

In association with



# EXPORTING A HOW-TO GUIDE

MakeUK.org



# EXPORTING: A HOW-TO GUIDE

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A woman with long dark hair, wearing a white long-sleeved shirt and a green skirt, is smiling as she works on a piece of equipment. The equipment has a grid of small circular components on its surface. The scene is lit with a warm, orange glow. The text 'SECTION 1' is overlaid in large white outline letters, and 'Introduction to Exporting' is overlaid in smaller white solid letters below it.

# SECTION 1

## Introduction to Exporting



# FOREWORD

Manufactured goods accounted for over half of UK total exports at the end of 2019 bringing in £687bn, but there are still many opportunities which remain untapped across the globe for Britain's companies.

Smaller and medium sized businesses in particular are perhaps more nervous of taking those first steps into trading outside the UK, but the benefits are vast – delivering an economic boost difficult to attain on the domestic market alone.

Any size of business making any product has the potential to export, and the growth of e-commerce and the digitalisation of trade makes the move into new markets much quicker and easier for even the smallest company to connect to new customers around the globe.

It is important to remember that there is no such thing as one size fits all, but there are common starting points - looking at your product and delving deep into the culture of the new markets you wish to explore. A proper understanding of the trading rules operating in that market is key, so spending time with potential customers and learning from peers will all help deliver export success.

It was encouraging to see that the number of UK SMEs trading overseas increased by 6.6% by the end of 2019. But that is just the start. As the UK looks to redefine itself on the international stage and recover from the COVID crisis, new business opportunities have never been more critical and this guide will help start you on that new exciting export path.



**Stephen Phipson CBE**  
Chief Executive  
Make UK

Ambition and drive are at the heart of successful businesses the world over. It is those qualities that inspire companies to break into established and emerging markets, seizing opportunities wherever they may be.

Taking those first steps into international markets can however, be a daunting prospect and the right support and advice can be crucial to success. That's why we're proud to have partnered with Make UK on this International Trade Guide.

As businesses adapt to the new trading environment and continue their recovery from the Covid-19 pandemic, we hope this guide can provide the information and confidence they need to explore opportunities overseas.

At HSBC UK, we are always keen to use our experience and global footprint to support manufacturers throughout their growth journey. We also understand the value of partnerships and work closely with organisations such as the Department for International Trade, UK Export Finance and Make UK to help UK businesses achieve their global ambitions.

We hope you find this guide useful and wish you every success as you take the best of Britain to the world. We have a team of trade experts throughout the UK who are ready to support you through your journey.



**Ian Stuart**  
CEO  
HSBC UK Bank plc



# INTRODUCTION

The UK is at a critical point as it defines its place in the global trading environment. Having left the European Union (EU) and negotiated a trading relationship with its largest and nearest market, it is now seeking to strengthen arrangements with other important trade partners to take advantage of new opportunities and improve the commercial opportunities for UK business, investors and exporters.

At this moment of change for the UK, this guide is designed to help UK manufacturers understand the strategic steps necessary to take advantage of future opportunities to enter new markets.

In 2019, goods accounted for 54% of UK total exports. Exporting is already widespread in manufacturing, bringing real value and benefits to individual businesses, but there are many companies still unsure how to enter markets outside the EU and UK.

Make UK, in partnership with HSBC UK, has produced this simple step-by-step guide showing how to improve your knowledge in how to export. The 'Exporting: A How-to Guide' will help your business to assess whether you are ready to export and to understand the principles of the international trade of goods.

If you are thinking of exporting from the UK for the first time, or need to refresh your strategy, the guide will help you understand the basics of how to export your goods, whether that's to the EU or other global trading partners.



## SECTION 1

# THE MAIN STEPS TO EXPORTING

There is no 'one size fits all', and you will need to plan your own path. Exporting requires a focused approach based on skills, knowledge and determination. Exporting can be highly rewarding on many levels.

UK manufacturers export in a variety of ways, often directly to the final customer or through 'in-market' sales solutions such as the use of a local or regional office, or by engaging a local agent to act on behalf of the exporter.

This guide is set out in three sections, Section 1 provides a short introduction to international trade and exporting, Section 2 is a step-by-step guide with key recommendations and finally Section 3 contains a Glossary of key trade terms.

In Section 2 the guide introduces 5 key steps each providing instructions and recommended actions. The export journey for any business begins with leadership and by developing and executing an export strategy.

Whether you are new to exporting or want to review your export strategy, the following step-by-step guide aims to help you on your journey.

The guide is designed to be used as a whole or separately as a step-by-step guide. In addition the following 5 steps can be used either in series or as standalone guidance to suit the particular step in the exporting journey.

Where to start depends on where you are on this journey and how developed your export strategy is.





## SECTION 1

# WHY IS EXPORTING GREAT?

Despite the challenges and risks, exporting offers numerous economic benefits not likely to be achieved by selling solely in the domestic market. Exporting is big business for the UK. Total exports reached £687bn at the end of 2019, with the number of SMEs trading overseas increasing by 6.6% and the number of large companies increasing by 6.1%.

### But how can you make your business global?

Research is crucial – to look at your suppliers, your target market, local tax and duties, and practical considerations such as local infrastructure.

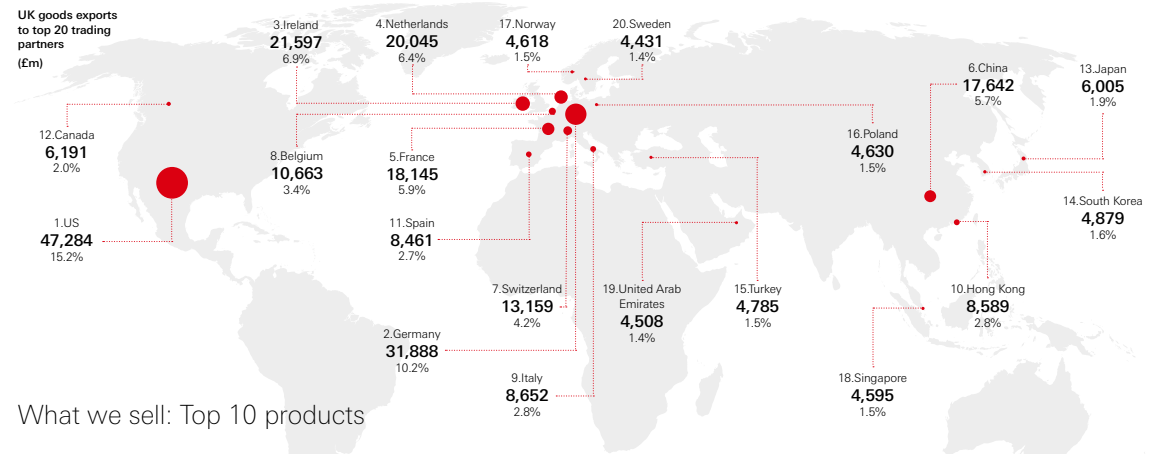
Any size or type of business has the potential to export. With the growth of e-commerce, even the youngest and smallest business can start trading with the world almost immediately.

### Exporting is for everyone

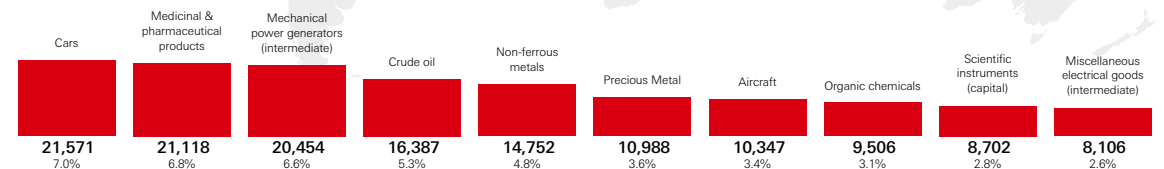
International expansion is attractive for businesses that wish to expand away from the domestic market – whether the opportunity for a larger company to gain from a big growth opportunity, a mid-market business wishing to improve financial stability through a broadened appetite to expand beyond its current operating footprint, or a small business wishing to get started for the first time in exporting to a new market.

## UK Trade Flows: goods exports

Where the UK's goods exports go



What we sell: Top 10 products



The UK Government's Department for International Trade (DIT) leads on the programme of negotiating new trade arrangements with international partners and providing advice and guidance on exporting, with a breadth of complementary support to meet individual business's requirements. DIT operates across the UK, through regional offices with advisers available to support businesses on their exporting journey.

DIT also works through the UK's diplomatic missions across the world, providing local market analysis and advice on the options for exporters wishing to seek opportunities in individual markets. In addition, devolved administrations in Northern Ireland, Scotland and Wales are equally a source of information, advice and financial support for businesses wishing to export. Keen to promote the strengths of their nation's economies by boosting export potential, they will work with businesses in key and targeted international markets and often located within the UK's diplomatic missions to offer additional local market support.

### Why export?

HSBC research confirms that the benefits to small business of exporting are clear. For more than one-fifth (22%), exports generate more than half of the business's total revenue.

Exporting for the first time or looking to increase export capability can be daunting for any business, but especially so for Britain's army of small and medium-sized companies. Invariably this will require learning new skills and being methodical and patient, but the results will be rewarding.

## WHY EXPORT?

- **Growth:** Exporting can achieve faster and more profitable growth
- **Spread the risk:** Exporting can build resilience to domestic and global economic swings
- **Build agility:** Exporting can build in better longevity of products and operations
- **Greater confidence:** Exporting builds confidence and shows global leadership



# HOW TRADE AND EXPORT WORKS

When a manufacturer exports goods, there are certain processes and rules that apply when the goods depart the UK as exports and when they arrive as imports at their destination. Many basic export and import rules have been decided at a multilateral level in the World Trade Organization (WTO). However, preferential rules can also be decided between countries or trading blocs in the form of “trade deals” – both sides seeking advantageous conditions for their national position, industries or commodities.

## International trade rules

The rules governing international trade are aimed at ensuring that goods are traded on a “level playing field” despite significant differences in how businesses are regulated and supported in countries around the world.

The basic WTO rules that govern trade in goods try to eliminate these differences in how goods are traded across borders to ensure that within a market goods are fairly traded.

International trade between two countries actually involves the passage of goods across two borders, one outbound and one inbound, otherwise known as export and import. At each stage, different procedures are required. These can vary between unilateral actions taken domestically, actions agreed bilaterally with a key trading partner, perhaps as part of a Free Trade Agreement (FTA), or agreed multilaterally or plurilaterally with a number of partner states. How these rules are set affords a degree of either protection or liberalisation offered to a given industry by the importing country.

When you place a good on an export market, the tariffs and duties are generally applied at the point of importation. These are taxes that are in essence designed to level the playing field and ensure that domestic and international producers compete fairly or that critical domestic production is protected. When a good arrives at the destination, in addition to import duties or tariffs, typically VAT needs to be paid.

In addition to import procedures requiring the payment of tariffs and VAT, there are measures at the point of export that regulate how goods leave a country or trade bloc and where the goods can be traded.

The procedures at each border, often referred to as customs procedures or declarations, are designed to enable a process of checking and collection of any relevant charges. In order to export, manufacturers need to understand their obligations at both export and import stages. However, the information needed to fulfil these often starts long before goods leave the production site, and preparation is key.

In modern trading systems, many of these processes can be automated and completed online prior to the goods arriving at a border.

### Rules are based on the product

In order to facilitate the processes at borders, all product types have an internationally defined commodity code. Referred to as “classification”, the Commodity Code provides a description of the goods being exported, expressed as either an 8-digit or 10-digits number.

The export and import conditions are set by Commodity Codes and these can vary widely from one territory to another. All exports and imports must be declared using a Commodity Code, and as the exporter/importer you are legally responsible for providing the correct tariff classification of your goods.

Information on Commodity Codes can be found on the Department for International Trade (DIT) [website](#).

Classifying your goods correctly means you know:

- whether an export licence is required
- whether any preferential duty rates can be applied
- the rate at which import VAT is applied
- whether your goods are covered by measures such as anti-dumping duties or tariff quotas

### Value of the goods

Understanding and providing the correct valuation of the goods for customs purposes is very important. Customs procedures, duties and VAT rates are all applied according to the value of the goods being exported. It is vital that you understand what needs to be included for the customs tariff values and valuation. Failure to provide accurate information and relevant documentation to the appropriate customs authorities can lead to investigation and criminal proceedings.

### World Trade Organization (WTO)

At the heart of international trade is the World Trade Organization (WTO), which for decades has led an expanding open rule-based system of trade. Each member country of the WTO sets out the tariff rates for goods imported into its country. The WTO provides the international framework for the conduct, regulation and dispute mechanism that supports international trade.

The WTO Most Favoured Nations (MFN) rules form the core principles of how product clearances and procedures apply at the export and import border. Countries cannot normally discriminate between their trading partners and this is the principle which sits at the centre of the WTO MFN rules. If a country grants another a special advantage (such as a lower customs duty rate for products) then this must be the same for all other WTO members.

However individual countries through negotiation can agree improved access opportunities by introducing preferential tariff rates and reducing administration at the export and import border. Easing arrangements are negotiated through bi-lateral or multi-lateral Free Trade Agreements (FTA).

### Free Trade Agreements (FTAs)

FTAs are governed by the internationally agreed rules of the WTO, but allow states to provide for the freer movement of goods through agreeing to lower or remove tariffs and address non-tariff barriers to trade. The UK's largest FTA is the Trade and Cooperation Agreement with the EU. The UK has also committed to agreeing new FTAs over coming years with other partner countries and regional economic and trade blocs. DIT has also made arrangements to continue the ‘effects’ of preferential arrangements in trade agreements that the UK was part of when a member of the EU. DIT provides a comprehensive and updated [list](#) of all the countries and trading blocs that have preferential trade relations with the UK.



## SECTION 1

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### Non-tariff Barriers

Non-tariff Barriers (NTBs) or Technical Barriers to Trade (TBTs) are measures that add further administration and regulation on the import of goods. Examples of measures include the imposition of product quotas, a preference for local procurement or “buy national” policies, and complex regulations relating to product standards.

Understanding the domestic regulatory environment and any restrictions, is vital to export success in any market – the restrictions might mean it would not be financially beneficial for your company to export your product to a particular market.

### Special product conditions

In addition to any import duty, some products attract additional charges or procedures owing to the potential end use of the goods, such as excise duty on alcohol and tobacco products. The export of some goods, software and technology is also controlled for reasons of national security or protection of trade and will require an export licence.

Understanding whether your export product is subject to excise duty or export controls and licences is important before you begin. Information on these controls can be found on the DIT website using your product Commodity Codes.

### Dual use

Dual-use items are goods, software or technology that can have both civil and military applications. They can range from raw materials to components to complete systems. Dual-use exports are subject to export controls and require an export licence.



### Rules of Origin

Rules of Origin (ROO) allow an importing country to identify and classify the 'economic origin' of a product and therefore whether it qualifies to preferential treatment, such as tariff reductions. It is a straightforward process when the product is produced in a single country. Given modern global supply chains comprising components and processes undertaken in numerous states, however, the application of ROO can be more complex. ROO fulfil different functions. At the core they are a set of rules to determine from where the goods originate and whether customs processes and duties may apply on import. As ROO are product specific, it is essential that manufacturers identify and record the product life journey to establish prove of origin, as there are a number of different rules for different products.

The correct application of ROO can be the difference between tariff-free trade and duties being applied.

### International Commercial Terms or Incoterms®

When trading internationally there are different responsibilities for you and your customers. To ensure clarity over who is responsible for what, International Commercial Terms (Incoterms®) are commonly used for international shipment of goods. These are internationally recognised standard trade terms published by the International Chamber of Commerce (ICC) and used in trade sales contracts to ensure clarity on the part of buyer and exporter with regard to:

- which party is responsible for the cost of transporting the goods (including insurance, taxes and duties)
- where the goods should be picked up from and transported to
- who is responsible for the goods at each step during transportation

These rules or Incoterms® provide specific guidance to individuals participating in the import and export of global trade on a daily basis in order to enable global trade.

The Incoterms® rules feature abbreviations for terms like FOB ("Free on Board"), DAP ("Delivered at Place"), EXW ("Ex Works"), CIP ("Carriage and Insurance Paid To"), which all have precise meanings for the sale of goods around the world.<sup>1</sup>

A copy of the Incoterms® rules can be purchased from the ICC [here](#)

### UK–EU Trade and Cooperation Agreement

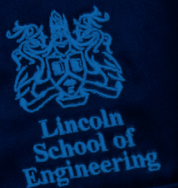
The EU remains the world's largest trading bloc, the UK's closest trading neighbour and largest export market. The discussions in 2020 between the UK and EU in agreeing a new trading relationship will not be the end of the process as both sides will seek to improve this relationship. The process of continual negotiation and renegotiation is commonplace in trade relationships around the world.

<sup>1</sup>ICC – Incoterms® 2020 – ICC – International Chamber of Commerce ([iccwbo.org](http://iccwbo.org))



# SECTION 2

## Step-by-Step Guide



# MAIN STEPS ON THE EXPORT JOURNEY

**LEADERSHIP**



**SET-UP**



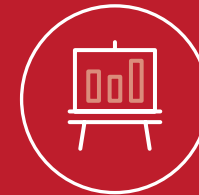
**APPROACH**



**PREPARATION**



**EXECUTION**



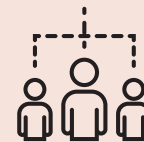




# STEP ONE LEADERSHIP



Take the first step...



## MAKE A START

- Discuss exports in your next planning session
- Understand where you are on your journey and choose a starting point

## LEAD FROM THE TOP

- Assign board-level responsibility for the development and execution of a strategy
- Create champions in all parts of the business

## PAINT A PICTURE

- Understand why you are developing an export strategy
- Develop an internal communication plan for the export strategy

## ASSIGN RESOURCE

- Establish an export strategy team, drawing from all parts of the business
- Lean on existing experience within your business to build your team

## EMPOWER THE TEAM

- Appoint a project leader
- Agree a reporting structure for the team

## BUSINESS PLAN

- Carry out a SWOT analysis of the business's export profile
- Develop SMART goals, including identifying training needs

# LEADERSHIP

It can be a challenge to get your goods to market and to adapt your product where necessary, but step one is to get your business fit and healthy to trade internationally.

International trade can be hugely rewarding. As a first-time exporter, your chances of success will depend on how you introduce the idea to your workforce, and steer the efforts from initial research to first overseas sale.



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## MAKE A START

Like any other strategic initiative, making exporting a visible change project and resourcing it correctly will maximise the chances of success.

Before committing to an export strategy, consider the long-term objectives. Satisfy yourself that the business has a sound springboard for success. In particular, be sure you have the capacity to reassign resources from existing core business to support export activity or to acquire new staff if needed.

Mainstream the project and involve all parts of your business. All parts of your business will be able to add value to the development of your export strategy. You may already have an excellent export profile, and this plan can be used to refresh or review your strategy.

- Discuss exports in your next planning session
- Understand where you are on your journey and choose a starting point



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## LEAD FROM THE TOP

Leadership is about making something happen and engaging across the organisation. Your business should be aligned to export, but you should start with exploring your potential approach with key colleagues first.

An export strategy will be led from the top, will require cross-department input and will be championed across the business. A successful export-led business will have an export focus at its core, from the business's strategic plans to product development and design to production, sales and marketing.

- Assign board-level responsibility for the development and execution of a strategy
- Create champions in all parts of the business



# LEADERSHIP



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## PAINT A PICTURE

Engage with your employees. Be prepared for likely questions and concerns. Anticipate resistance to change, and set out to generate excitement.

Working across your business, promote the advantages of developing an export strategy. There are many advantages, from growing business, mitigating risk and developing new products.

Be clear about why your business needs to focus on export. Acknowledge barriers, while highlighting the benefits and opportunities – for individuals as well as the business. Get all staff involved, even those who might not be directly involved in the export effort. Aim to evolve the culture and mind-set so that your workforce thinks like an international business.

- Understand why you are developing an export strategy
- Develop an internal communication plan for the export strategy



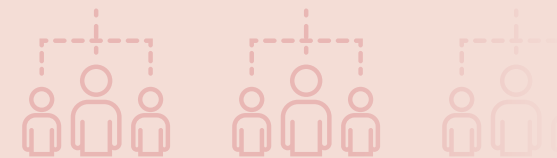
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## ASSIGN RESOURCE

In order to develop and execute an export strategy, you will need to assign some resources. A company new to exporting may require new skills and knowledge within the business. However, you may already have members of the team with experience and knowledge. Experienced exporting businesses might want to refresh and renew the strategy and knowledge and further develop the team's skill sets.

Identify key people who will lead the day-to-day activity up to the export launch. Seek out new specialists, or skill up your existing team – for example, through Make UK's range of [short courses](#) in exporting. The Institute of Export & International Trade also offers a range of [training](#) that leads to qualifications and can give you an edge in overseas trade.

- Establish an export strategy team/working group, drawing from all parts of the business
- Lean on existing experience within your business to build your team



# LEADERSHIP



## EMPOWER THE TEAM

Appoint a trusted and enthusiastic team leader to work through the detail of marketing, fulfilment and distribution. They should explore the detailed rules for exporting as they apply in your industry. Provide the team with top-level access and support, while empowering them to make progress autonomously.

Create a guiding team with the ability to draw on needed expertise and experience across the business. The team led by a senior decision maker in your business should develop a business plan and agree on a schedule of reporting on progress.

Set up regular reports and conversations, so you can stay in the loop and provide ongoing guidance. Be clear that you are willing to hear unwelcome news: the team should have the power to question decisions made to date, and to suggest revisions as new information emerges.

- **Appoint a project leader (or export manager)**
- **Agree a reporting structure for the team**



## BUSINESS PLAN

In order to develop an export strategy, it will be important to understand your product, the competition and the market opportunities. However, it is essential also to develop a business plan with achievable goals and realistic financial and sales projections which should be used to assess your capital needs. Set time aside to carry out a SWOT exercise to unearth all relevant factors. Are your competitors active overseas? Is your website equipped to serve international customers? How easy would it be to adapt your product or packaging?

Set goals which are measurable and delivered to an agreed timetable. It will also be important to understand where more knowledge or additional skills are needed, and what training and development might be necessary to help the team and wider business to develop and execute a successful export strategy. Your SWOT exercise should have identified key assets and gaps in your skills, from language abilities to knowledge of export documentation. Based on this analysis, you might decide to make use of external expertise to handle some aspects, such as customs declarations or freight forwarding.

Use your findings so far to construct a business plan. This should be robust enough to convince banks and partners that you have fully explored every angle – from the competition and market opportunity, through your marketing strategy, to the selection of the best entry approach (direct sales, retailers or local distributor).

HSBC offers a useful ready-made template for business planning.

- **Carry out a SWOT analysis of the business's export profile**
- **Develop SMART goals, including identifying training needs**



# LEADERSHIP

## CASE STUDY – PLAYDALE PLAYGROUNDS

### From research to growth: an exporting journey

Playdale Playgrounds is the largest UK manufacturer of outdoor children's playground equipment. Thanks to award-winning success, children around the world are having fun because of this South Cumbrian business.

Family-owned business Playdale Playgrounds has been making playground equipment for 43 years. It began in 1978 when Jack Croasdale was building a new community centre at Leven Valley Playing Fields in Haverthwaite in the Lake District. Having checked the cost of replacing the old playground equipment, Jack and his son John decided to make their own, from timber logs. They went on to build three other playgrounds that year and by 1983 their business was firmly established.

Having only built a small number of playgrounds overseas and concerned the UK market was going to struggle over the next decade, Playdale really began to focus on exporting 12 years ago. Looking for the growth potential that new markets could bring, the company's first step was to engage with the Department for International Trade (DIT) (UKTI as it was then). DIT provided training and recommended an International Trade Adviser (ITA) who helped Playdale access a number of support services including the Overseas Market Introduction Service (OMIS).

The support from DIT led Playdale to develop an action plan, which over the last 12 years has grown to have in excess of 700 actions. There are reviewed weekly by up to 20 staff in the organisation.

The annual plan involved doing desk research to highlight six countries each year they wanted to enter. In the early years this was based on market value, GDP and even child population statistics. This however was somewhat technical, and they quickly learned to look where the developed markets are by researching their competitors based on the principle of not wasting time to reinvent the methods of others that have been successful.

Playdale then spends up to a week in each market researching it, meeting architects, city councils, schools and even the competition. They believe that this step is vital, as you must without fail get eyes, ears and boots on the ground. Playdale has had an incredible journey along the way where they have visited over

60 countries. They have experienced many cultures, have managed to sell sand (pits) to desert countries and made many friends and memories.

Today Playdale's turnover is circa £11M, employing 85 employees and have a presence in 50 countries through 38 distributors spanning the globe and 50% of their manufactured product is going abroad.

Exporting has grown the business in so many ways in a period when the UK market has contracted by about 40%.

In addition Playdale has won national awards including 'UK Family Manufacturer', 'UK SME Exporter of the Year' as well as being named the Department of International Trade Export Champions from 2014. Playdale Chief Executive Officer, Barry Leahey received an MBE for services to International Trade and Exports.

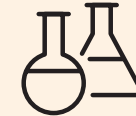




# STEP TWO SET-UP



Take advice...



## GET HELP & TRAINING

- Identify training and learning needs
- Take advantage of resources and funding programmes

## LEARN FROM OTHERS

- Join exporting networks
- Learn from experienced exporters
- Find a benchmark company

## START SMALL

- Test your systems and processes
- Build an improvement plan

## EXPERIMENT & DEVELOP

- Incentivise the development of new opportunities
- Develop an all-business approach

## RE-ASSESS & MOVE ON

- Be ready to re-assess and if necessary pivot
- If it doesn't work; move on



# SET-UP

While the prospect of exporting may be challenging initially, even if you have assessed the leadership requirements, with experience and knowledge the requirements to export successfully will become “business as usual”. Preparation, agility and accepting “trial and error” are all part of an export strategy.



## GET HELP & TRAINING

Once you have established your export team and appointed a project leader (or export manager), it is time to assess what training and learning would be useful. There is plenty of free advice available from UK Government and UK Nations as well as from private sector providers. However, training courses and continuous learning can provide deeper understanding of what is needed to succeed with exporting.

In addition, the Government often provides export support in the form of funding, from grants to loans – it is worth exploring what support is on offer.

Carry out initial research on likely markets and their demand for your products or services. Make use of expert help, such as HSBC’s [country guides](#) and UK Government [advice](#). You might not master the minutiae of tariffs at this stage, but you need the confidence to be able to inspire your team about exporting.

- Identify training and learning needs and allocate budget for training courses
  - Take advantage of free resources and funding programmes



## LEARN FROM OTHERS

One thing businesses with successful export strategies always highlight is the need for research, research, research.

Finding peers with experience in exporting will be invaluable. There are many exporting networks where companies share their experience, learn from one another and help each other.

Try to find a company of similar size and situation who might be interested in benchmarking, shared learning, knowing best practice and possible collaboration. While it is useful to know what good looks like, always remember that every company’s export strategy and journey will be different, and as much as you learn you can also share.

- Join a network such as DIT’s [Export Champions Advocates](#)
  - Learn from experienced exporters
  - Find a benchmark company

## SET-UP



### START SMALL

Manage expectations. Make a good start, within the resources and capability you have agreed. Consider starting with a pilot project to gain experience and capability. Understand and prepare for the relevant export documentation and the processes concerned with international trade. Understand and select your country market, identify your prospective buyer(s), seek relevant assistance such as UK Government and other sources for local intelligence, define in-market trade promotion activity and other relevant assistance. Testing your processes, analysing your information and intelligence sources, and understanding the local in-market trade processes and obligations (e.g. regulatory/statutory in-market access arrangements) will deliver a positive feedback loop into your strategy.

Use this learning to build an improvement plan, which can overcome challenges and streamline processes.

- Test your systems and processes
- Build an improvement plan



### EXPERIMENT & DEVELOP

As much as it is true that there is no “one size fits all” solution to exporting from one company to the next, this is also true of different markets and customers and often for different products. It is important to develop a funnel of ideas and to experiment with different products, markets and processes. Create a culture that fosters innovation and fresh ideas from across the business.

Start with the top few, give each idea a runway period, and learn to experiment.

- Incentivise the development of new opportunities
- Develop an all-business approach



### RE-ASSESS & MOVE ON

Exporting can be a question of ‘trial and error’; some things will work and some will not. If something isn’t working, be brave; re-assess, pivot, and try a different target or approach. With a pipeline of ideas and opportunities developed earlier, there could be plenty of other options.

- Be ready to re-assess and if necessary pivot
- If it doesn’t work; move on

# SET-UP

## CASE STUDY

### Exports drive growth for Xtrutech

Quality engineering services, a network of contacts, and a wealth of experience has seen high demand for Staffordshire-based Xtrutech's machines and services. Meeting that demand whilst managing the company's cashflow proved challenging, but the right funding has supported the company's ongoing growth.

Xtrutech launched in 2002, seizing the opportunity to provide spare parts and service support to machines located around the world. "Exports were a fundamental part of our business from day one," says Managing Director Graham Edwards. "My partner and I had both worked in the industry and had a deep understanding of the global customer base potential and, most importantly, links with those customers."

Starting out providing spares and support to customers, Xtrutech broadened its territorial reach by using agents, and the company's reputation for service excellence and quality, soon resulted in customers asking whether Xtrutech would supply machines alongside spares & services.

"That was a step change for us," explains Graham. "When you're offering spare parts and service, the return is quite quick, but when it comes to machinery, the initial outlay is significantly higher – around a quarter to a half a million pounds, which on a turnover that was £2-3m at that point, is a big ask. The combination of high values and trading further afield, which extends payment terms meant cashflow was stretched. In addition, many of these customers require guarantees and, as a small business, we were seen as a risk."

### Funding export growth

The dilemma meant that Xtrutech could initially only accept orders for two or three machines a year, which effectively put a brake on the company's growth. "It was at that point that HSBC approached us and provided a trade loan that fitted the bill," says Graham. "Access to funding to support our working capital was a turning point for the business, allowing us to treble in size over the next few years."

In the face of a global slowdown, Xtrutech again faced a challenge. "Many of the multi-national companies we supply have centralised their purchasing operations,

which has led to purchasing agreements pushing payment terms beyond what we previously had," says Graham. "Some of these terms are now 60-days from receipt of goods. As a small player in a much bigger market we can't absorb that in the same way, so HSBC's support has been vital."

### Building relationships

Despite these challenges, Graham notes some advantages of being a smaller business. "We're more flexible and can respond to customer needs more easily," he says. "Being able to develop personal relationships is also important and more direct. When you're selling capital equipment, getting in front of customers and visiting their sites is very important. Nothing can replace that face to face contact. In the early days, attending exhibitions was an important way of us being seen as worthwhile and providing customers with confidence in our ability to service their needs."

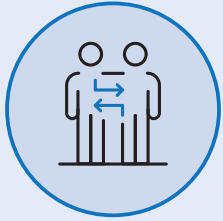
### Being agile

Thinking back to when the outcomes of EU/UK trade negotiations was uncertain and the end of the transition period was approaching, Graham says the key to any response was to be agile. "We tried to stay light on our feet, so we could respond to any changes," he says. "By keeping a close eye on the volume and value of business that comes in, playing out different scenarios and protecting ourselves as much as possible from currency volatility, we were confident we were as prepared as possible."

One of the main benefits of overseas trade is its ability to spread risk and broaden opportunity base. "If you export and aim to take as much market as you can, it increases the potential volume of business available," says Graham. "The obstacles you then face are relatively minor when compared to the advantages that volume can give you."







# STEP THREE APPROACH



Planning...



## CUSTOMS: REGISTER & COMPLY

- Register with HMRC; get your GB EORI number
- Explore obligations in destination market
- Register with relevant authorities

## KNOW YOUR PRODUCT

- Classify your export products and identify your commodity codes
- Work out the correct valuation of exports

## EXPORTING YOUR PRODUCT

- Create an export file for each product
- Consider whether new or redesigned products might be needed

## DIGITAL AND GREEN

- Map data flows and consider cross-border data-flow regulations
- Explore how going digital may help your export strategy
- Consider the environmental impact of your outputs and how your goods can contribute to green growth

## KNOW YOUR CUSTOMER

- Establish regular contact
- Build customer specifications into product export files
- Vet new trading partners

## KNOW THE COUNTRY

- Assess trade responsibilities, such as customs declaration and registration
- Understand the culture of the market; consider visiting the market regularly

# APPROACH

You need to develop a dedicated export plan if this is going to form a core part of your business strategy.

That will include everything from marketing budget to market selection, costs and pricing, market-entry approach, and planning for different regulations. It is critical to research at an early stage the best legal set-up for your company in a new market. For example, an HSBC survey of 1,000 customers revealed that almost two-thirds of potential exporters cited regulation in the destination market as a worry. So an important decision you will need to make is how you will sell and distribute your products and remain compliant.



## CUSTOMS: REGISTER & COMPLY

As an early step, you will need to register with the UK Government to be able to complete trade declarations. Most of these obligations relate to Customs and Border requirements which are generally managed by HMRC. However, you may need to register or submit additional information, such as applying for Export Health Certificates from Department for Environment, Food and Rural Affairs (Defra).

The first step would be to obtain your organisation's Economic Operators Registration and Identification (EORI) number from HMRC; this will be your VAT registration number appended with 00. This number is key in exporting and acts as your identifying code for UK reporting and payment of relevant charges.

There may also be in-market obligations, such as import declarations, liabilities for duties and taxes, which means you should explore your requirement to register with the import, border and tax authorities of your destination market.

- Register with HMRC; get your GB EORI number
- Explore obligations in destination market
- Register with relevant authorities



## KNOW YOUR PRODUCT

Choose the product that you think has the most export appeal. This might be your full range, but it is important to understand that not all products are suitable for all markets. Your export journey begins with the product, and almost all of your obligations will depend on and be specific to the product you are exporting. Each product type has an internationally defined Commodity Code. This is often referred to as the "classification" of the product and provides a description of the goods being exported.

It is also important to value your goods correctly and understand what needs to be included for the customs tariff values and valuation. Failure to provide accurate information and relevant documentation to the appropriate customs authorities can lead to investigation, retrospective payments and, in some cases, consequences for criminal actions.

- Classify your export products and identify your commodity codes
- Work out the correct valuation of exports

# APPROACH



## EXPORTING YOUR PRODUCT

If you are exporting to a country that has a trade agreement with the UK, there may be preferential tariff rates for your product. In order to assess whether your product is eligible for preferential treatment, you will need to be able to prove the origin of your goods, using the product-specific Rules of Origin in the agreement.

Other considerations include product regulations in the destination market. There may be additional procedures and processes that need to be applied.

When looking to export, it is essential to know your product supply journey and to ensure that you have the necessary origin information from your suppliers to meet your need to prove origin. Verifying proof of origin is a requirement in export and import documentation and the subject of inspection by customs authorities. Maintaining accurate records of proof of origin is necessary in the event of inspection by market-surveillance authorities. Failure to provide verification of a goods origin will lead to the imposition of tariffs. Failure to provide accurate records could lead to market surveillance authorities taking infringement and legal action.

- **Create an export file for each product, with Commodity Codes, valuation, duty rates, rules of origin information and export controls**
- **Consider whether new or redesigned products might be needed**



## DIGITAL AND GREEN

Digitisation of trade is a catalyst for change and will create opportunities for businesses to bring new products to a larger number of digitally connected customers across the globe.

Technology is becoming more embedded in how businesses operate and is not only about automation, but also about using new and innovative digital tools to overcome barriers to growth, widening access to payments, enabling collaboration, and changing business models that will merge goods together.

Through services such as [HSBCnet](#) you can manage your trade requirements and access a complete suite of expert services via one simple log-on.

In addition, moving towards a greener and more sustainable planet, Environmental, Social, and Corporate Governance (ESG) is becoming an increasingly important trend in global trade, driving governments towards green recovery and growth as well as growing customer and consumer demand.

At HSBC we are proud to be providing advice and developing solutions that help our clients embed ESG in the way they operate.

- **Map data flows and consider cross-border data-flow regulations**
  - **Explore how going digital may help your export strategy**
- **Consider the environmental impact of your outputs and how your goods can contribute to green growth**



# APPROACH

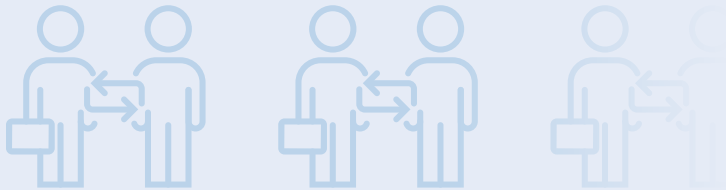


## KNOW YOUR CUSTOMER

Knowing your customer is important when exporting, as this can offer a number of specific challenges. Important as face-to-face meetings are in supporting beneficial long-term relationships, there are alternative ways to get to know your customer.

There is always the possibility that a potential overseas partner is not viable. They may appear to offer a valuable relationship, but vigilance and careful scrutiny is advisable. Adequate due diligence is essential to avoid the possibility of financial loss, criminal proceedings and reputational damage.

- **Establish regular contact, consider physical/virtual site visits**
  - **Build customer specifications into product export files**
- **Fraud can be a risk in international trade, so vetting new trading partners is essential**



## KNOW THE COUNTRY

Each country will have its own set of rules to manage trade formalities, from customs declaration requirements to a specific import environment for goods. It will be important to understand your responsibilities as well as the responsibilities of your customer. The country may have a trade deal or FTA with the UK, which may allow for greater preferential access.

However, it is also essential to consider the dynamics and culture of each potential market, as these will be distinct and differ greatly, not just across countries and continents but also at a regional level. Pairing up with a local agent, distributor, franchisee or licence holder, or selling and fulfilling orders directly from the UK, are all possible, but each avenue requires careful planning.

Pulling all this information together will allow you to compare markets and weigh up factors such as transport costs, import duties, market size, regulatory issues and cultural differences. Aim to reach a fully-informed and realistic consensus with senior colleagues about the benefits, the costs and the market you should target.

Make use of expert help, such as HSBC's [International Business Guides](#) and UK Government advice.

- **Assess trade responsibilities, such as customs declaration and registration**
  - **Understand the culture of the market; consider visiting the market regularly**

# APPROACH

## CASE STUDY – CRICKET BAT MAKER CHANGE TACTICS ON STICKY WICKET!

Nottingham based cricket bat manufacturer, B3 Cricket were entering their busiest period in what is a very 'seasonal' business, when the pandemic lockdown struck in March 2020. Like most businesses in the first lockdown, B3 had to shut completely and furlough their staff.

"Initially everyone was in shock and it took a few weeks for the full impact of the situation to sink in. With no cricket being played in the first half of the summer and the prospect of very few UK sales in the year, we started to worry about how the business would make it through 2020," explained Michael Blatherwick, B3's M.D.

It was then that Michael started to think about how he could use the time during lockdown to find new ways for the business to grow. "When the pandemic began, I was in Australia on holiday, and we managed to get home just before lockdown. I started to realise that the antipodean countries weren't as severely affected as the UK and started to think about how I could grow sales in Australia and New Zealand."

Before setting up B3, Blatherwick had built and sold several IT companies. He successfully used LinkedIn, the business social media tool, to develop his network of contacts and realised he could use the same tools and approach for B3 Cricket.

"I contacted people involved in cricket and set up video calls using Zoom and Microsoft Teams. It was a perfect storm in terms of getting hold of people because everyone was in the same boat, stuck at home. The pandemic also forced many people who had previously been resistant to video calls, to try the format and it became the new normal to meet virtually. It worked very well I developed some great contacts and grew our export business three-fold in the winter of 2020/21," explained Blatherwick.

During lockdown, Michael also documented the way he used LinkedIn to help other SME business owners. If anyone would like more information on this or indeed requires a beautiful English willow cricket bat, then contact him at [B3 Cricket](#).





# 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

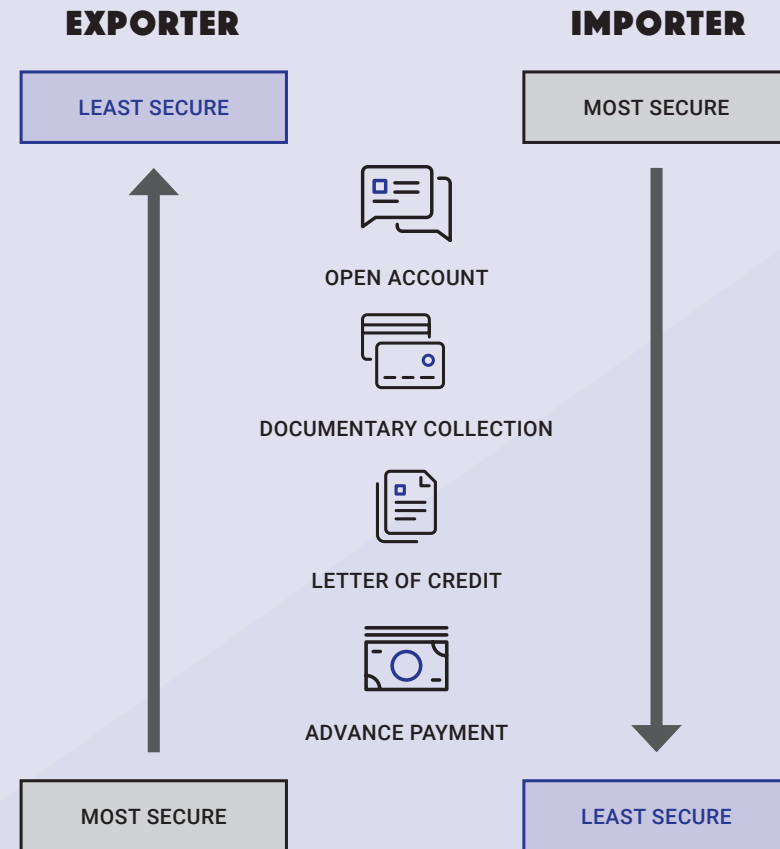
**Open Account** - Open account payment is similar to offering credit to a domestic customer. Typically, the credit term (e.g. 30 days) starts once the goods are dispatched and invoiced, in line with the terms of trade. Over 80% of global trade is on an open account basis – it is the simplest and the 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

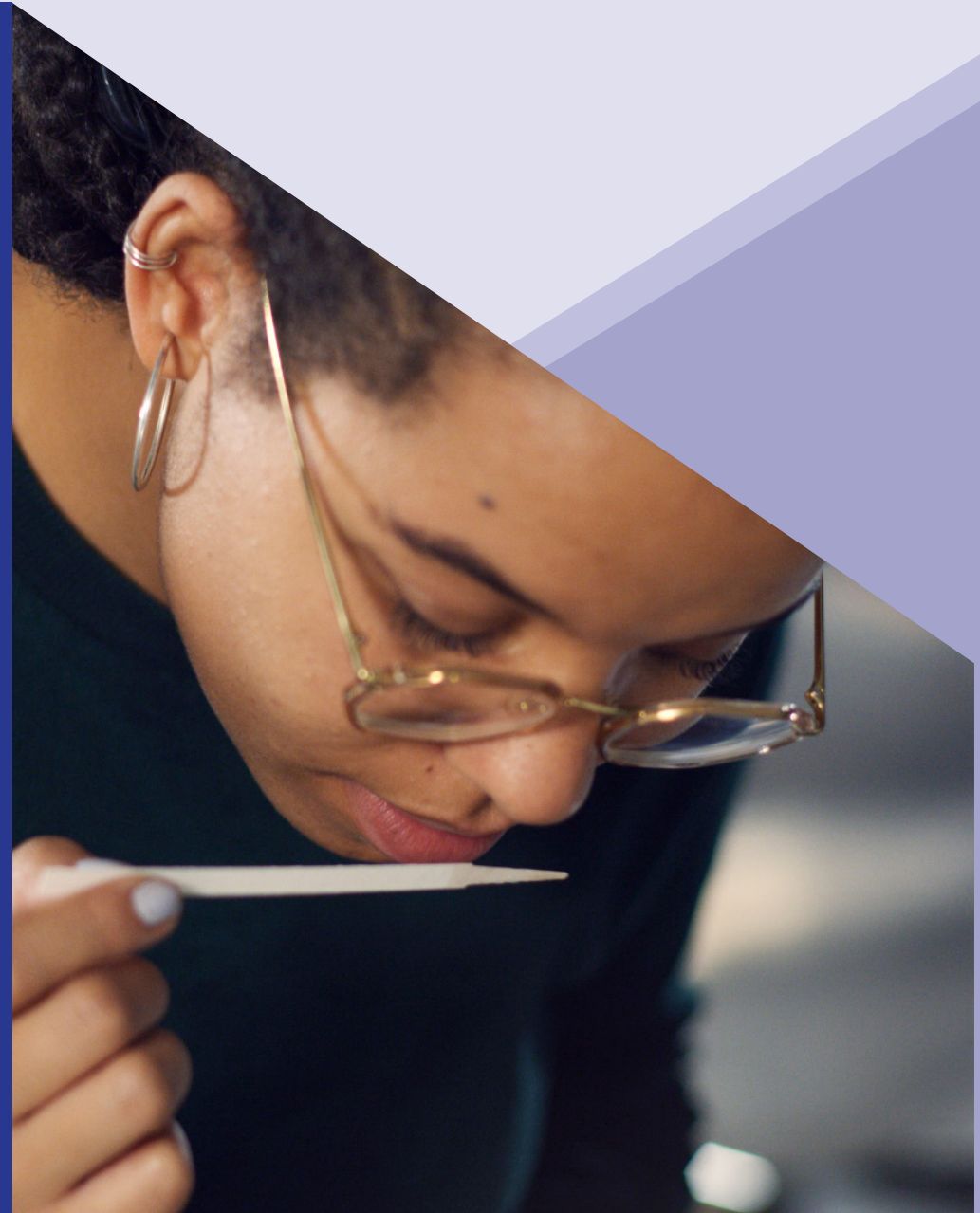
“Very few institutions will provide receivables finance for products sold in the UK but also internationally. However, that is something we are very good at. Having everything in one place was very important to Eland Cables.”

“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.

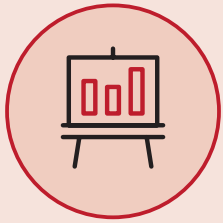
“It’s also refreshing that they introduce new products to us that they anticipate will meet our needs rather than waiting for us to ask. Also, you only truly know the strength of a banking relationship when it is tested. There have been instances where a less attentive team could have overlooked a minor 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.”

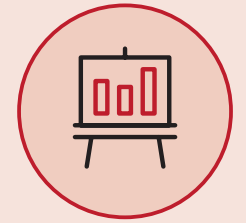
“The relationship between HSBC and Eland Cables is built on trust, strengthened by regular personal contact at all levels between the teams and transparency about the parties’ respective agenda,” concludes Jean Sébastien. “With HSBC, we are not just a number. We matter to them and they know and understand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







# STEP FIVE EXECUTION



Go for it...



## DEAL

- Access your rights and obligations and choice of law
- Agree your commercial and payment terms with customer

## SHIPPING

- Establish a good relationship with a freight forwarder or customs agent
- Monitoring potential transportation problems can bring peace of mind and bottom line preservation
- Explore insurance options

## AVOIDING DELAYS AND COSTS

- Ensure correct trade documentation
- Regularly update product export files on a product-by-product basis

## VALUED ADDED TAX (VAT)

- Understand the impact on cash flow from VAT and similar charges
- Consider VAT (or equivalent) registration in the destination country

## COMMUNICATING WITH YOUR CUSTOMER

- Track and monitor goods in production and in transit
- Communicate regularly with your customer

## FOLLOW UP

- Seek feedback and learn lessons

# EXECUTION



## DEAL

A first step in setting up your new relationship should be accessing your high-level expectations for your commercial contracts, which set out your rights and obligations under agreements with your customers. Your commercial terms will set out the price and also who will be responsible for the product during transportation (risk), when handover of responsibility happens and who handles customs documents, pays the tariffs and any excise duties (see Incoterms®).

For new commercial contracts you should consider the territorial scope of your agreements and the choice of law. Understanding whether your contractual relationship is governed by UK law or domestic law in your export market will be essential to accessing your rights, obligations and representation.

In addition, commercial contracts should consider the impact of trade barriers (including regulatory changes), commitments to aftersales and the impact of restrictions on the movement of persons (particularly important for businesses carrying out services).

- **Access your rights and obligations under any new agreements, including choice of law**
- **Agree your International Commercial Terms or Incoterms® and payment plan terms with the customer**



## SHIPPING

International trade will often involve a more complicated supply chain, with more opportunities for things to go wrong. Transportation can be every bit as critical as manufacturing or sourcing, and minimising transportation issues protects your reputation as a trusted exporter.

Reliability is key to building a good reputation, and punctual delivery of goods is clearly important. While the legal liability for safe shipment of goods may change during their movement, from an importer's perspective the reputational liability still tends to lie with the exporter. Using a reputable international freight forwarder will maximise the likelihood of trouble-free international trade.

Insurance plays an important role in mitigating some of the potential problems in shipping internationally. However, while cargo insurance may cover some of these, the exporter will still have to deal with the associated business and cash-flow disruption in the event of a loss, plus the administrative overhead of making a claim.

- **Establish a good relationship with a freight forwarder or customs agent**
- **Monitoring potential transportation problems can bring peace of mind and bottom line preservation**
- **Explore insurance options**

# EXECUTION



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## AVOIDING DELAYS AND COSTS

Making sure you have the right documentation isn't the most exciting part of doing business overseas, but it is one of the most important aspects to avoid delays and costs. It is worth spending time on the careful preparation of trade documentation to maximise the likelihood of dispute-free, profitable trading.

In addition to any commercial considerations, importers will require documentation in a particular format so that it satisfies local customs or other regulatory requirements. It is important to consider that documentary requirements can vary significantly between countries and importers.

Ensure that your product export files have the information needed to complete and submit correct paperwork, including your commodity codes, rules of origin calculations and relevant technical and regulatory documentation.

- **Minimise contractual disputes and maximise profitability with correct trade documentation**
- **Regularly update product export files on a product-by-product basis**



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## VALUED ADDED TAX (VAT)

For countries that have a Valued Added Tax (VAT) system, VAT is often payable to customs authorities at the time of importation at the rate of VAT for the good/product in that country. The business responsible for clearing customs for the goods must pay this VAT at the time of import.

The main impact of this is on cash flow and cost of importing. To address this impact, many countries have a VAT deferment scheme for imports. However, when exporting, the cost and cash flow impact should be considered.

In order to execute your VAT or other tax obligations, you may need to register in your destination market.

- **Understand the impact on cash flow from VAT and similar charges**
- **Consider VAT (or equivalent) registration in the destination country**

## EXECUTION



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### COMMUNICATING WITH YOUR CUSTOMER

Making sure that your customer is aware of where you are in the process of preparing, sending and delivering your products is highly recommended.

Regularly sending information when a good enters a new phase of production, processing or shipping will keep customer expectations under control.

Similarly, early communication of any difficulties and challenges and working together to overcome any delays or unintended costs is vital.

- Track and monitor goods in production and in transit
- Communicate regularly with your customer



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### FOLLOW UP

Following up with your customer is essential. You should confirm satisfactory delivery, actively seek feedback and agree mutual improvements on future orders.

- Seek feedback and learn lessons







# SECTION 3

## Summary & Glossary

# SUMMARY

International trade can be hugely rewarding and can bring numerous economic benefits which go beyond what can be achieved by selling solely in the domestic market. However as has been demonstrated in this guide there is no 'one size fits all', and every company's path to a new market or opportunity will differ. What is needed is a focused approach based on skills, knowledge and determination.

**Correctly executed, exporting can be highly rewarding on many levels.**

No matter what sector or size of company exporting can be for everyone and the route to market can be as varied as the products you sell. Whether you ship direct, work with local contacts or develop an e-commerce strategy even the youngest and smallest business can start trading with the world almost immediately.

While it can be a challenge to get your goods to market and to adapt your product where necessary the first steps are about getting your business fit and healthy to trade internationally. What is clear from talking to experienced exporting manufacturing businesses is that research is essential. Successful exporters continuously look at their suppliers, their target market, and practical considerations such as local infrastructure, before they start.

What is needed is a dedicated export plan which forms a core part of your business strategy. The plan should include everything from marketing budget to market selection, costs and pricing, market-entry approach, and planning for different regulations. 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.

While the prospect of exporting may be challenging initially, even if you have assessed the leadership requirements, with experience and knowledge the requirements to export successfully will become "business as usual".

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# 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.  |

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| 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> |



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| 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.   |



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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.

[www.makeuk.org](http://www.makeuk.org)

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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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