

International Trade Financial Solutions Newsletter

'Minimising Commercial Risks When Trading Abroad'

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Hullo.

March already - Spring is here, and everything's looking good - at least from the weather perspective. Business wise, it's much more difficult - made even more so by recent events in N. Africa and the Middle East, which, oil prices apart, are also increasing uncertainties surrounding exchange rate movements. This, in turn, is only adding to the headaches of importers and exporters alike - irrespective of what they are buying/selling and with whom they are trading.

On this subject, an interesting case below regarding exchange rate differences that can occur depending upon your choice of FX provider. Also, a brief article on what I am proposing to include in future newsletters now that the glossary has ended.

Lastly, networking - love it or loathe it, it can help raise profile - regardless of your business area or type, so a quick look at it - from an import/export viewpoint.

Happy reading.

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Exchange Rate Differences - A Recent Case.

[As last month, with apologies to those who I see at local networking events and may already have heard some of this].

I regularly deal with foreign exchange issues, as you'd expect from what I do, and I have covered various aspects of exchange rate management in several previous newsletters. Recently, however, I was able, through a client to put theory into practice and I think it's important to share this here so that anyone who deals in foreign currency on a regular basis can see the potential benefits.

Usually, I deal with commercial businesses as opposed to individuals - people wanting to invest overseas/buy a second home, etc, I just pass on directly to a Foreign Exchange provider. However, I was recently approached by a past client who needed some advice on some personal transfers he needed to make. The sum involved was the euro equivalent of just under £12k - large enough by his standards. I did the usual thing of explaining how the system worked - banks vs. specialist FX providers, and gave him some indications of potential savings by using the latter - usually better exchange rate, knowledge of rate before you deal, reduced, fees, etc. Although he accepted these arguments, he remained a little sceptical and, unbeknown to me at the time, he decided to send 2 payments of about £6k [euro equivalent] - one through his bank and the other through a FX broker.

3 days later, I had a call. To say he was amazed at the differences would be an understatement. Essentially:

Bank - £15 transfer fee, funds arrived in 2 days.

FX provider - £10 transfer fee [as under £10k being transferred], funds arrived in 2 days.

The amount received by the beneficiary was identical from both payments. However, the payment processed through the FX broker cost him nearly **£200 less!!**

On this basis, think of the potential savings when the amounts are higher. If you're still using a bank, check to see if they really are giving you good rates - if not, there could be a very easy way to improve your bottom line figures without exposing yourself to added costs/risks. Even if you're already using a broker, do a quick rate comparison next time you deal to make sure that are giving you top rates. One word of warning, though, always ensure that your chosen FX provider is fully regulated and has the higher level of FSA membership - where client funds [i.e. your money] is kept in a separate, ring-fenced account. If you're unsure, give me a call and I'll happily explain and pass you on to some of the FX contacts that I have.

Life after The A-Z Glossary.

When I finished the glossary at the turn of the year, I said that I was looking at several international trade aspects to replace it, to form a series over a few months. Thanks again to those who did pass on some suggestions and - no, I'm not going to repeat it, although that would be the easy way out [copy/paste!].

I should say here, to any new recipients who haven't a clue what I'm talking about, that all back copies of the newsletter and, by extension, the glossary, are on my website - www.intradedefinsolns.co.uk .

Anyone who already trades overseas will be only too aware that processes differ from country to country - probably the nearest to 'UK' style trade and terms is Ireland, and that is largely due to historical links. Therefore, I'll be looking at other parts of the world and the 'usual' trading methods seen in each region. Of necessity, it will be an overview and will be based on a typical 'new entrant' into that market; as with all relationships, once parties get to know each other better and levels of trust improve, terms can be relaxed. Think of it as a new business starting out in the UK - at first, suppliers will probably want payment up front or on delivery, no credit terms, etc. Over time, credit terms can usually be negotiated, discounts given, etc., etc.

For the many of you who already have successful relationships with overseas

suppliers/buyers, I'd welcome feedback on your experiences. I'm sure this will prove as interesting and useful as the glossary has done.

Networking.

Many of us network - these days there are all forms and variations, from free ones to those with annual memberships and regular weekly attendances - with or without food. The issue that I find is - which ones best suit me for promoting my business and gaining new contacts and contracts? If only there was a simple answer to this! I do not even pretend to be an expert of this, but when you are an importer or exporter, it's important to be clear in your own mind what you are looking for - an importer may want outlets - retail/wholesale/consumer, whilst exporters may be looking for suppliers. Remember also that many networking events can be seen as being 'service heavy', i.e. more accountants/consultants/business coaches etc. than manufacturing/processing type businesses. If you're looking for business advice, that's fine, but I say again, know why you are attending. Even if you're not, there's nothing wrong in this - everyone has contacts and, until you speak to them, you will not know their relevance, but, from experience, business development for overseas traders through networking can be a slow burn. Have patience, and always review the groups you are in - like suppliers and customers, you can change if you think it's not working for you. Lastly, remember commitment - a good group will not refer you 'just because you are a member' but will refer you once they have got to know you and your product and are confident that you will do a good job. Getting to this stage requires regular attendance and commitment from you. No one wants a referral bouncing back on them with tales of poor service/workmanship, etc.

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?

The next issue will be out on 15th April - just before the UK seems to be shutting down for a very long holiday....