

# International Trade Financial Solutions Newsletter

Issue 4

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Hello. It's February already and I'd usually be thinking that the worst of Winter has now passed but, like the economy, it seems to want to do its best to disrupt everything and everyone.

Talking of which, I mentioned in last month's newsletter that I would be giving a 1 day workshop looking at import and export issues and procedures at the start of the month. Well, the weather put paid to that and it is being re-scheduled - see below. Thanks to everyone who passed on details to other interested parties, and please let them know about the new date, since there are still places available.

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## Freight in the Doldrums?

With the continuing global downturn, there's much press comment about ships being laid up as cargoes decrease and freight costs falling due to supply demand and the lower oil prices. Don't forget to undertake periodic checks on your shipping/transport costs where you are responsible for them. Even where you don't pay, it means that your counterparty is, and have they reduced their costs to you to reflect lower transport costs? Having a good ongoing relationship with your shipping agent/freight forwarder is just as important as the one you have with your suppliers.

At ITFS, although we concentrate on the funds movement and exchange risk side, we do work closely with some local freight forwarders and we would always be more than happy to pass on introductions if you want to obtain some alternative quotes for freight movements or are just generally unhappy with your current arrangements. It's all about effective networking and businesses helping out each other to achieve all round benefits, so let us know if we can help with your problems. Also, have a look at our website - use the link above - where we have further links to a whole range of service providers.

## New Training Courses.

For those of you who are new to this newsletter, I'm broadly repeating what I said last month here. For those who saw last month's, the main element here is the *new date for the workshop.*

Gateway for Business is supported by the London Development Agency [LDA] and runs fully funded training courses and workshops for SME's who are based in either the London Borough of Havering or Barking & Dagenham. They operate from the CEME campus in Marsh Way, Rainham. So, why do I mention them? Well, because, after discussions with them, I'll be holding the first of what I hope will turn into a series of day long workshops aimed at the basics of Importing and Exporting. The first one has now been re-scheduled for **Tuesday, 3rd March, 2009 from 9am to about 5pm** and is aimed at businesses who either are new to importing/exporting, or who are thinking about it. Places are limited to about 15 or so and it's free, with lunch thrown in.

If you are interested, either speak directly to GfB - Jenny Clay on 020 8596 5157 [she can also advise whether or not you are eligible] or send them an e-mail at [info@gatewayforbusiness.co.uk](mailto:info@gatewayforbusiness.co.uk). I'd be happy to let anyone know the broad contents of the workshop, but all bookings must be made through Jenny. I hope that I may see some of you there.

## Overseas Sales Options. [Part 2].

Last month, I outlined the main options available to anyone who is thinking of starting out, or expanding their overseas sales. These were [where a local presence is needed]:

1. Agency
2. Distributor
3. Representative Office
4. Joint Venture
5. Wholly Owned Subsidiary.

Where no local presence is deemed essential, options include:

- Third Party Sales
- Partnership
- Franchise
- Internet Only

Here, we'll look at the 1st category - what they mean, and some typical pros and cons.

**1. Agency.** An agent works on your behalf. You are responsible for their actions and the contract for any sales is between you and the ultimate buyer. Having a bad agent can ruin your reputation. On the other hand, a good one can promote your business in the local community and this type of arrangement can often be cost effective.

**2. Distributor.** A distributor buys your goods and sells them. Here, there are 2 separate contracts, the sale from you to the distributor [possibly a bulk sale] and individual sales from the distributor to the ultimate end user. You have no control over these sales and it is no longer possible to restrict a distributor's sales area. You can opt for single or multiple distributors. Useful for a local after sales service

[but you may need to provide initial/ongoing training]. Bulk sales may mean you have to offer a lower individual price, impacting on margins.

**3. Representative Office.** You maintain a local physical presence. This may be staffed by local staff, expatriates or a mix. Costs are higher, but you have closer control, or should have.

**4. Joint Venture ['JV'].** Here, you enter into a market jointly [usually] with a local business. In some Countries, this may be the only way to break into that market. With a good partner, who knows local customs, etc., this can be a very positive option. Legal costs [research, due diligence, etc] can be high at the outset.

**5. Wholly Owned Subsidiary ['WOS'].** You form a separate legal entity in the foreign country, which is 100% owned by you. Again, may be expensive to set up, but this may give you total flexibility in sales/marketing/promotion.

So, which to choose?

You need to ask yourself many questions surrounding not only your product and chosen country, but what you hope/expect to achieve, what are your longer term goals and, most importantly, what the local market [your customers] would expect to make them buy from you. Some general questions could be:

*Do you need to stock products locally?* If no, any of the above could work. If yes, an agent is possibly not the best option [issues re security of stock, retention of title, etc].

*Do you need after sales service?* Again, if no, any may work. If yes, however, and you opt for an agent, remember you are responsible for their actions. You may prefer to have a distributor.

*Are you undertaking local sales/marketing?* If you are, you may want a Representative Office at the least, so they can market effectively based on their knowledge of the Country concerned.

*Are you planning local manufacturing, in part or whole?* If yes, a JV or WOS may be the preferred options or, indeed, mandatory.

This can only be a general outline - but I hope it does give you a starting point.

In the final part next month, we'll look at the 'remote' options.

In the next couple of issues, I'll look into each of these in more depth and set out some pros and cons of each. In the meantime, let me know if you need specific help and advice for your business and we'll see what we can do.

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 mid March, on the 15th. Spring must have started by then, hopefully.....