

# Landed Costs

# Understanding International Pricing: Landed Cost

- Landed Cost Calculation
  - a) Net cost
  - b) Margin (Profit)
  - c) **Ex-Works price (a+b)**
  - d) Loading charges/warehouse
  - e) Export documentation
  - f) Banking fees
  - g) Freight forwarder's fees
  - h) **Ex-works price including related costs (c+d+e+f+g)**
  - i) Inland freight
  - j) Insurance to port
  - k) Terminal handling charges
  - l) Forklift charges
  - m) **FAS Vessel price (h+i+j+k+l)**
  - n) Loading onto vessel
  - o) **FOB Vessel price (m+n)**

# Understanding International Pricing: Landed Cost

- Landed Cost Calculation (Continued)
  - p) Harbor maintenance fees
  - q) Ocean freight
  - r) Fuel adjustment factor
  - s) Currency adjustment factor
  - t) Destination delivery charge
  - u) **CFR Port ( $o+p+q+r+s+t$ )**
  - v) Insurance to destination
  - w) **CIF Port ( $u+v$ )**
  - x) Import duties
  - y) Customs fees
  - z) Inland freight to buyer (optional)
  - **LANDED COSTS ( $w+x+y$ ) +z (optional)**

# From Landed Cost to Local Price

- To estimate the retail price of a product exported to a foreign market, start with the landed price:
  - Add freight to distributor (if not included)
  - Add applicable local taxes
  - Add margin (profit) added in the distribution channel
  - = the Retail Price
- Compare the retail price of the imported product to locally available products (or regionally produced)