency forward in order to evaluate the whole cost of the import. Confronted by a sterling price offered to him by an overseas supplier, the buyer must be able to calculate the 'correct' sterling price as opposed to what may merely appear to be a 'good' sterling price.

When buying imported goods in sterling from a UK importing agent the buyer must be careful to avoid an inflated sterling price into which the importing agent has loaded a bigger margin than the forward premium in order to protect himself against the exchange risk.