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### Trading Overseas - The Financial Angle.

These days, more and more businesses are trading with overseas customers, be it importing and/or exporting.

For many, this will have been a natural consequence of expansion - looking for new markets to sell their goods/services or perhaps source raw materials, the combination and reasons are endless. Equally, other companies may have found themselves having to deal with foreign customers by default or accident. Regardless, this can introduce a whole new range of issues to the table, ranging from local customs/protocol, which can be very different from what we are used to in the UK, through to the underlying terms of trade and methods of payment and currency to deal in.

Too often, businesses trade in a certain way since it seems to have worked for them in the past - a case of "if the wheel's not broken, why fix it?" Many businesses also lack the resource internally to address whether there may be more expedient ways of undertaking this important area of their sales or purchases. Does this sound like you??

There are many good sources of business advice available to companies who are looking to expand into new overseas markets - information on specific product markets and even grants to assist new export ventures. A good general starting place is the Federation of Small Businesses - [www.fsb.org.uk](http://www.fsb.org.uk) or for more specific overseas exports, the main UK Trade & Industry site - [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk). The new, combined HM Revenue and Customs website - [www.hmrc.gov.uk](http://www.hmrc.gov.uk) - has useful information on import & export under the businesses and corporations section. However, it is just as important that the financial side is not overlooked - not just on how to get paid or make payments, but what is the most cost effective method for **you** to maximise **your** cashflow and profit whilst not putting that customer's business with you at risk.

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### *"Minimising Commercial Risks When Trading Abroad"*

*A Member of The Havering Chamber of Commerce and Industry, Barking & Dagenham and Essex Chambers of Commerce.*

Then there's also that question of currency - do you invoice/pay in Sterling or the local foreign currency or even a 3<sup>rd</sup> currency?? All have advantages and drawbacks, depending on a whole host of questions. A common trap that many businesses fall into is to insist on payment in Pounds Sterling - this removes the exchange risk. True, but what is it doing to the unit price you are being charged or how are your products viewed in a foreign market? In a similar way, credit terms - many UK importers will seek the longest credit they can get. What if your foreign supplier, as a result, is having to borrow from his local bank at, say 15% interest? Who's probably paying for this indirectly? **You!** Re-arranging your business terms may get you a significant unit cost reduction on your raw materials.

Trading overseas can be a minefield - it can equally be one of the most rewarding moves - in all senses - that your business ever makes. Which one do you want?

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*"Minimising Commercial Risks When Trading Abroad"*.

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