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# EXPORTING A HOW-TO GUIDE PREPARATION

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# MAIN STEPS ON THE EXPORT JOURNEY



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# STEP FOUR PREPARATION



More planning...



## PRODUCT SPECIFICATION AND SPECIAL REGULATIONS

- Augment product export files with market-specific regulations
- Understand your responsibilities for testing and labelling of your products
- Consider regulatory tracking and monitoring services for key markets

## PROTECT YOUR BUSINESS & YOUR PRODUCTS

- Consider a formal risk analysis exercise before exporting
- Protect your business against potential cyberattacks and cybercrime
- Audit your IP protection

## SALES

- Explore all routes to market
- Develop a pricing policy
- Define and confirm delivery and service levels

## TERMS OF TRADE

- Consider payment types
- Access risk profiles for each customer

## FINANCING

- Assess your financing needs
- Ensure daily visibility of international bank accounts
- Speak to your bank

# PREPARATION

Once you have identified the opportunities, it is time to bring all your research and planning together into an export plan for a specific customer and product profile. Having mapped your products and researched the country and customer, further planning steps are recommended to identify issues, understand funding opportunities and enable a smooth export process.



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## PRODUCT SPECIFICATION AND SPECIAL REGULATIONS

In addition to customs procedures, each product can be regulated in different markets in different ways. It is important that you understand any special regulations for your product in each country or market.

You will have created export files for your products; these can be augmented with additional regulatory requirements for the products in key target markets. Many products will have specific regulations in your destination market, such as consumer safety legislation and environmental protection and labelling. You should explore in detail your market obligations as a manufacturer, exporter and importer of your products.

Where applicable, you will need to ensure that your products meet market requirements and, where necessary, ensure that products are tested and certified against the market rules. These tests and certifications must be

executed by bodies recognised by the authorities in your destination market, and often must be based in that market (e.g. CE marking in the EU).

You may need additional technical documentation to accompany your products and may be required to physically label your goods for export differently from your domestic products. Rules and legislation governing the sale and consumption of your products in key markets are subject to constant evolution and your obligations may change. It is important that you are aware of your responsibilities on a continuous basis.

- **Augment product export files with market-specific regulations**
- **Understand and execute your responsibilities for testing, certification and labelling of your products**
- **Consider regulatory tracking and monitoring services for key markets**



# PREPARATION



## PROTECT YOUR BUSINESS & YOUR PRODUCTS

Although the opportunities presented by exporting can be highly attractive, maximising these requires an awareness of the risks. From financial crime, including money laundering and bribery, to an ability to manage complex international sanctions, understanding these risks and mitigating them is an essential part of a successful export strategy.

If the business has already conducted thorough due diligence on a new trading partner, then potential hazards such as bribery and breaching sanctions are less likely to be an issue. Nevertheless, it is important to be aware of and guard against them. It is equally important to ensure that any banks you use when making/receiving payments or trade finance should have high standards in this area. For example, HSBC has an absolute zero-tolerance policy with regard to bribery and corruption.

The increasing digitisation of industry plays a vital role in business growth, connecting companies to new customers, suppliers and opportunities. But it can also bring risk. Cybercrime targets victims, from private individuals to large corporates, through various forms of phishing and illicit installations of malware. Cyberattacks can have a significant impact on businesses, from lost income to reputational damage, ransomed data and a breakdown in business continuity. The due diligence that applies to any aspect of business is equally important when it comes to combatting the threat of cybercrime.

It is essential to also understand how to adequately protect your Trade Marks and Intellectual Property (IP) as it could vary between markets. The steps to protect your IP are a key consideration.

- Consider a formal risk analysis exercise before exporting
- Protect your business against potential cyberattacks and cybercrime
- Audit your IP protection, and seek additional IP protection if necessary



# PREPARATION



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## SALES

There are multiple ways of exporting, which range in complexity, cost and the risks they present. Starting with low cost and low risk, the main ways to sell overseas include direct sales (including selling online), using in-country agents or distributors, licensing or franchising, a joint venture or partnership, or setting up an overseas operation. All these routes to market have advantages and pitfalls. The approach chosen will need to consider the product profile, customer expectations and cost and longevity of the market opportunity. In the first instance, it may be worth considering the use of sales agents or distributors.

However, the first step is to understand your costs and therefore your price point for different customers and markets. Once you have established export files for your products, identifying customs, market (legislative) and customer requirements, these should be used to build cost and price profiles to determine a pricing policy.

Explore the different options for delivery to market and execute your sales and marketing plan with high-level commitments to delivery and service levels.

- **Explore all routes to market and add to product export files**
  - **Develop a pricing policy**
  - **Define and confirm delivery and service levels**



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## TERMS OF TRADE

At a basic level, trading internationally is not dissimilar to trading domestically, except that when dealing with businesses based in overseas markets, receiving and making payments can be a more complex process. However, this need not be an obstacle to international sales/supply opportunities.

For new traders, identifying the most appropriate payment type for a particular transaction can be challenging. There are various ways to receive payments from abroad. Each have their own benefits. So before starting its worth speaking to an experienced trade bank to see which ones are most appropriate.

The payment terms used for international trade transactions reflects both the exporters' and importers' credit appetites. Explore all payment options available which have differing levels of credit, cost and risk. For any individual transaction, the most appropriate method will depend upon factors such as the size of the transaction, level of confidence in the buyer, each parties' commercial leverage, and the exporter's and importer's relative cost of financing (see next page).

- **Consider payment types**
- **Access risk profiles for each customer**

# PREPARATION

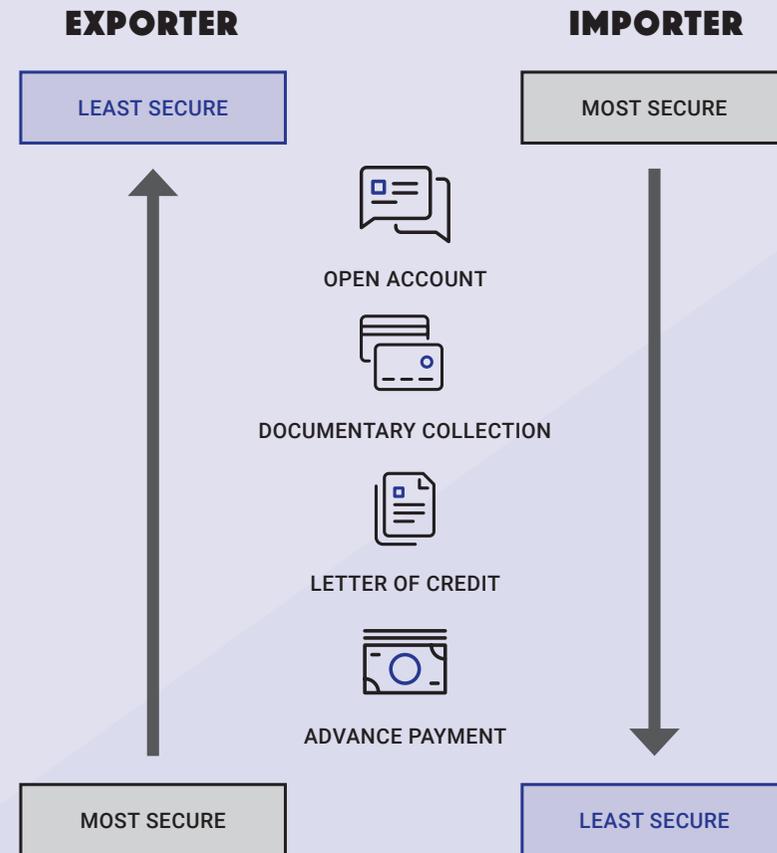
**Open Account** - Open account payment is similar to offering credit to a domestic customer. Typically, the credit term (e.g. 30 days) starts once the goods are dispatched and invoiced, in line with the terms of trade. Over 80% of global trade is on an open account basis – it is the simplest and the least expensive method of payment, but it does assume a level of confidence in a trading partner’s ability/willingness to pay.

**Documentary Collections** - A documentary collection, is a simple alternative to Letters of Credit that protects an exporters interests over documents and payment collections via banks. Documentary collections are typically used by exporters selling to importers with whom they have an established relationship.

**Letter of Credit** - a letter of credit is an irrevocable undertaking by a bank on behalf of the buyer to make payment in favour of a seller provided the documents presented comply with Letter of Credit terms and conditions. Letters of Credit are issued typically used for exports to new customers. They offer reassurance to exporters that they will be paid (subject to them presenting the right documentation within the appropriate timeframe) and to importers that they will actually receive the goods they ordered.

**Advance payment** - Full or part pre-payment is often used for low value sales to individuals or new customers. Although it is the least favourable option from the buyer’s perspective, start-up businesses often use advance payment via credit card.

## PAYMENT RISK LADDER



# PREPARATION



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## FINANCING

A key consideration is financing. Before starting exporting, create financial and sales projections and use them to assess your capital needs. Have adequate financial resources to meet those needs – plus a cushion – before you start. If you are exporting and get a big order but do not have the working capital to finance buying or manufacturing the products, your global expansion might end before it begins.

All businesses are different and when it comes to selling goods overseas will have unique requirements. Therefore it's important to engage with your bank early in the process who can help structuring facilities to bridge your full working capital cycle from procurement through to sales. Often buyers will want to defer payment as long as possible whereas sellers want to receive payment as soon as possible, with these divergent payment objectives Trade Finance solutions can help to fill the working capital gap. This is achieved by allowing favourable payment terms to buyers whilst providing sellers instant access to capital.

Export Invoice Finance can speed up your cash flow by providing funding in a number of currencies, collecting payment on your export invoices and protecting you from the risk of bad debts, generating working capital to re-invest in your business.

In the rare cases where your bank is unable to provide the level of facilities required consider UK Export Finance who may be able to help you access the support you need to fulfil a contract.

Trading internationally for the first time means having to deal with different currencies. To maintain profitability, it's important to be aware of the exchange rate, since there may be currency fluctuations during the period between paying for supplies to fulfil an order and receiving payment. Carefully managed, foreign currency can even be used to make your business more profitable and more attractive to overseas customers. Negotiating sales denominated in foreign currency and taking steps to minimise the attendant currency volatility may improve profitability.

In addition, a successful business trading internationally may have a number of overseas bank accounts. Distance and time differences make it easier to lose track of account activity, so it is vital to have good account management processes in place.

- **Assess your financing needs**
- **Ensure daily visibility of international bank accounts and consider splitting bank account control among staff**
- **Speak to your bank about your options such as advice on a foreign exchange strategy for your business provided by HSBC UK**

# PREPARATION

## CASE STUDY – ELAND CABLES: FLEXIBLE FUNDING

Founded in 1975, Eland Cables Ltd is a global supplier of power, data, control and instrumentation cables and cable accessories. Following a management buy-out (MBO) in 2005, Eland Cables has enjoyed considerable growth. It operates across a number of industries including rail, infrastructure, automation, mining and oil & gas, supplying quality-conscious organisations all over the world.

Headquartered in London, Eland Cables operates primarily from purpose-built facilities in Doncaster, South Yorkshire, but is a truly international business. It is particularly active across Europe, the Middle East, Africa and parts of Asia. Given the breadth of its product range, Eland Cables also sources materials from a wide range of countries.

**The challenge:** Significant growth and a strategy that would see Eland Cables consolidate and pursue further international expansion in the future, meant that the business had outgrown its incumbent, regional bank of 10-years' standing.

"Whilst very supportive of our business, our existing bank did not have the infrastructure, technical expertise and lending capacity to meet our trading requirements," explains Chief Financial Officer Jean-Sébastien Pelland. "We had reached the point where it was time for us to move to a tier 1 bank."

In addition, Eland Cables needed a global bank capable of supporting its international growth ambitions. "We sell into over 100 countries each year, many of which aren't considered mainstream," says Jean-Sébastien. "We also source materials from around the world, so we needed a bank that was comfortable handling large volumes and large amounts in different currencies, and could help us manage that exposure."

Importantly, Eland Cables was also looking to develop a long-term personal relationship with a bank that could support its plans over an extended period.

"As a fast-growing, dynamic business with an international footprint, it was essential for us to find like-minded banking partners and HSBC fulfilled our criteria," says Philip Brown, CEO. "As the leading London-based international bank, HSBC was a natural banking partner for us."

**The solutions:** "Creating a holistic solution that looks at Eland Cables' immediate and long-term funding and banking needs has been a key part of establishing a strong relationship with the business," says Joel Palmer, Senior Business Development Manager, Global Trade and Receivables Finance, HSBC UK.

Working capital funding supports Eland Cables' growth, responding flexibly with increased facilities to match their projected growth plans. That enables them to undertake such growth, secure in the knowledge that the funding required is in place.

"Eland Cables was keen to have full coverage of their working capital cycle, from procurement through to sales," explains Joel. "That could be over a long or a short period of time and they wanted a bank that could provide a solution over that full cycle. We were able to create a joined-up solution through trade and receivables finance."

"Changing banks is a big deal," says Jean-Sébastien. "HSBC truly understands the challenges associated with business growth and international trade. Most importantly, they really care about understanding our business and future aspirations, offering expert advice and practical solutions along the way."

**The process:** Since the relationship between HSBC and Eland Cables was established in 2014, it has deepened substantially. "The process of creating a solution for Eland Cables was relatively straightforward," says Joel. "The key thing was that our extensive global reach meant we were able to support Eland Cables' international ambitions smoothly."

# PREPARATION

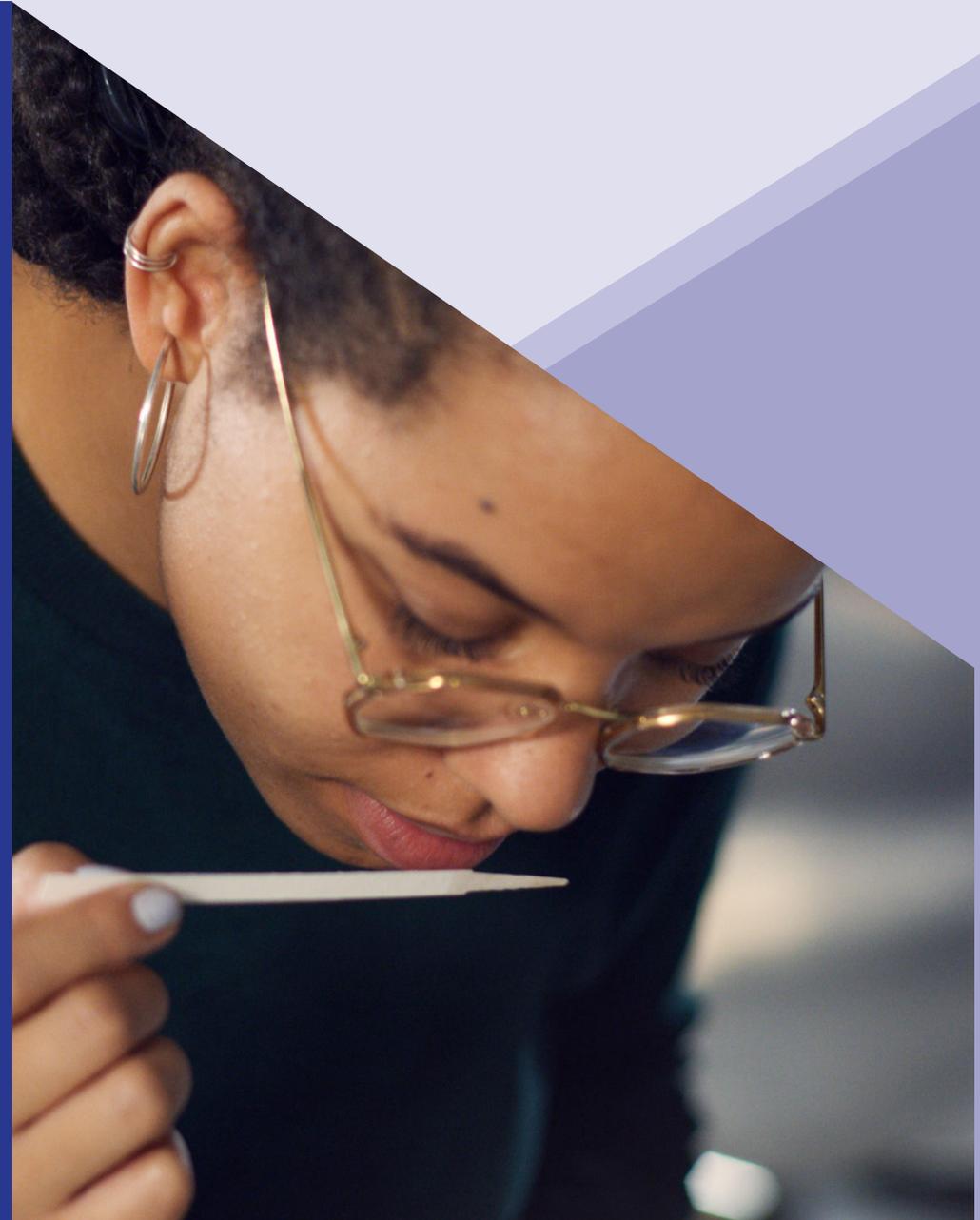
“Very few institutions will provide receivables finance for products sold in the UK but also internationally. However, that is something we are very good at. Having everything in one place was very important to Eland Cables.”

“Our relationship was founded on HSBC’s deep understanding of international trade, with product experts coordinated by a highly competent team of generalists,” says Jean-Sébastien.

“It’s also refreshing that they introduce new products to us that they anticipate will meet our needs rather than waiting for us to ask. Also, you only truly know the strength of a banking relationship when it is tested. There have been instances where a less attentive team could have overlooked a minor issue that may have grown. At HSBC, their senior managers do not let that happen.”

Charlie Hobarough, Relationship Director at HSBC, agrees: “The strength of our relationship is centred on regular and open dialogue. If something is not working well, we discuss it and find a solution that suits all parties, with our knowledge of the business and its needs further supporting this.”

“The relationship between HSBC and Eland Cables is built on trust, strengthened by regular personal contact at all levels between the teams and transparency about the parties’ respective agenda,” concludes Jean Sébastien. “With HSBC, we are not just a number. We matter to them and they know and understand us.”



# GLOSSARY

Term	Meaning
Advance Payment	Advance Payment – paying for a good or service before it is received.
Authorised Economic Operator status (AEO)	<p>A compliance certification signifying secure and reliable exporter status and offering smoother customs flows and deferred payment of duties. Predominantly used across the EU but with WTO links.</p> <p>Your freight forwarder will likely be AEO approved and a known consignor.</p>
AWB	Air Waybill - a receipt issued by an international airline for goods and an evidence of the contract of carriage. This document sets out the routing of an exporter's cargo while it is in the hands of the air carrier.
BL	Bill of Lading - document of title, a receipt for shipped goods, and a contract between a carrier and shipper. This document must accompany the shipped goods
BoE	Bill of Exchange - is used in international trade to help importers and exporters fulfil transactions. While a bill of exchange is not a contract itself, the involved parties can use it to specify the terms of a transaction, such as the credit terms and the rate of accrued interest
Border Operating Model	Post Brexit, this is the UK Government's new border control system that will be introduced in three stages up until 1 July 2021.
Carnet	A document permitting the holder to temporarily send goods to certain foreign countries for display or demonstration purposes without having to pay duties
CHIEF/CDS	CHIEF (Customs Handling of Import and Export Freight) is the HMRC computer system used to make customs declarations. Mostly used by freight forwarders, it will be replaced by a new system called CDS (Customs Declaration System) in 2021.
Certificate of Origin (CO)	An international trade document that certifies that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country.
COD / OA	Cash on Delivery / Open Account - The sale of goods or services in which payment is made upon delivery rather than in advance
Commodity Code	A number allocated to goods to classify exports/imports. It dictates your duty rating, and alerts you to any import or export regulations. Department for International Trade <a href="#">UK Global Tariff Look Up</a>
Consignor, consignee and declarant	Customs terminology referencing the person/organisation exporting, the person/organisation receiving the goods (taking ownership) and the person responsible for the import respectively.
Country of Origin (COO)	Countries use rules of origin to define the COO of goods – the COO determines how tariffs might apply. For example, to be 'made in the UK' a certain percentage of the ex-works value must be of UK origin.

Customs procedure code (CPC)	Tells customs what will happen to the goods.
Customs simplified procedures	Customs special and simplified procedures deal with customs treatment of goods transiting a country or held in storage – also known as bonded storage or warehouses.
Customs declaration	An electronic export declaration.
Customs union	Members apply a common external tariff (e.g. the European Union)
DIT	The Department for International Trade (DIT) is the UK Government department tasked with promoting and financing international trade and investment, as well as championing free trade.
Documentary Collection	Documentary Collection - A simple alternative payment method to Export Letters of Credit that protects the sellers interests over documents and payment collections via banks.
Duty	A duty or tariff is a tax imposed on goods when transported across international borders. The term duty could include import tariffs, VAT (or equivalent) and/or an excise duty.
Economic Operators Registration and Identification (EORI) number	A UK EORI number is issued by HMRC to identify an organisation for the purposes of customs and import/export.
EU Common External Tariff	The EU's external tariff regime, or MFN tariffs. See MFN Tariff
Free circulation	Free circulation refers to goods entering the European Union and, once cleared by customs, are free to circulate within the EU.
Freight forwarder	An agent who organises shipments and transport and can manage certain related customs procedures on behalf of the exporter. <a href="#">British International Freight Association</a>
Generalized System of Preferences	The Generalized System of Preferences (GSP), is required to validate claims for preferential duty treatment (a reduced or duty-free entry). This form is granted by certain developed countries for certain manufactured goods exported by least developed countries to boost exports.
Incoterms®	Created by the International Chamber of Commerce (ICC) and used universally Incoterms are a set of internationally recognised three-letter trade terms that describe the practical arrangements for the delivery of goods from sellers to buyers and allocate the obligations, costs and risks between the two parties. <a href="#">Link to ICC</a>

LC / DC	Letter of Credit (Documentary Credit) - A letter of credit, also known as a documentary credit is a commitment given by the buyer's bank that they will make payment when a pre-agreed, specified set of documents are presented to a nominated bank by the seller ( <a href="#">video link</a> )
MFN (Most Favoured Nation) tariff	Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
Open Account	Shipping goods to your buyer before you get paid.
Rules of origin	Rules of Origin (ROO) allow an importing country to identify and classify the origin of a product and therefore whether it should be subject to preferential treatment, such as tariff reductions. See also Country of Origin.
SWOT Analysis	SWOT is an acronym for a method of analysis looking at Strengths, Weaknesses, Opportunities, and Threats
Tariffs	A duty or tariff is a tax imposed on goods when transported across international borders. Often an import tax applied at a rate specific to the product. These can be applied at either MFN or at preferential rate through trade agreements.
TCI	Trade Credit Insurance (TCI) provides cover for businesses if customers who owe money for products or services do not pay their debts, or pay them later than the payment terms dictate.
UK Export Finance	UKEF is the UK's export credit agency
UK Global Tariff (UKGT)	The UK's external tariff regime, or MFN tariffs. The tariff or duty that applies to all goods imported into the UK unless the country you're importing from has a trade agreement with the UK or another exception applies.





Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK’s economic engine and the world’s workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world’s biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

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HSBC is one of the world's largest banks. We support around 1 million UK businesses, among 37 million customers worldwide. Our international banking network covers 64 international markets and territories and gives us access to around 90% of world trade flows.

Our aim is be acknowledged as the UK's leading bank for national and international trade, and in Euromoney's Trade Finance Survey 2021 we were recognised as the UK's best bank in trade finance for the fifth consecutive year. Globally, we were voted the world's #1 Global Trade Finance bank for the fourth year running, demonstrating our delivery of safe, fast and simple trade transactions.

These awards reflect our commitment to British businesses and our support in helping them realise their growth ambitions. With trade solutions ranging from paper-based documentary credits to sophisticated upstream supply chain financing we can help companies of all sizes trade with confidence.

For businesses with international ambitions, our global network provides unique access to global trade flows and means we can connect businesses to opportunities worldwide.

A strong balance sheet, advanced technology and an extensive network of dedicated trade and supply chain teams worldwide – including 800 specialist UK trade staff – puts us in an excellent position to support UK businesses as they expand overseas.

We understand that growing businesses want more than finance and products from their bank, they want a partner and expert guidance. To this end, we run a series of initiatives to meet the needs of companies across the country at every stage of their growth journey.

We also recognise the value of access to up-to-date information and insight on building a successful business. Our recently launched Tomorrow Ready hub contains a wide range tools and resources to help businesses prepare for the future and there is a section on the hub dedicated to exporting and Brexit preparedness.

**To find out more, visit:**

[www.business.hsbc.uk/en-gb/tomorrow-ready-programme/prepare-for-exporting-and-brexit](http://www.business.hsbc.uk/en-gb/tomorrow-ready-programme/prepare-for-exporting-and-brexit)



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