

IMPORTING & EXPORTING

A practical guide for businesses
new to international trade

EXCELLENCE. SIMPLY DELIVERED.



Just starting out in international trade?

Do you have questions about importing and exporting?

Whatever your reason for starting out in international trade, perhaps you want to import goods that will reduce your costs or export to increase turnover or spread your risk, there is a wealth of advice and information available to help you get started.

DID YOU KNOW...

- The UK is the world's **11TH LARGEST EXPORTER** of goods and services
- International trade leads to innovation and new ideas for **59% OF UK BUSINESSES**
- **44% OF FIRMS** say exporting increases their credibility
- Businesses trading overseas are **11% MORE LIKELY TO SURVIVE**

Sources: UK Trade & Investment, World Trade Organisation, www.icaew.com



Exports are vital to the rebalancing of the UK economy, which is why it's crucial that we support firms looking to trade internationally... making sure our business owners and exporters of the future are well-equipped with the right skills is key. ”

John Longworth
Director General at the British Chambers of Commerce

STARTING OUT IN INTERNATIONAL TRADE

Trading internationally can be the logical next step towards growing your business or developing new markets. Exploiting the opportunities that international trade offers is exciting, but it is also a more complex process than trading within the UK.

It's not just about you and your customers. You will also be dealing with Customs, other government authorities, banks, insurers, export/import service providers and international carriers. And you will need to familiarise yourself with how trade is conducted in other countries, different business practices, cultures, customs and currencies.

Success depends on developing a robust export/import strategy, thorough market research, a good understanding of the business issues you need to address, and knowing where to go for help, advice and support.

This guide is designed to provide you with all the information and resources you'll need to get the process right first time – and make your international business ventures a success.

CREATING YOUR EXPORT OR IMPORT STRATEGY

Taking the time to establish a clear and effective export or import plan will be your key to success in international trade.

Your priority at all times should be to get your product to the marketplace without any additional activity from your customer. The process should be smooth, seamless and focused on delivering excellent customer service throughout. Reputations – and future ability to grow further – are won or lost on this alone.

Your strategy will rely on the following:

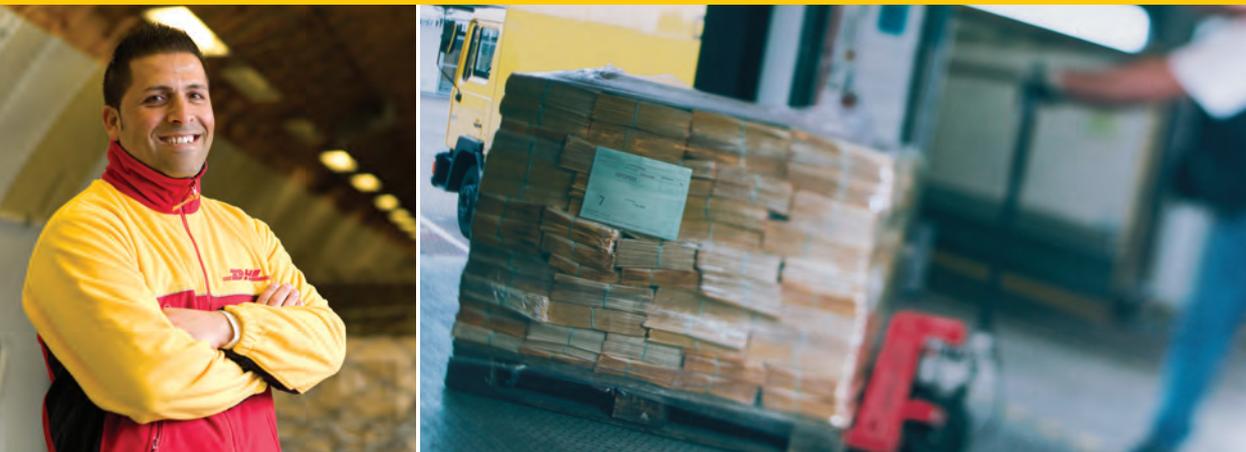
- full commitment from your management team
- thorough and comprehensive research into your chosen market
- a training programme for your staff
- a pricing strategy which factors in all shipping costs
- clear terms of trade with your customers, including delivery and payment terms.

Importing and exporting require a long-term commitment and you will need to nurture and maintain business relationships, build trust, and develop the necessary skills and knowledge to trade with confidence on an international basis.

Once you've selected your target market, you will need to gain a deep understanding of that market – the idiosyncrasies of how to conduct business in a particular country, the specific requirements of potential customers, your competitors, and the available distribution channels.



Getting started



RESEARCHING YOUR MARKET

To make your plans really work, you may need to set aside adequate time to visit the country to which you intend to export/import from. Businesses may operate in a global marketplace, but face-to-face meetings with potential business partners and customers continue to be the strongest foundation on which to build lasting and valued relationships.

The main objective of your visit will be to establish the potential for sales of your product and to build a clear picture of your target market. Importantly, it will give you the opportunity to assess competition from locally produced products and to identify other exporters already active in the market. Armed with this information, you will be able to make a fully informed decision about whether your product will sell, or whether it needs to be adapted to suit local tastes.

UK Trade and Investment (UKTI)

UK Trade and Investment (UKTI) works with businesses throughout the UK to help them enter international markets. Its International Trade Advisors can help you to develop your export strategy, which includes identifying the ideal opportunities. Advisors will even make introductions to potential business partners in your target market.

Through UKTI's Passport to Export programme you can access expert help and advice. Your business will be assessed for readiness and likely success, you'll receive professional mentoring and training as you prepare to enter your chosen market, and ongoing support once your business is trading internationally.

WORKING TOGETHER

Your company's success in international trade depends on a shared vision amongst your senior management team. When planning your strategy you should ensure that your team has the opportunity to discuss reasons for branching out into international markets, and to set tangible business objectives.

This is the time to find out just how committed everyone is, what skills individuals can contribute to the process of establishing overseas trade relationships, and who will take responsibility for particular actions e.g. setting up your export/import department and organising staff to ensure good customer service.

Working together, you will be able to create a clear plan of action – from determining time scales to identifying the resources that can be dedicated to overseas trading. It's also a chance to gain agreement from members of your team. Success is far more likely with everyone working towards a common goal.

It's also important that your strategies are communicated to your staff. It is likely to have an impact on how they work, so they need to be aware of what's happening and to be prepared for change. You may need to consider an export training programme to ensure that your company is in good shape when orders start to come in. The Institute of Export, Chambers of Commerce and UK Trade and Investment will be able to give you advice about suitable training programmes.



International shipping



FINANCIAL RISKS

Having identified your target market you will also need to understand any potential financial risks. This should include conducting basic credit checks on your customers and identifying any potential issues that may stop you gaining business or being paid. Risks may include:

Foreign exchange

If you are dealing in a foreign currency when agreeing a price for your goods, it's possible that the exchange rates may change in the interim between the quotation date and the date of settlement. This can, of course, work to your advantage, but it is a gamble and you could just as easily suffer a financial loss.

You can eliminate foreign exchange risk by quoting in pounds sterling. This essentially transfers the risk to your customer. However, if your competitors are prepared to invoice in the local currency you may have to do the same.

To minimise the risk of working with local currencies you can enter into a forward exchange contract with your bank. This is a formal agreement to fix the amount of sterling you will receive when payment is made in the foreign currency.

Your customers

Always make thorough checks of your customers to establish that they are solvent. Other questions to be asked are: do they have a trading history and do they own/rent the premises from which they are trading?

Even in countries deemed low risk, it is still quite possible that you will meet customers who are high risk, so it's worth doing extra credit checks to give you absolute peace of mind.

To avoid non-payment, it is advisable to take out Export Credit Insurance (see page 15) in both high- and low-risk countries.

The country to which you plan to export/import from

Depending on where your market is, you should be aware of local factors that could affect your trade:

- Foreign exchange controls which prevent the release and transfer of funds
- Import restrictions imposed after the contract has been signed, so preventing the completion of the contract
- Political events or economic measures that prevent or delay the transfer of payment
- Instability of the local banking system
- War, civil unrest and natural disasters.

PROVIDING QUOTATIONS FOR INTERNATIONAL TRADE

Quoting for business in overseas markets isn't very different from quoting for business in the domestic market. Typically, you will need to take account of:

- The cost of your raw materials
- Your manufacturing costs
- Your overheads
- Your profit margins

In addition to this, you will need to factor in the following:

- The cost of delivery
- Any duties payable
- Insurance



The A to Z of shipping jargon



USING INCOTERMS® 2010 RULES

When quoting and invoicing your customers, it's important that there is no confusion over who is responsible for delivering the goods and paying for transport.

The Incoterms® rules are a set of commercial terms internationally recognised and accepted as the standard for international trading. Developed by the International Chamber of Commerce (ICC), and first published in 1936, the rules are designed to ensure that the obligations of all parties involved in international transactions are clear and understood. Importantly, the use of Incoterms® removes the risk of misinterpretation in different countries.

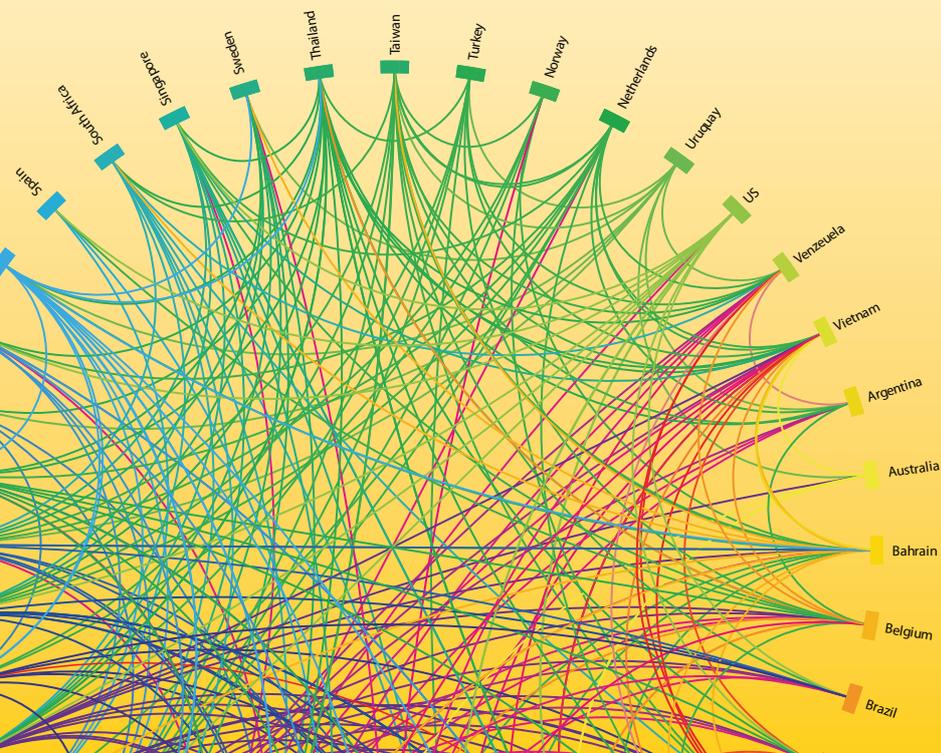
There are 11 Incoterms® covering delivery, risks and costs. When you include a particular term in your quote or invoice you should make specific reference to the rules, for example, 'FOB Southampton - Incoterms® 2010'.

Incoterms® For All Modes Of Transport

Incoterm	Definition
EXW	<p>Ex Works</p> <p>The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. The seller's obligation is to make the goods available at his premises (works, factory, and warehouse). This term represents the minimum obligation for the seller.</p>
FCA	<p>Free Carrier</p> <p>The seller's obligation is to hand over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When the seller's assistance is required in making the contract with the carrier the seller may act at the buyers risk and expense.</p>
CPT	<p>Carriage Paid To</p> <p>The seller pays the freight for the carriage of goods to the named destination. The risk of loss or damage to the goods occurring after the delivery has been made to the carrier is transferred from the seller to the buyer. This term requires the seller to clear the goods for export.</p>
CIP	<p>Carriage & Insurance Paid to</p> <p>The seller has the same obligations as under CPT but has the responsibility of obtaining insurance against the buyer's risk of loss or damage of goods during the carriage. The seller is required to clear the goods for export however is only required to obtain insurance on minimum coverage. This term requires the seller to clear the goods for export.</p>
DAT	<p>Delivered At Terminal</p> <p>The seller is responsible for the costs and risks to bring the goods to the point specified in the contract. The seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes quay, warehouse, container yard or road, rail or air terminal. Both parties should agree the terminal and if possible a point within the terminal at which point the risks will transfer from the seller to the buyer of the goods.</p> <p>The seller is responsible for the export clearance procedures and the importer is responsible for clearing the goods for import, arranging import customs formalities, and paying import duty.</p>
DAP	<p>Delivered At Place</p> <p>The seller bears the responsibility and risks to deliver the goods to a named place. The goods are deemed to be delivered when they are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer.</p> <p>The seller is required to clear the goods for export and the importer is responsible for effecting customs clearance, and paying any customs duties.</p>
DDP	<p>Delivered Duty Paid</p> <p>The seller is responsible for delivering the goods to the named place in the country of importation, including all costs and risks in bringing the goods to import destination. This includes duties, taxes and customs formalities.</p>

Incoterms® Only For Sea Or Inland Waterway Transport

Incoterm	Definition
FAS	<p>Free Alongside Ship</p> <p>The seller has fulfilled his obligation when goods have been placed alongside the vessel at the port of shipment.</p> <p>The buyer is responsible for all costs and risks of loss or damage to the goods from that moment. The buyer is also required to clear the goods for export.</p>
FOB	<p>Free On Board</p> <p>Once the goods have passed over the ship's rail at the port of export the buyer is responsible for all costs and risks of loss or damage to the goods from that point. The seller is required to clear the goods for export.</p>
CFR	<p>Cost and Freight</p> <p>The seller must pay the costs and freight required in bringing the goods to the named port of destination. The risk of loss or damage is transferred from seller to buyer when the goods pass over the ship's rail in the port of shipment. The seller is required to clear the goods for export.</p>
CIF	<p>Cost, Insurance & Freight</p> <p>The seller has the same obligations as under CFR however he is also required to provide insurance against the buyer's risk of loss or damage to the goods during transit. The seller is required to clear the goods for export.</p>



COMMERCIAL DOCUMENTATION

Invoicing your customer

Your invoice should include standard invoice details plus a full description of the goods, including:

- Item price
- Net weight (in kilos)
- The country of origin.

Customs authorities use the commercial invoice to verify the details of the consignment. It is good practice to include on your invoice a signed and dated declaration that the stated facts are true and correct.

Some countries have specific requirements regarding the layout, format or content of the invoice. Check with your customer to establish if there is any special wording or clause that you should include on the invoice.

Export Cargo Shipping Instruction (ECSI)

An ECSI is your instruction to the international carrier you have appointed. It contains information on the goods, the route to their destination, any transport requirements, customs information, who is to receive the documentation, and an allocation of the costs. It is extremely important that the information provided in the ECSI is accurate.

Standard Shipping Note (SSN)

In most cases, the SSN will be completed by you, but your freight forwarders or agents may also complete this form on your behalf. It is the receiving document for ports and container bases in the UK and advises them of the necessary information to process and handle the goods safely and with care.

Bill of Lading (B/L)

The B/L provides evidence of the contract between yourself and your carrier. It acts as a receipt that the goods have been received into the custody of the carrier and is a document of title, allowing the ownership of the goods to be temporarily transferred while the goods are in transit. The B/L will be usually completed by your international carrier.

Sea Waybill (SWB)

The SWB is similar to the B/L but it does not provide title of goods. It allows the goods to be collected by your customer or agent upon presentation of reasonable proof of identity, so reducing any possible delays at ports.

Air Waybill (AWB)

The AWB is the equivalent of the SWB for shipments being transported by air.

It is completed by you for your international carrier and travels with the goods. It details the basic information about your shipment, including where it's being sent from and to, the weight and a brief description of the goods.



OFFICIAL REQUIREMENTS

Duty

Duty is charged at the place of importation and is usually paid by your customer, unless you agree to do so yourself under the delivery term of duty paid. There is one exception to this rule: for Common Agricultural Policy (CAP) goods (agricultural produce in the form of raw materials or processed goods) duty can be levied at the place of export.

Excise

Excise duty is a national charge levied on the importation of certain categories of goods. As with import duty, excise duty is collected by Customs authorities in the destination country, and can vary from one country to the next according to national policy. Payment is generally the responsibility of your customer unless you are contracted to pay it under the sales contract.

VAT

All exports of goods to countries outside the EU are excluded from VAT in the UK. It is important that you retain commercial evidence (such as a certificate of shipment from your carrier, or a departure message from HM Revenue & Customs' electronic export system) that your goods have been sent from the UK. The evidence must be sufficient to identify your goods and show that they left the UK.

If you fail to obtain or keep satisfactory evidence that the goods have left the UK, the sale will not be eligible to be zero-rated as an export, and will therefore be liable to UK VAT.



OFFICIAL DOCUMENTATION

Single Administration Document (SAD)

The SAD (Customs form C88) is the Customs declaration document used by all countries within European Union (EU). It is required for all exports, with the exception of postal exports, and must accompany your goods to the point of exit from the EU. Guidance on completing the SAD is available from HM Revenue & Customs.

National Export System (NES)

HM Revenue & Customs has introduced the National Export System (NES), an electronic method of capturing details of export declarations. Information is captured at all stages of the export process either by direct transmission from the exporter, or through a third party such as a Community Service Provider (CSP). You can find out more about NES from HM Revenue & Customs.

Certificate of Origin (C/O)

A Certificate of Origin is a signed statement certifying where an exported item was made. Some, but not all, countries will require a C/O in order to gain Customs clearance. There are two types of C/O: the European Union version, and the Arab-British Chamber of Commerce version required by some Arab nations. Your local accredited Chamber of Commerce can produce this documentation for you.

EUR1

The EUR1 certificate is used to claim preferential (reduced or even zero) rates of duty in the country of importation. To qualify the goods must fully meet the rules of origin in the exporting country and be accompanied by a correctly completed and endorsed EUR1.

This system only applies to destination countries where trade agreements exist with the EU, and benefit the buyer by making goods cheaper to import. Other countries, including Turkey, Albania and Mexico apply their own rules of origin. The EUR1 should be completed by you as the exporter. You can find out more information from HM Revenue & Customs.



ATA Carnet

An ATA Carnet is an international Customs document that allows the temporary importation of commercial samples, professional equipment or goods going to a trade fair or exhibition in countries that are part of the ATA Carnet system. The system covers over 70 nations and territories in Europe, North America, South America, Asia, Africa and Oceania.

Without this document you would have to go through each individual country's Customs procedures for the temporary admission of goods. An ATA Carnet is valid for one year and allows for movement of the goods shown on the Carnet as many times as required during that period to any of the destinations applied for. You can apply for an ATA Carnet from your local Chamber of Commerce.

Taiwan Carnet (EC/CPD/CHINA)

This Carnet covers goods temporarily imported/exported between the EC and Taiwan. Its function is identical to the ATA Carnet but is distinguished by its colour and size.

ATR

An ATR certificate applies only for exports to Turkey and has a similar purpose to the EUR1. It applies specifically to the movement of industrial products that have been manufactured in or are in free circulation in the EU (all duties and taxes paid into the EU). As the exporter, you are responsible for completing the ATR form. You can find out more information from HM Revenue & Customs.

Health certificates/special certificates

Your local Chamber of Commerce will be able to provide advice and guidance on country-specific requirements for health certificates etc.

Doing business worldwide



SECURING PAYMENT OF YOUR GOODS

There are four main methods of payment, varying in security. The method you choose should be determined by the credit checks you have made regarding your customer and the degree of risk you are prepared – or can afford – to take.

Cash in advance

Being paid in advance of delivery ensures that you receive full payment before shipment of the goods and is therefore the most secure method.

Letter of credit

One way of reducing the risk of non-payment is to request a letter of credit from your customer. It is issued by your customer's bank and guarantees that payment will be made, so offers a high level of security. You will also need to agree to certain terms set out by the bank e.g. providing documents as proof that you have supplied the goods for which you have been contracted.

For extra security, you may prefer to ask a UK bank to confirm your customer's letter of credit. This will ensure that your UK bank will make the payment in the event that your customer's bank doesn't.

It is also advisable to obtain an irrevocable letter of credit. It cannot then be changed or cancelled unless all parties are in agreement. A revocable letter of credit, however, can be changed or cancelled by the bank at any time.

Bank documentary collections

Bank documentary collection is a recognised procedure used in international trade in which a bank in your customer's country acts on your behalf to collect payment for your goods. The bank will take receipt of all shipping and collection documents (sent via your own bank), handing them over to your customer in exchange for payment of goods. You receive your payment and your customer has the necessary documents to collect the goods.

Open account

An open account is where you agree to ship the goods to your customer and issue an invoice for payment, usually quoting a credit period such as '30 days from date of invoice'. The risk here is obvious and this method is reliant on trust and a good business relationship.

TYPES OF INSURANCE

Export credit insurance

To protect your company against non-payment, it's important to insure your export orders, even if your customer is a well-known or reputable company in a low-risk country. Your chosen insurance company will cover the payment risks involved in international trade.

Cargo insurance

The very nature of exporting and importing means that goods can be in transit for a number of days, with the unfortunate risk of damage, loss or delay. Most international carriers take great care to minimise such risks. It's sensible to insure your goods according to their value so that you are sufficiently covered in the event that something goes wrong.

Cargo insurance covers loss or physical damage to goods whilst in transit, and covers transportation by air, road, rail and sea. You can get more comprehensive cover to protect against specific incidents, such as theft or damage during loading.

The Incoterm® 2010 specified in your contract of sale will determine who is responsible for arranging this cover. As the exporter, you are obliged to arrange insurance cover under Incoterm® 2010 rules CIF and CIP. In such cases you should build this cost into your quotation.

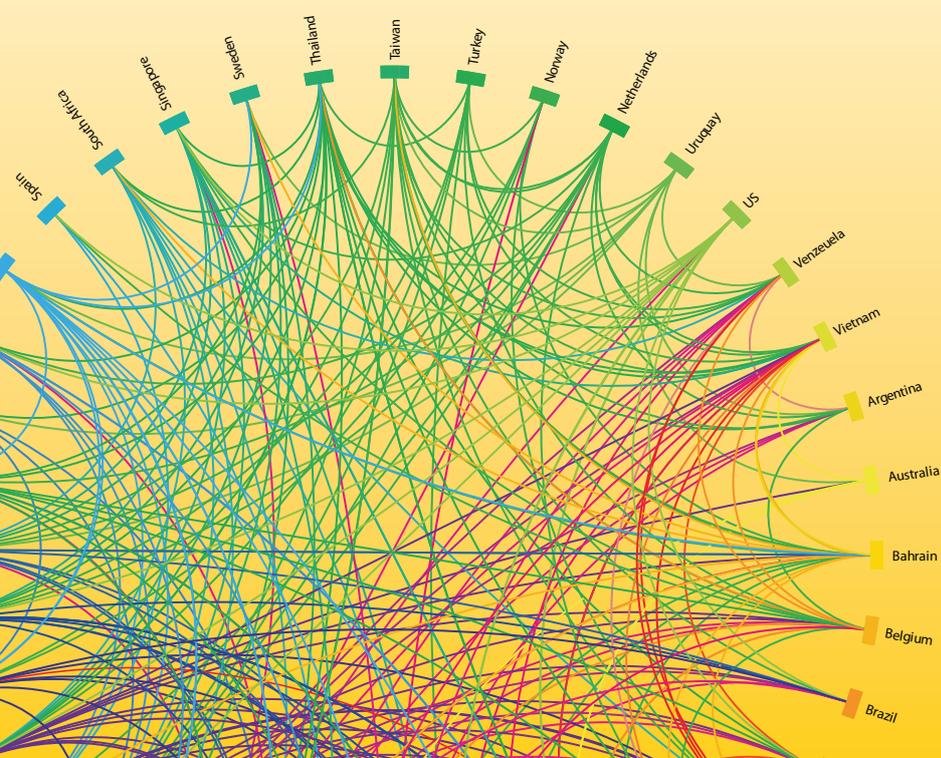
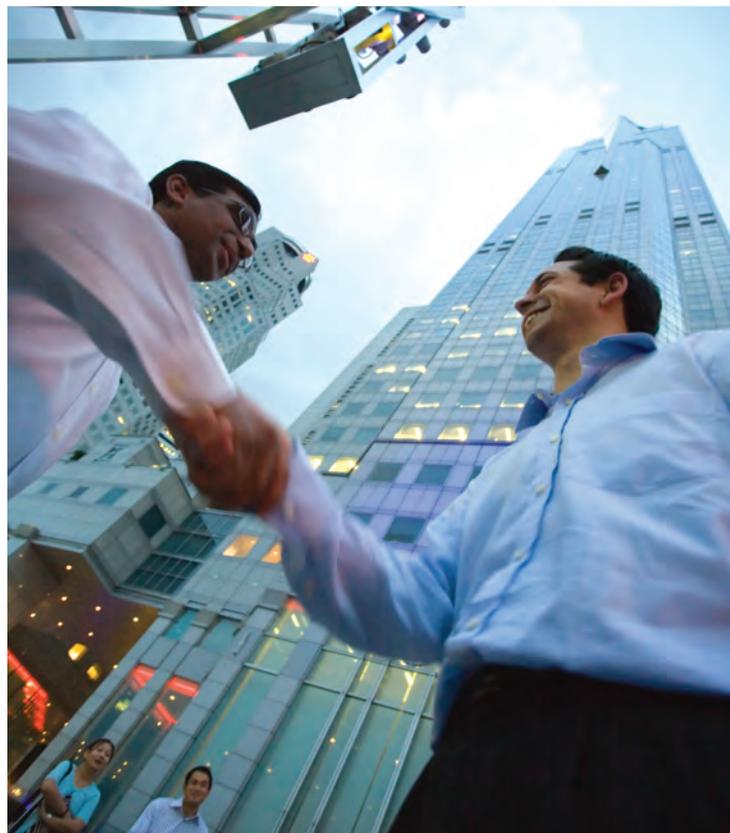


CARING ABOUT YOUR CUSTOMERS

Developing a good working relationship with your customers is essential – it minimises the risks involved in delivering your goods and getting paid.

Simple good manners and polite behaviour will get you far – conducting business overseas should be no different to dealing with UK customers in this respect. There is more to learn, of course, but if you can demonstrate an understanding and awareness of your chosen country's culture, be it social or business, your customers will hold you in much higher regard and be more open to any deals you offer. Do your research and become as familiar as possible with the country in which you are going to trade; UKTI can help you overcome many of the barriers to doing business overseas.

Good communication and negotiation will lead to agreement on crucial issues such as trade terms and your choice of currency for payment. Ultimately, it can be the key to obtaining delivery and payment terms that are most advantageous to you and to being successful in international trade.



HOW DHL CAN HELP YOU

No one understands international express shipping quite like DHL – after all, we've been building and perfecting our service for over 40 years.

As a DHL customer you'll benefit from local pick-up times, extensive Customs expertise, and fast and reliable delivery to over 220 countries worldwide. With realtime online tracking at your fingertips you'll know where your shipments are at all times.

We can also provide cargo insurance covering loss or damage to your goods during transportation. It's simple, easy to arrange, and highly flexible. Insure just one shipment or arrange an annual premium.

Whatever you need to transport, by whichever means and however fast you need it delivered, DHL can help. We'll provide an individually tailored solution based on understanding your specific needs. With our reputation in customer service, you can trust we'll be the perfect partner to meet your business needs.

For More Information

To find out more about how we can help your business succeed in the international market, please contact our Customer Services team on 0844 248 0844.



OUR TOP TIPS FOR SUCCESSFUL INTERNATIONAL TRADE

Do your research

Make sure that your goods are needed in your chosen market and that you can sell at a price that will produce a reasonable profit margin. Check out the competition and ensure that there is sufficient space in which you can successfully operate.

Plan

Establish exactly how you are going to enter the market. Make sure your company is geared up for international trade and allocate budget to cover any start-up costs.

Build good relationships

Take time to understand your target market, including language and cultural differences. Being sensitive to such differences will pave the way for good business relationships.

Be patient

View international trade as a long-term process rather than a quick win. Don't forget that other countries conduct business differently to the UK, and it often takes longer to agree a deal.

Know what everything costs

From exchange rates to the cost of shipping, it all has an impact on your profit margins.

Understand the paperwork

Familiarise yourself with all the documentation you will need to produce so that you comply with Customs regulations.

Protect your cashflow

Agree methods of payment that don't expose you to unnecessary risk. Take out insurance cover if necessary.

Choose a trustworthy shipper

A poor delivery service will not reflect well on your company. Choose a fast, efficient and reputable international carrier. Make sure your goods are insured.

Ask for help

There is plenty of expert advice available. This will be invaluable at every stage of the export process – so make use of it!

And finally...

Keep this guide handy!



NEED MORE INFORMATION?

There are many organisations that can provide all the advice you need to help you succeed in the international market.

DHL

DHL work with a number of partner organisations that can help you grow your business and answer your questions.

You'll also be able to find lots of useful information on our website www.dhlguide.co.uk.

You can follow us on Twitter [@dhlexpressuk](https://twitter.com/dhlexpressuk) or sign up to our newsletter which gives weekly advice on topics ranging from understanding Incoterms® and accessing government funding, to providing key insights on growing trade lanes.

British Chambers of Commerce

The British Chambers of Commerce (BCC) is the national body for a network of 56 accredited Chambers of Commerce throughout the UK. With over 100,000 business members nationally, every Chamber plays a central role in its local business community.

Examples of how they can help:

International Trade Training / Events

The Chambers provide first time exporters with a range of training courses and events that will help them maximise their import / export opportunities and reduce the risks of trading internationally.

Worldwide Network of Contacts

The British Chambers of Commerce is also part of a network of Chambers worldwide so can help businesses make contact with suppliers and buyers overseas.

Export Documentation

Support with export documentation is available from member's local branch; for example Certificates of Origin, E certs and ATA Carnets can all be provided by the Chambers of Commerce.

www.britishchambers.org.uk

UK Trade & Investment

The UKTI is the government's central organisation to support export businesses; it's their job to help UK-based businesses succeed in international markets.

There are three main ways they can help:

Passport to export:

A scheme that helps assess how ready a business is for international trade and then supports them in drawing up an export plan.

Tradeshow Access Programme (TAP)

Overseas exhibitions are a great way to test the waters of a foreign market; this programme helps by providing grants to small businesses to attend important overseas trade shows.

Overseas Market Introduction Service (OMIS)

This service provides access to expert trade teams around the world who are fully versed in your export country's local language and customs, market knowledge and hold a contacts list that help businesses start trading in new markets.

83% of businesses who have used UKTI services say they've been a big help in exporting goods or services overseas.

www.ukti.gov.uk

The Institute of Export

The Institute of Export represents and supports the interests of everyone involved in importing, exporting and international trade. Membership of this professional body offers a unique range of benefits, including an internationally recognised suite of qualifications and training. IOE members also receive regular updates, newsletters and a magazine, providing up-to-date information on trading overseas.

www.export.org.uk

GOV.UK

GOV.UK includes information from the old Business Link website, providing a simpler and faster way to locate free information and advice about importing and exporting. A comprehensive international trade section features helpful tools and easy-to-understand practical guides.

From researching potential markets to protecting your intellectual property rights, it's all there – and easier to find than ever before.

www.gov.uk

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