Product Planning and Pricing Decisions

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Product Planning Decisions

- **Product Design** – marketing research and continuous research and development
- **Product mix/line related decisions**
- **Product Packaging** – with respect to protection, preservation and promotion
- **Product Labeling** – for contents and instructions in certain languages
- **Product Pricing** – should overcome cost, profit, quality, nature, taxation and other market factors
- **Product Positioning** – based on USP, price, utility, etc
- **Product Promotion** – mix of advertising, sales promotion, personal selling, publicity, offers, etc
- **Product Warranty** – assurance wrt product performance and life
- **Branding Decisions**
- **After Sales Services**
- **Product Distribution Decision** – appropriate supply chain

Branding Decisions

- **Individual Brand Names** – Lux, Liril, Lifebuoy, Dettol, Fevicol,
- **Blanket Corporate Name** – Tata Tea, Tata Salt, Tata Steel, Tata Motors, Sony Xperia, Sony Bravia, Patanjali Ghee, Patanjali Noodles, Godrej Hairdye
- **Corporate** – Individual Brand Names – Nestle Maggi, Nestle KitKat, Cadbury Dairy Milk, Tata Nano, Bajaj Avenger
- **Family Brand Names** – one brand name for multiple products Maggi, Amul
- **International Brand Difference**
- **Use of Founder's Name as brand** – Colgate, Ford
- **Use of Numbers** – 555 Cigarettes, 502 Pataka Chai
- **Combination of Names and Numbers** – 7 up
- **Names Communicating Attributes** – Revital, Fair and Lovely, Head and Shoulders, Boost

Factors Influencing Branding

- Customers
- Corporate Name
- Competition
- Resources
- Market Area
- Market Size
- Nature of the product
- Promoter's Influence
- Popularity of Existing Brand
- Registration and Legal formalities
- Reputation of the Organization

Packaging Decisions

- Protection
- Quality Preservation
- Promotion
- Conformance to buyer's specification
- Conformance to Standards
- Consumer Preference
- Distinct from other products
- Convenience to dealers and customers
- Premium Pricing
- Reduced possibility of adulteration
- Re use Value
- Facilitates Smooth Distribution

- **Essentials of a good packaging**
- ✓ Suitability
- ✓ Attractive
- ✓ Informative
- ✓ Offer Convenience
- ✓ Attention
- ✓ Ease in displayig and identifying
- ✓ Supplementary Packing

Labelling in International Business

- A communication element on the packaging, either in written or graphic form.
- Includes things like brand name, contents, marker's name, manufacturer's name, place of production, batch details, expiry date, etc.
- It also contains certain instructions in certain languages and special logos to describe a feature.

Need for Labelling

- Brand Identification
- Automatic Brand Promotion
- Brand Image
- Statutory Requirements
- Transportation mode and measures
- Facilitates buying decision
- Knowledge about the product
- Custom Clearance and Entry

Marking in International Trading

- Marks put on carton boxes or containers for identification
- Includes details of importer and exporter, place of loading and unloading, weight, special carriage instructions, date of shipping, etc.
- Consignee and Exporter's details
- Contents
- Country of Origin
- Use of English
- Symbols and phrases
- Carton No.
- Weight and Measurement
- All side marking

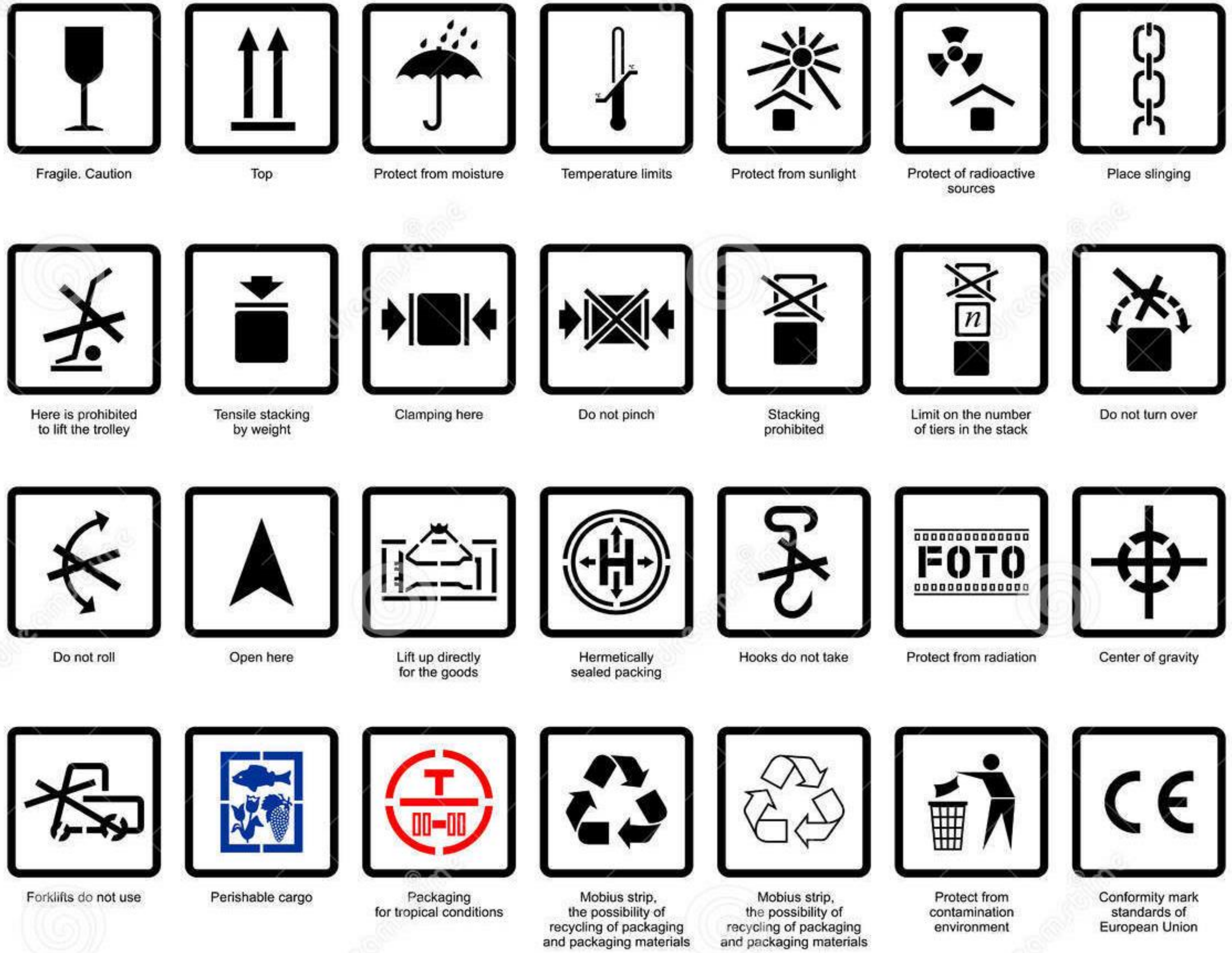
BIS hallmark

Agmark

ISI mark

FPO mark

(handling marks)



Factors determining export pricing

Internal Factors

- Cost
- Credit Policy
- Corporate Image
- Firm Objectives
- Product
- Promotional Activities
- PLC

External Factors

- Competition
- Consumer
- Demand
- Economic Conditions
- Financial Incentives
- Channel Intermediaries
- Market Opportunities

Objectives of Export Pricing

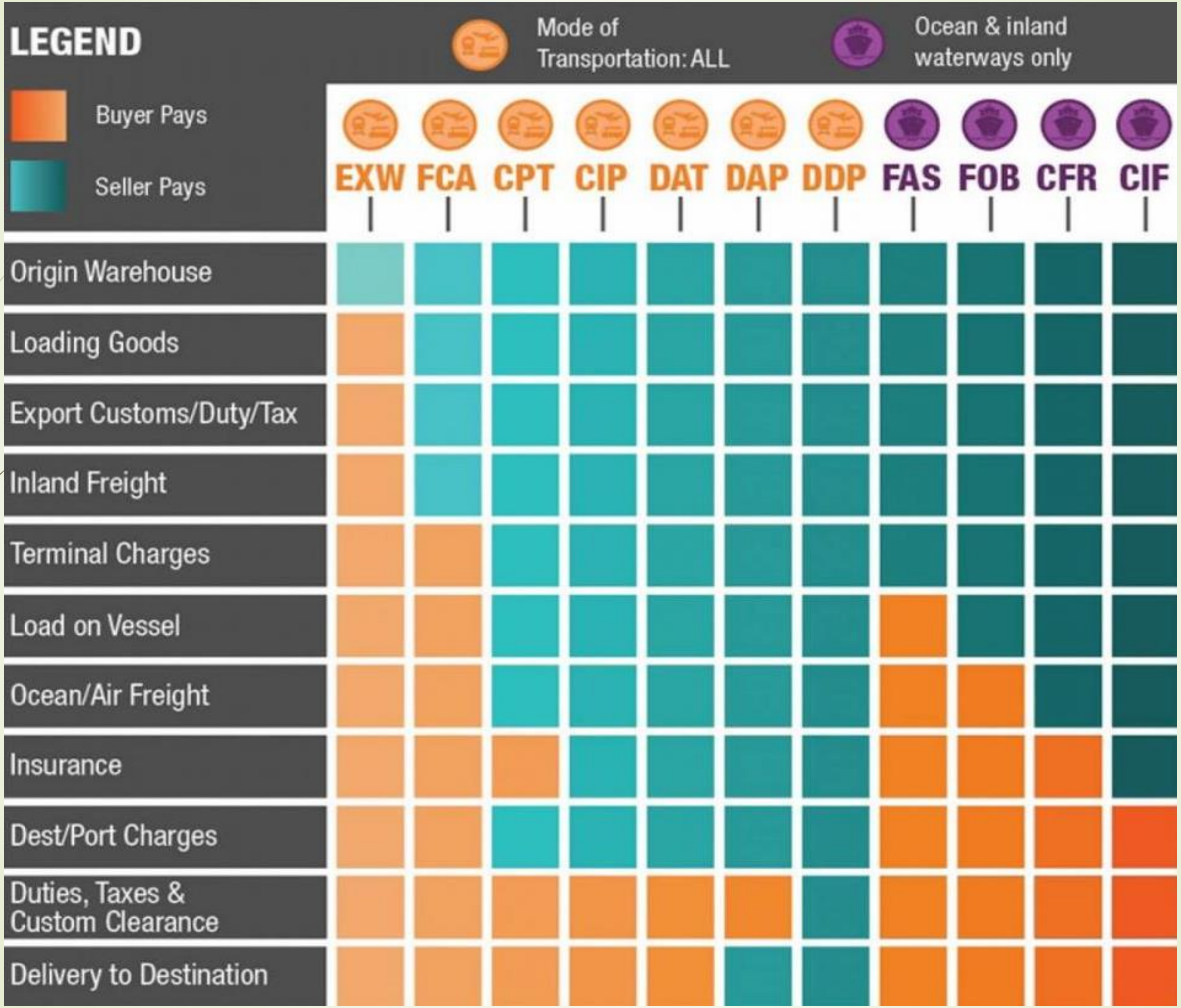
- Survival and growth
- Profit Motive
- Higher Sales
- Higher Economies of Scale
- Face Competition
- Image
- Market Skimming
- Payback Period
- Overcome market entry barrier
- Customer Satisfaction
- Social Responsibility

INCO Terms

- International Commercial Terms
- Created by International Chamber of Commerce in 1936
- Universally used among traders, producers, buyers, sellers, government and banks
- Covers shipping tasks, responsibilities to parties, delivery of goods, insurance of goods ad duties and taxes.

Types of INCO Terms

1. Ex Works (EXW)
2. Free Carrier (FCA)
3. Carriage Paid To (CPT)
4. Carriage and Insurance Paid To (CIP)
5. Delivery at Terminal (DAP)
6. Delivery at Place (DAP)
7. Delivery Duty Paid (DDP)
8. Free Alongside Ship (FAS)
9. Free on Board (FOB)
10. Cost and Freight (C & F)
11. Cost, Insurance and Freight (CIF)


LEGEND
Mode of Transportation: ALL
Ocean & inland waterways only
Buyer Pays
Seller Pays
EXW
FCA
CPT
CIP
DAT
DAP
DDP
FAS
FOB
CFR
CIF
Origin Warehouse
Loading Goods
Export Customs/Duty/Tax
Inland Freight
Terminal Charges
Load on Vessel
Ocean/Air Freight
Insurance
Dest/Port Charges
Duties, Taxes & Custom Clearance
Delivery to Destination

Free on Board

- Seller quotes a price which includes all expenses incurred by him till the goods are loaded into the ship.
- It includes ex-factory price, packing charges, customs and port using charges, documentation charges, export duty, inland transportation, wharfage and porterage and profit margin.
- Export incentives received by the exported is deducted from the above cost.

- **FOB Price = Cost of goods + Expenses upto boarding goods into the ship + Profit – Export Incentives**

Seller and Buyer Obligations

SELLER

- The Seller must bear ex-factory cost, packing cost, loading costs.
- The seller must intimate the buyer about the status of goods.
- The seller must submit vital documents transferring title and possession of goods to the buyer like BoL, Commercial Inv, Consular Inv, Certificate of Origin, etc.
- The seller must properly pack the goods depending on mode of transport, nature f goods and buyer's requirements.
- The seller must make necessary arrangements for loading goods into the ship.

BUYER

- The buyer must book and arrange for shipping space.
- The buyer has to bear insurance.
- The buyer has to pay freight charges for transportation.
- The buyer must pay to the exporter on time as per the contract.

Cost and Freight (C&F or CFR)

- Seller quotes a price which includes all expenses incurred by him till the goods are loaded into the ship and air / ocean freight.
- **CFR Price = FOB Price + Freight**

SELLER OBLIGATIONS	BUYER OBLIGATIONS
•Same as FOB except taking charge of freight for transportation.	•Same as FOB •Besides, the seller must pay freight charges of the shipping company.

Cost, Insurance and Freight

- It includes FOB Price plus freight and insurance .
- Preferred by importers as it reduces their responsibilities.
- **CIF Price = FOB Price + Freight + Marine Insurance**

SELLER OBLIGATIONS	BUYER OBLIGATIONS
•Same as FOB except taking charge of freight for transportation and insurance.	•Same as FOB •Besides, the seller must pay freight charges of the shipping company and marine insurance.

Problems on INCO Quotations

From the following information, find out minimum FOB price to be quoted on no profit or no loss basis. What will be the profit or loss is a price of Rs. 31,000 FOB is quoted. Ex-factory cost Rs. 32,000, expenses up to boarding into the ship Rs. 6,000, DBK 5% of FOB price.

Solution

FOB price = Cost of goods + Expenses upto boarding goods into the ship + Profit – Export Incentives

Let FOB price be x

x = 32,000 + 6,000 + Zero – 5% of x

x + 0.05x = 38,000

1.05x = 38,000

x = 38,000 / 1.05

x = 36,190

Therefore, minimum FOB price that can be quoted at no profit no loss is Rs. 36,190/-

- Calculation of profit or loss at an FOB price of Rs. 31,000 will be as follows:

Let profit / loss be x

FOB price = Cost of goods + Expenses upto boarding goods into the ship + Profit – Export Incentives

31,000 = 32,000 + 6,000 + x – 5% of 31,000

31,000 – 32,000 – 6,000 = x – 1,550

x = 5,450

Therefore, if 31,000 FOB price is quoted, then the exporter will have to incur a loss of Rs. 5,450/-

THANK YOU