



Nothing ventured...

Trade successfully in overseas markets



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Grasp the opportunity

The facts about export

In both the UK and Ireland exports are big business. How big? Well, according to the UK Government, UK exports brought in £244 billion in 2006 – that's very nearly a fifth of the entire GDP. The UK's biggest overseas market is the European Union, with exports to EU countries increasing by more than a quarter in 2006, and there's also strong demand for UK goods from Japan, India and, despite the strength of the dollar, from the USA.



UK and Irish exports
continue to rise

Meanwhile, recent figures issued by the Irish Central Statistics Office show that the value of Irish exports for 2006 reached €86.77 billion, with a significant rise in exports to the USA and China. There's a broad range of exported goods – from machinery and chemicals through to clothes and food. Increasingly, services are much in demand so UK and Irish companies are exporting their skills and know-how as well.



Broaden your horizons

Your motivation to export

There are many reasons to export. Maybe your domestic market is already saturated, leaving you no choice but to look for new customers. You might find that your products and services aren't widely available overseas, giving you competitive advantage. Or it could simply be by accident that you start exporting, in response to an enquiry from abroad.



more red tape, and can be a real logistical challenge. And, of course, you will be dealing with a foreign business culture, which can be very different to what you're used to.

Above all, getting paid by foreign customers can be a lot tougher – not least because you may have fewer legal rights overseas if you have problems getting an export customer to settle their bills.

Exporting must make business sense

Whatever the reason, there's one basic rule to follow if you're going to consider exporting – it must make business sense. Exporting is a completely different ballgame to doing business in your home market. For one thing, it's usually less profitable in the beginning, involves

Do your homework

Understand your market

Getting a better understanding of your potential overseas market is crucial. This doesn't just mean identifying a demand for your goods. It also entails understanding the economic stability of the country, its legal framework and its business culture.

How you conduct yourself during customer meetings is just as important in securing a deal as the cost of your products.

But if the payment practices of the country are poor and there are few legal safeguards in place to ensure you get your money, then you have to ask yourself whether the deal is really worth the risk. Atradius has produced a series of country reports detailing the economic outlook in export markets and offering payment guidance on some of the world's top export destinations, which will help you weigh up your options.





Here are a few tips to help you find a good export market:

- Look for markets that have similar characteristics to your domestic market
- Identify target customers; assess market size, potential share and trends in consumption
- Set yourself objectives on volume, revenue growth and profitability
- Consider the size of the competition, and whether this leaves you a real window of opportunity.

Understanding the business culture of the country you are targeting cannot be over-stated. For example, in China the word ‘guanxi’, for which there is no succinct English translation, means a profound personal and trusting relationship, and may take years to develop. Guanxi is also the basis for networking in Chinese business circles, that lets trusted partners introduce new suppliers to the business network.

For a foreign company to gain access to guanxi networks isn’t easy, but persevere because building long lasting relationships with your business partners is central to success. To be accepted, you’ll need to be seen to be putting something back into the country, such as training or new technology. Exporters who simply view

China as a way to make money will find it tough.

Simple business manners can also catch people out. The Chinese hold a lot of stock in the exchange of business cards, whereas the Italians and Latin countries like to mix pleasure with their business discussions, so expect a lot of late nights and meals out!

Make your mark

Establishing your presence overseas

However straightforward you think exporting will be – think again. It's rarely easy to enter a country and start selling your wares. There are major considerations to bear in mind, from ease of access to the market through to legal barriers preventing you from operating overseas in the same way you do business at home.



So you have choices in the way you do business in an export market:

- **Sell directly**, which will involve more set-up costs and local knowledge, particularly of the language. The upside is that you will see more of any profit.
- **Sell indirectly via an agent or distributor**, which is likely to result in less direct income, but at least you'll have a partner who knows the market. Just make sure you find a reputable local firm to ally with.



- **Jointly with a non-competitive company,** ‘piggy backing’ with a local firm or a home based-company already doing business in the overseas market. This can offer inside knowledge and give you more control, and if your business complements that of your partner, you may also have a ready customer base.

It’s worth considering all the options and perhaps starting cautiously via a third party until you get to grips with the nature and the potential of the market. The scope for marketing your products in the chosen country and ways of securing payment are both vital to a successful venture. Most important of all you need to visit the country to get a feel for the market, your potential customers and to meet any possible partners.

We have included details of trade bodies in the **More Help** section that can provide advice on the different exporting options, including details of trade missions and financial support. Some even offer business-matching schemes to put you in touch with potential partner firms in export markets.

Get it right first time

Paperwork and procedures

Once you've made your decision on how to get a foothold in your new export market, you need to put in place the administrative procedures to ensure a trouble free sale.



The Customs and Revenue website links in the [More Help](#) section provide information on matters such as export licenses and VAT in other countries, but you'll also need advice from the overseas market on subjects such as the legality of the goods you are exporting.

What is vital is the contract that you have with your customers – as well as with any third parties you work with in the overseas market – as this will form the basis of your trading relationship and set out both sides' expectations of the goods and services to be delivered.



The contract should be drawn up by a lawyer with knowledge of export markets and should include, amongst other things:

- a description of goods and specifications
- any special declarations
- the price and, importantly, the currency
- date and means of delivery
- governing law
- warranties and arbitration

and, wherever appropriate;

- retention of title.

Most of this will be familiar to firms using contracts in their day-to-day trading in the domestic market. However, with export contracts you need to ensure that the document complies with both local law and the laws of the country you are trading with. Issues such as means of delivery are obviously important because you're likely to be shipping your goods a long distance – so you don't want to get embroiled in a dispute if the goods are damaged in transit.

Signed contracts are vital



Be competitive

Balancing risk and reward

Your terms and conditions of payment should be included in the contract and not just on each invoice. Unless you're selling on cash in advance terms, getting paid can be the toughest and riskiest part of exporting so, in addition to having good terms and conditions, you need to have strict credit management procedures in place.

This can be difficult as different countries have their own payment cultures. For instance, research by Atradius amongst EU businesses found that on average German firms are the strictest at 27 days, while Italian firms are the most easy-going: giving their customers an average of 80 days to settle bills.

It's perhaps not surprising then that while firms in the EU believe their German customers are good at paying in a timely fashion and the Italians are considered the worst payers in Europe.





Research by Atradius in Ireland found that two out of five firms said export sales accounted for at least 80% of their annual turnover, yet 52% said they experienced bad debts

Your payment terms are of course a crucial factor. With stiff competition, very likely based in the customer's country, you'll want to make terms as attractive as possible to the customer. But at the same time you'll need to assess the risks inherent in, say, open account credit terms, and maybe include an element of security, ranging from bill of exchange to letter of credit (effectively, a guarantee of payment by the customer's bank, subject to compliance with stated requirements) or even cash with order.

While many exporters feel that such security is necessary for their own peace of mind, they should also bear in mind that any form of security has a price, and many can still go wrong, leaving an unpaid debt. Alternatively, opting for credit insurance can provide payment protection at a modest price while leaving you free to offer more competitive terms.

Get paid

Protect against the worst

Atradius has some simple tips to help exporters get paid and protect themselves against the danger of non-payment. These are just as valuable when dealing with a customer in the same town as they are for clients based thousands of miles away.

Top tips include:

- **Credit check** your potential customer **before** you do business with them. Atradius can credit check many millions of businesses around the globe. We can also give you advice on the economic outlook of the country and individual business sectors in each market.
- **Credit insurance** is crucial if you are exporting as it can cover you for up to 95% of the value of any authorised unpaid invoice. Atradius will design credit insurance to suit your business, and can cover not just the risk of your customer being unwilling or unable to pay you, but also a wide range of other risks that can prevent payment – including natural disaster and war.
- **Debt collection agencies** need to have local knowledge of the overseas market and its legal system to be effective. Whereas most of Western Europe has a strong legal system enabling debts to be recovered through the courts, much of Eastern Europe is less efficient, and so a different approach is needed. As Atradius' debt collection service operates right across the globe, we'll have someone on the ground to ensure an effective debt repayment strategy.



Atradius Tender Exchange Rate Indemnity (TERI) protects companies against the impact of currency changes between tender and payment.

51% of UK exports are paid for in Sterling,
26% in US Dollars, 21% in Euros

Even choosing the currency in which you want payment can be a gamble. As with your terms of payment, offering payment in your customer's own currency can be crucial in winning the contract. But if the exchange rate shifts between agreeing the contract and the payment date, your profit can be seriously eroded – or wiped out completely.





More help

Additional support available online

There's a lot of support and information available for would-be exporters, ranging from advice on how to actually start exporting, right through to details on your legal rights and obligations as an exporter.



The best place to start is with your local organisations, such as the Chamber of Commerce, your nearest Business Link, or your Regional Development Agency. Many of these organisations will have specific help for local businesses and they may even have schemes in place designed to support exporters.

Here are some other useful sources of information:

- British Exporters Association (BExA) provides valuable information for members and lobbies on export issues – www.bexa.co.uk
- The Irish Exporters Association (IEA) provides an excellent all round service to its members – www.irishexporters.ie
- The Institute of Export is geared towards raising professional standards for overseas trade and includes a useful international trade portal – www.export.org.uk

continued overleaf

- Customs and Excise offer a Guide to Importing and Exporting at <http://customs.hmrc.gov.uk> - click on the import and export pages
- The Irish Tax and customs website – www.revenue.ie – provides a wealth of information to help the Irish exporter
- Business Link has a whole section about international trade on its website, or contact your local office – www.businesslink.gov.uk
- UK Trade and Investment is a Government initiative geared to encouraging overseas trade, including a useful 'Are you ready to export?' check list – www.uktradeinvest.gov.uk
- British Chambers of Commerce and London Chamber of Commerce and Industry are useful for finding out about trade missions to potential overseas markets – www.britishchambers.org.uk and www.londonchamber.co.uk
- The Dublin Chamber of Commerce – www.dubchamber.ie – operates an International Programme designed to introduce its members to new and exciting markets
- International Business Wales, set up by the Welsh Assembly, offers advice specifically for firms in Wales – www.walestrade.com
- Scottish Development International is geared to matching Scottish firms with worldwide opportunities – www.sdi.co.uk
- Invest Northern Ireland encourages both inward investment and exporters from the region – www.investni.com
- You'll find a wealth of valuable material to help your business – and your export drive – at Atradius' website www.atradius.co.uk or www.atradius.ie, including country reports, briefings on risk mitigation, practical advice on international business etiquette, and Atradius' business solutions library, containing advice, ideas and solutions on a wide range of business issues.





About Atradius

As a world leader in financial management, Atradius serves companies of all sizes and sectors – from the growing one-man business to the multinational corporate. Our wide range of credit management services – particularly our credit insurance and international debt collection – helps businesses grow, develop new markets, improve cash flow and increase profitability. Atradius has a long and impressive history in shaping innovative financial solutions to meet business needs.

Atradius has 90 offices in over 40 countries, oiling the wheels of international trade across all continents.

Atradius has 24 per cent of the global credit insurance market, protecting world trade valued at Euro 400 billion. In the UK and Ireland alone we protect Euro 80 billion of trade.

Our strength lies in our expertise, developed over the past 80 years, in all aspects of financial analysis and risk assessment, our active presence across five continents, and our global intelligence network, giving us access to data on 45 million companies worldwide.



For more information and help protecting your export income, contact Atradius

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