

International Trade Financial Solutions Newsletter

'Minimising Commercial Risks When Trading Abroad'

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In This Issue

Start Up Overseas
Managing Exchange Rate
Exposure.
Future Events.

Quick Links

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[Bookkeeping Issues? Check
our associated site](#)

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Hullo.

OK, more haste, less speed this month. The last minute putting together of July's newsletter resulted in the 1st block appearing twice. Apologies for my woeful lack of proof reading and thanks to those who pointed out the error of my ways. At least I know some of you actually read this!! I might just start putting in occasional errors and offering some small prize to anyone who finds it but, knowing my luck, there'd be more than 1 error, and it would all just get too confusing.

Anyway, back to August. With many of you either on holiday, or about to come back, I've kept this month's edition fairly small - you'll all have enough in your In Boxes without another weighty tome.

I asked last month [twice!] for suggestions - thanks to those seen so far, but please keep them coming. The 1st feature - on Start Up Overseas - is below. The glossary is taking a rest this month. With exchange rates seeing a little less volatility over the past month, I thought it would be a good time to remind everyone of some of the more common ways you can manage exchange rate exposure as part of your overseas trading strategy.

Read on - and I hope you find it of interest.

Ray Stannard
01708 370838

Start Up Overseas and Going Global Live.

Many of you will know of my past association with Start Up Overseas - I have been on their expert panel in the past for overseas trade questions. They have kindly provided the following:

More people are now setting up a business abroad or trading internationally than ever before. But it isn't easy and success rates are slim. With www.startupoverseas.co.uk, however, you're in safe hands. Offering advice,

information and services for a growing number of over 50 countries, the website is one of a kind, dealing with both start-up and expansion. What's more, it's completely free to use.

Likewise, the Startup Overseas digital magazine is a monthly dose of news, information, advice, and case studies of businesses that have successfully traded overseas. Featuring articles on a wide range of sectors and countries, all of the interviews are brought to you in video format. You can learn first-hand how people have taken the plunge and entered foreign markets.

If you wanted an event where you can meet the experts, gain advice and talk to international business advisors, Going Global Live will be at Earls Court from the 30th November to the 1st of December. Bringing together the world's leading companies and experts with people looking to start or expand overseas, the event is a unique opportunity to get educated, network, and find the services required to confidently start or expand a business abroad.

For more information on Startup Overseas or Going Global, follow the links. Don't forget, everything from the website to the conference is provided free of charge.

Managing Exchange Rate Exposure.

I have covered this in the past, but it is such an important piece of the overall strategy for buying and selling overseas that I feel it needs to be repeated every so often. For one reason or another, this topic seems to be the one that causes the most confusion and even anguish.

Anyone who trades in a currency other than Sterling may leave themselves open to exchange rate movements. For example, if you are buying from the Far East in US Dollars and selling in the UK in Sterling, the exchange rate between Sterling and US Dollar is of paramount importance and, given that it can and does fluctuate by the second, you do need to have a strategy for dealing with this.

Let's suppose you've agreed to buy US\$10k worth of goods and you've managed to get some credit terms - say 30 days after shipment. Even prior to signing the contract, you'll have been doing your sums to calculate final selling price, profit margin, etc. Say you based your calculations on the [then] current exchange rate of US\$1.52/GBP1. At this rate US\$10k will cost you £6,578.95 [plus any transmission charges]. Fast forward to the time when you actually have to pay - possibly 3-4 months later - and you see that the rate now stands at US\$1.46/GBP1. Suddenly, your US\$10k will now cost you £6,894.32 - a whole £315.37 more. And where will this extra cost come from? Probably your profit margin, unless you can manage to increase the final selling price.

This movement is known as your exchange rate exposure. Firstly, you need to be aware that it exists. Secondly, you need to determine what strategy you plan to adopt to manage it. Ideally, you should look to 'lock in' or 'fix' the rate at the time to contract. By doing this, you will be assured of the cost of your Dollars in Sterling terms, making everything else easier. However, there can be some downsides - what if the rate improves [i.e. goes in your favour]? Do you know exactly when you need the Dollars to pay? What if there are some unforeseen delays, meaning that you can delay payment? All of these things need to be taken into account. As a result, you may decide to fix only a portion of your exposure. Fine - but please take advice if you are not sure of the consequences. Lastly, the actual payment - how will you make this? Do you know what you will be charged? Can you reduce this?

All of these issues apply equally to any currency in which you intend to deal and some may have other, complicating issues, due to local regulations. Whilst your bank or an authorised FX dealer will transact on your behalf and possibly give you some general advice on rate movements, I specialise in understanding in more

depth your specific issues on how you trade - frequency, levels, etc., meaning that I can work more closely with you in allowing you in turn to understand better what will work for you, whilst also ensuring that, when you do come to deal, you will also keep any costs to a minimum.

One final frequently asked question is 'What sort of amount do I have to be trading in to make this worthwhile?' The answer - it can be as low as £1,000, although it's probably nearer the £2,500+ level that you really start to see significant cost savings. However, ask - make that first call to me - after all, it is free and doesn't tie you in to anything at that stage. Just don't let exchange rate movements eat up all of your hard earned profit margin for the sake of a telephone call.

Future Events.

Start Up Overseas, above, has already pitched it's Earl's Court event at the end of November/beginning December. What else is around at present?

UKTI - 7th October, London SE1 - is holding a seminar on exporting to Mexico - one of a series they hold throughout the year. Website www.uktilondon.org.uk.

They are also holding a 1 day seminar looking at the pros and cons of overseas agents and distributors in Pall Mall on 26th August, and on 14th September, one on website SEO specifically for the international market.

For anyone interested in Hungary and/or Austria, there's a market visit for a week from 26th September - again UKTI.

Closer to home and more general in format, Barking and Dagenham are holding an Expo on 19th October at Sanofi-Aventis in Dagenham - more details from www.eastlondonexpo.co.uk.

Business Link/RDA's. Don't forget to use these channels while they are still there! Whilst it's 'Business as Usual' with Business Link pending the changes announced in George Osborne's maiden budget back in June, the RDA's will be going.

Lastly, many of you will know of my connection with Essex Business Club www.essexbusinessclub.org.uk. On 16th November, we will be holding our 1st business themed show - 'The Ask4TheBiz Show' at Writtle College, Chelmsford from 4pm to 9pm. Early days yet, but this will be aimed specifically at local businesses, not just those in overseas trade, and we will be encouraging everyone to get out and ask for what they want/need. Stands will be available on a 1st come, 1st served basis. At this time, let me know if you want more details.

Remember also, that many events are arranged months in advance, so it's never to early to look.

If you know of any other business to whom this ezine may be of interest, why don't you forward it on to them and encourage them to sign up for future issues?

See you in September.