Wesgro Connect

your exports, our expertise

Making exports your business

A practical guide for Western Cape companies

City of Cape Town
Isixeko Sasekapa
Stad Kaapstad

Making progress possible. Together.

an inspiring place to do business

www.wesgroconnect.co.za
info@wesgroconnect.co.za

Must insert usual information about publisher, etc. To come from Wesgro. Also who to approach at Wesgro for help, etc.

This guide was originally compiled and written for the City of Cape Town and Western Cape Provincial Government and has been revised for Wesgro by Ann Moore and Melinda du Preez.

Design and layout by Wesgro

Photo credits: Wesgro

Contents

Section 1: Preparing to Export 7
- The story of Western Cape Lights
- Why should you export?
- Is your company export-ready?
- What makes exporting different?
- What makes a successful exporter?
- Export-readiness checklist for your company

Section 2: Planning for Export Success 21
- The story of Western Cape Lights
- Why planning is important
- A practical approach to marketing planning
- Marketing plan checklist

Section 3: Finding Your Export Market 31
- The story of Western Cape Lights
- Market entry choices
- Distribution channels
- Niche marketing
- Identifying your export market
- Handling incoming leads and enquiries
- Where to find export market infomation
- Checklist for appointing a trader in south africa
- Checklist for agreement with south african trading house
- Checklist to identify your target export markets

Section 4: Using the Export Marketing Mix 71
- The story of Western Cape Lights
- Export marketing is a management process
- Product factor
- Distribution channels
- Price factor
- Promoting your product in your export market
- Making the marketing mix work for you
- International trade fairs as a marketing tool
- Export marketing assistance from DTI (EMIA)

Section 5: Getting to grips with logistics 111
- The story of Western Cape Lights
- Understanding transport issues: modes of transport
- Quoting for export
- Getting paid for your goods
- Handling the paperwork
- Importing machinery, materials and parts

Introduction

Why we have produced this guide

The purpose of this guide is quite simple: to provide enough information for the average small and medium-sized company to understand the following:

- The steps in the process of selling goods and services to buyers in foreign countries
- How the goods reach the foreign market
- How to ensure that payment is received
- What assistance can be obtained from local and national service companies and support organisations

The book is not intended for the experienced exporter, although those who have exported only a little and would like to increase their export business will find it helpful.

How to use the guide

We explain the complexities of exporting in a logical sequence so that you can use the contents as a checklist to see what you have to do next. The diagram on page XX sets out the five main phases of exporting and these correspond to the main sections of the guide:

- **Preparing to export** sets out:
  - The reasons why you should export
  - How you can assess your company's export readiness
  - Why exporting is different from selling in your home market
  - Why you need to acquire additional business skills and information to succeed
- **Planning for export success** places emphasis on:
  - Why it is so important that you plan your exports
  - A practical approach to marketing planning
  - Your mission statement and SWOT analysis
  - A marketing plan checklist
- **Finding your export market** takes you through:
  - Market entry and distribution
  - Niche marketing and why it is important to you
  - Identifying your export market
  - How to handle incoming leads and enquiries
  - What you need to find out about a target market
  - Where you can obtain market information
  - Export market opportunities for Western Cape exporters
- **Using the export marketing mix** explains how you need to adapt certain factors to meet market needs:

- Product and packaging, which are subject to market specifications and standards and to consumer preferences
- Agents and distributors and what to include in contracts
- Price and how product differentiation adds to your competitiveness
- Product promotion and the practical tools you can use
- International trade fairs as a marketing tool
- The Export Marketing and Investment Allowances (EMIA) provided by the Department of Trade and Industry

- **Getting to grips with logistics deals** with the technicalities of international trade:
  - Transporting your goods to your buyer
  - Quoting for export orders and using the Incoterms® 2010
  - Avoiding unnecessary payment and foreign exchange risks
  - Handling the documentation so that the transaction flows smoothly, including a set of basic export documents.
  - Basic import procedures for your imported materials, components and production machinery.

- **Glossary of export trade and marketing terms** defines for your convenience common terms used in export trade and international marketing.

We use the example of a small (fictitious) Western Cape manufacturer, Western Cape Lights CC, to illustrate key points. The story of Western Cape Lights leads you easily through the technical detail of the guide and enables you to focus on the particular text references you need at any specific time. Especially you can see how the transport and related costs obtained by Western Cape Lights for shipments to foreign markets are carried through into key export documents.

To make this guide as practical as possible, we include at the end of each section checklists that serve as a summary of the information covered and as a management tool for you to use.

Features of the guide

The guide is laid out in blocks of text:

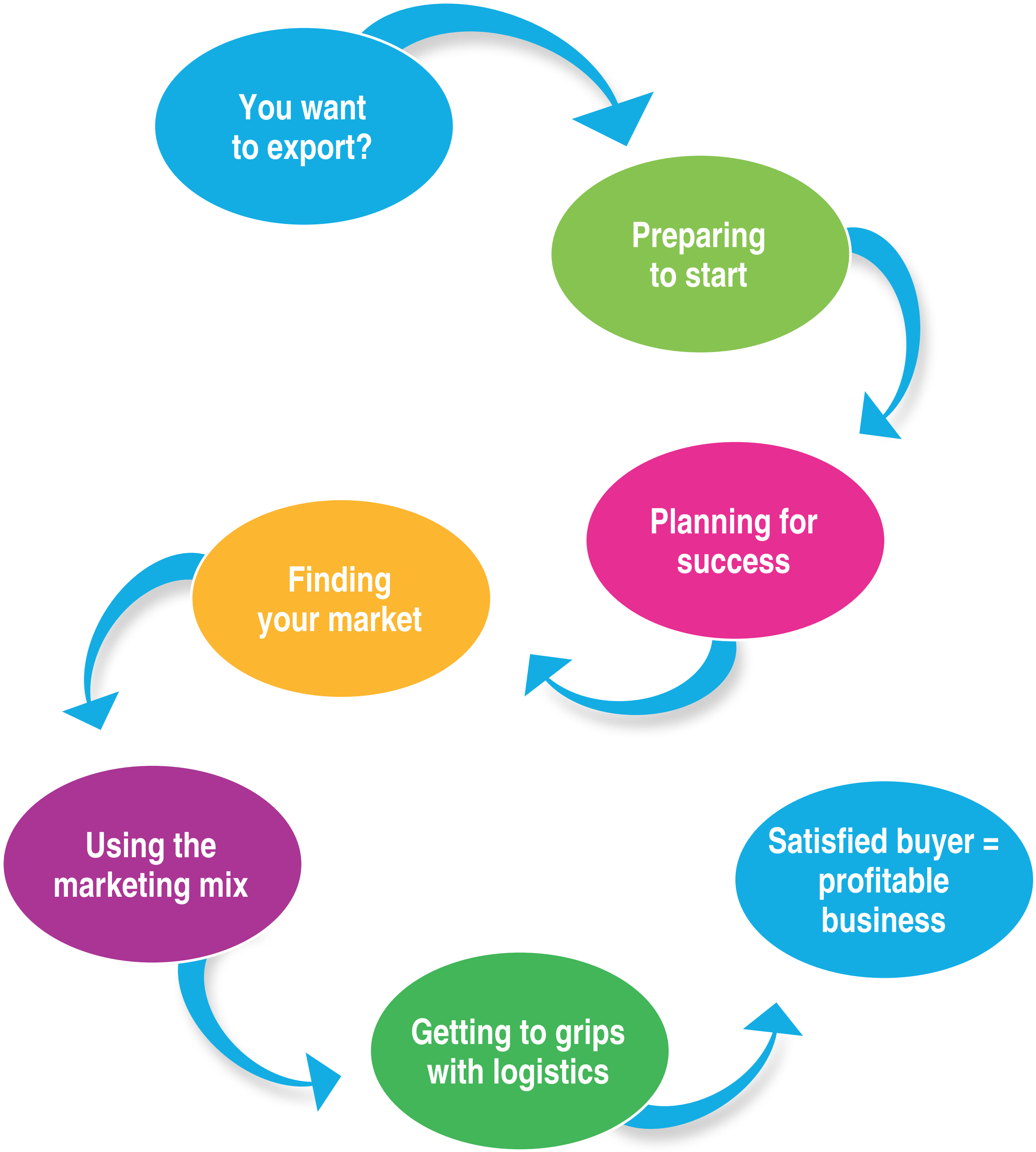
- The illustrative example of Western Cape Lights appears at the start of each section and serves to introduce you to the details covered by the section and the practical importance of them

- The main information text is set out in bullet form under bold headings so that it is easy to take in

- Checklists designed for your quick reference to key issues appear after the main information text

- Important tips or warnings appear throughout the information text in boxes or panels

The five main phrases of exporting



Section 1: Preparing to Export

In this chapter:

The story of Western Cape Lights

Why should you export?

Is your company export-ready?

What makes exporting different?

What makes a successful exporter?

Export-readiness checklist for your company

case study

The story of Western Cape Lights

Western Cape Lights CC is a small company, situated in Woodstock, Cape Town, and owned by Marcia and Ricardo Hendricks. Ricardo started the business after he was retrenched five years ago.

Marcia had asked him to make her a wooden lamp base, because she couldn't find one she liked in the shops. She and Ricardo designed one together and it turned out so well that Ricardo designed and made a few more as gifts for family and friends. From this small start the business grew and Ricardo built up a customer base covering all main centres in South Africa.

Although Ricardo has fairly sophisticated lathes and other equipment in his small factory, his lamp bases are not mass-produced. Each one is hand-finished, which gives a quality that sets his products apart from many others. In addition, Ricardo and Marcia enjoy designing new models; as a result, their range is always fresh.

Before he started exporting, Ricardo employed about 15 local workers, most of whom had been with the Hendricks for nearly four years. When a big order came in, Ricardo would call on an additional 10 or so temporary workers who had also undergone some training with him. This reserve labour force, if employed permanently, could raise the output of Western Cape Lights from the present 3 500 lamp bases a month to at least 6 000 a month.

Ricardo and Marcia wanted to move into exports for several reasons:

- First, Ricardo's lamp bases are of a high quality and therefore they are fairly highly priced; this means that the local market is limited – exporting would allow him to sell more lamps
- Secondly, the furniture and housewares stores that sell Ricardo's lamp bases in South Africa place a few big orders each year; as a result, Ricardo is either very busy or quite slack. By exporting he would be kept busy throughout the year and would be able to take on the 10 temporary workers as permanent staff
- Ricardo and Marcia thought it would be exciting and good for their business to see all the new design trends in Europe and America

Ricardo and Marcia are fairly conservative by nature but they thought that they would be able to handle the additional complexities that would result from exporting. They really thought they were export-ready:

- They had several good reasons to export and they were very committed to developing markets abroad – Ricardo felt it was their main chance of growth
- Marcia thought that she had enough time to handle the extra administration
- They certainly had spare production capacity

Ricardo could add to the list of the export readiness features of Cape Western Lights:

- He and Marcia had several years of experience selling to demanding buyers in the South African market. Because of these buyers they had a proper quality management system in place
- Ricardo felt that their workers were stable and well trained. He could call on additional workers when he needed them
- Their basic business systems were in place, they had modern communications facilities
- Western Cape Lights was running smoothly and at a profit.

Marcia and Ricardo felt they were ready to go.

Ricardo and Marcia knew that exporting would demand more of them. They tried to think of all the things they would need to find out.

"We realised that we would have to quote in US dollars or UK pounds or Euros and that we ought to get advice from the bank about that", said Marcia.

"We thought that a lamp is a lamp, wherever it sells. We assumed the only thing we needed to take into account was that people in different countries might prefer different designs. We had a lesson to learn, though, about standards," said Ricardo.

"We weren't sure about getting the lamps to our foreign buyer, but we decided we would worry about that later, when we had identified a buyer," added Marcia.

They found out that there were considerably more things to take into account.

Western Cape Lights' details are:

Physical address: 9 Angus Road, Woodstock, 7925 Cape Town
Postal address: P O Box 0123, Woodstock, 7915 Cape Town
Telephone: 021 448 0012
Fax: 021 448 0011
e-mail: lights@mweb.co.za
Registration no.: 2009/012345/67
VAT registration no.: 481062493

Why should you export?

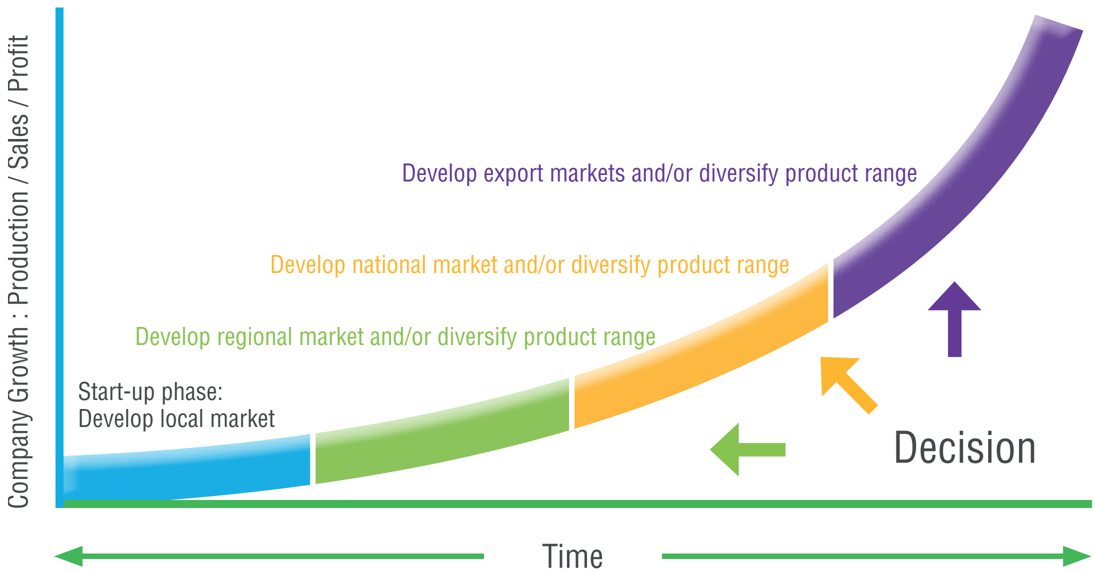
You might give many reasons for exporting but they probably will mean one thing – you want to make a bigger profit.

- Many businesses – of all sizes – move into exports almost by accident. They receive a few orders from neighbouring countries, perhaps, or from further afield without taking a conscious decision to export and without thinking through the consequences. At some stage, they are faced with the need to rationalise this “extra” business and bring it into their business planning.
- Most businesses, though, move into exports because they have reached a certain stage in their growth and exporting is the logical way for them to grow further and increase their profits.
- As the diagram shows, at various stages of your company’s development you reach decision points regarding the next growth phase.

important

Do not confuse total profit with profit margin. If necessary, seek advice from your financial adviser or business consultant.

Growing into exports



- Many companies decide to move into exports after they have expanded into the national market and are selling to all main market regions in South Africa.
- The decision to export may come earlier for other companies, whose products are better suited to export markets than to a wider spread in the South African market.

Is your company export-ready?

Companies may fail in their early attempts to export because they underestimate what is involved in exporting and do not have sufficient resources. Resources include money, materials, equipment and labour, as well as management, technical and administrative skills.

- **Time and budget allocation**
  - Developing a foreign market – identifying potential buyers, researching vital information, promoting your product to potential buyers – means you must set a specific export budget. How big it must be depends on your product and your potential market.
  - You will have to make at least one visit, probably more, to your target market – this gives an indication of the minimum cost involved.
  - In addition, you may need to improve your product and introduce a quality management system. This has additional budgetary implications although it usually leads to cost savings in the medium term.

The time required and the budgetary requirements are only part of the picture. You might fail because you are not export-ready in other ways. An export-ready company has:

- **Clear export objectives and commitment**
  - Clear objectives and export commitment mean:
    - You allocate specific company resources – production capacity, management and executive time, and money – to developing your export business.
    - You set measurable export targets.
    - You do not neglect your hard-won export markets because the domestic market suddenly picks up and looks promising in the short-term.
  - Without such clear objectives you may become discouraged and give up, resulting in wasted time, effort and money.
- **A senior manager to devote time to export development**

This is linked to export commitment. Export service providers can help you, but someone in your enterprise must drive and manage your company's export development.

important

To develop a viable export market takes anything from 18 to 24 months – sometimes longer.

- **Sufficient production capacity**

  Can you produce enough of your product for it to be worthwhile selling in foreign markets? It may make sense to sell small quantities on the local market, but transport costs to a foreign market will usually make it unrealistic for you to export very small quantities.

- **Consistent and acceptable quality**

  Your foreign buyer wants to be sure of getting the same quality every time. To do this, you must manage your production processes very closely and have a formal quality management system with accurate records. For many markets you will find that you have to comply with an international quality management standard such as the ISO 9000 series to ensure that you are able to meet whatever specific product standards are required.

- **Storage space for materials and finished products**

  More orders received mean more materials coming in and more product being stacked prior to shipment out.

- **Business experience and an understanding of business practices**

  Doing business in South Africa is often complex enough – you will find out in later sections of this book how many extra issues you have to deal with when you export. It is therefore important that you have some business knowledge, either in your own company or someone else's.

- **Good financial and office systems and equipment**

  - Are you, or the people handling your administration, computer-literate?
  - Do you have your own e-mail facilities, or do you at least have access to e-mail?
  - Do you have good basic business systems, are your business correspondence and company records filed in an orderly way and can you find any important document when you need it?
  - Are your financial transactions properly recorded and audited?

  Additional administrative work is one of the side effects of exporting; if you cannot handle the current administrative details of your business, you are not yet ready to export.

- **Access to extra working capital**

  Exporting successfully will increase your profits. But you will have to spend money at first in order to develop your foreign markets and you will need bridging finance to be able to produce export orders. Explore

important

Successful exporting needs modern communications – e-mail facilities are essential as well as the discipline to respond immediately.

all possible sources of funds, including banks, business development organisations, national government, and other organisations involved in the development of small and medium-sized businesses. Be aware that whoever you approach will need to see your business plan.

important

Knowing that you are not yet ready to export is the first step to becoming export-ready.

What makes exporting different?

Exporting your goods and services means that you sell them across national boundaries. As a result, you will find that there are many differences between exporting and selling locally.

These are just some of the differences that you will experience:

- **Different cultures, languages, laws and business customs**
  - You are aware of cultural differences between South Africans. You will find even greater cultural differences in other parts of the world. These differences affect how people behave in their social and business life, what products they choose, what language they speak.
  - English is almost the universal language of business, but English usage and vocabulary varies widely around the world.
  - The Incoterms® 2010 are universal and overcome language problems when quoting for export – see "Section 5: Getting to grips with logistics", page XX.
  - Get good legal advice on contracts.
- **Different currencies**
  - Your buyer will probably want you to quote in a currency he understands.
  - Quoting in foreign currencies carries risks if the value of the rand changes; see "Section 5: Getting to grips with logistics", page XX.
  - You need to comply with South Africa's regulations concerning foreign currencies.
- **Different consumer or user preferences or needs**
  - Meeting customer needs is at the heart of marketing; see "Section 3: Finding your export market" and "Section 4: Using the export marketing mix".

important

Ensure you understand exactly what your potential buyer or business partner means and that he or she understands you.

- **Distance from South Africa**
  - Your product has to be transported long distances to your foreign market; see “Section 5: Getting to grips with logistics”, page XX.
- **Different product standards and specifications**
  - Find out whether your product is affected by different standards, and ensure that you comply with requirements; see “Section 4: Using the export marketing mix”, page XX.
- **Different labelling and packaging requirements**
  - Developed countries have strict laws governing the labelling of consumer products and the type of packaging materials that can be used; see “Section 4: Using the export marketing mix”, page XX.
  - Consumer preferences also dictate how your product should be packaged.
- **Safety, health and sanitary regulations**
  - Similar to product standards and specifications, you have to comply with these requirements if they affect your product.
- **Import duties**
  - Import duties on your product will affect your price competitiveness – you need to know what they are.
  - You also want to know if your product benefits from any trade agreements between South Africa and other countries; see “Section 3: Finding your export market”, page XX.
- **Different competitors**
  - When you export, you will face a wider range of competitors than you face in your local market.
- **Paperwork**
  - Sending goods from one country to another increases the amount of paperwork involved.

These issues and others are explained in following sections of this book.

important

All export documentation must be accurately completed, or you may find your payment delayed.

What makes a successful exporter?

Research carried out by Professor Steve Burgess and Dr Nick Steen for the University of Cape Town Graduate School of Business (GSB) strongly indicates that:

- **Senior management commitment is vital to export success**
  - Top managers acknowledge that exports are important to the overall success of their companies.
  - They place more emphasis on serving customers than on just making profits.
  - They believe that they and their employees should be gearing up to meet the future needs of their export customers.
- **Companies must monitor their own and their competitors' performance**
  - Competition in export markets is usually cut-throat and information is vital for success.
  - Successful companies regularly measure customer satisfaction.
  - They also monitor the activities of their competitors.
- **Companies need to know their own costs to be able to compete on price**
  - Timely profit information is critical for successful exporting because of price competition in export markets.
  - Successful exporters are those who can quickly determine how profitable each of their major export customers is for them.
- **Successful exporters manage many sources of information**
  - They consider it vital to obtain and use many different sources of information.
  - They rely on information collected by their own staff, by third parties and from export market research.
  - They also obtain information from their customers and distributors.
- **Trade fairs are regarded as important for success in exports**
  - They provide valuable contacts and information on market preferences, emerging market trends and competitors' activities.
  - They are good places to generate orders.
- **Visiting export markets is the most important way of obtaining export business.**

- **Successful exporters enter foreign markets in stages**
    - They start with direct exports to buyers.
    - As they mature as exporters, they use other market entry channels such as joint venture agreements, foreign sales offices and subsidiary companies.

Professor Burgess recommends new export companies

to carry out as much objective market research at the outset as possible and practical;

to learn as much as possible about the business customs and culture of their potential buyers in their target markets.

Register as an exporter

Before you do anything else, you should register as an exporter with your local Customs Office. Application forms are available from Wesgro, from the Cape Town Regional Chamber of Commerce and Industry, from Customs and from the website of SA Revenue Service (www.sars.gov.za > Client Segments > Customs and Excise > Processing > Pre-assessment > Registration).

Potential export benefits

- ☐ Bigger profit because you sell more goods and services
- ☐ More consistent income because orders are spread through the year
- ☐ You get full use from your machinery and equipment
- ☐ You may employ more permanent workers
- ☐ Your raw materials may cost less because you buy larger quantities
- ☐ You are not at the mercy of the economic climate in South Africa
- ☐ If you are in a high-tech or design-intensive field, you keep up-to-date with international developments in your sector

Export readiness

By answering the following questions and rating yourself you can obtain an insight into whether you are ready to export and what you might need to do before you can get started.

Assess your company's export readiness

Mission and business planning		Your rate
Is the legal structure appropriate for your enterprise? (Is your company registered as a CC, Pty/Ltd or Partnership?)	Yes 1 No 0	
Do you have a written mission statement and do all your employees understand it? (See "Section 2: Planning for export success", page XX.)	Yes 1 No 0	
Do you have a written business/marketing plan covering 12 to 24 months? (See "Section 2: Planning for export success", page XX.)	Yes 2 Partly 1 No 0	
Is your plan being implemented and monitored properly? (Are there proper weekly or monthly reports on production/sales/business development?)	Yes 2 Partly 1 No 0	
Do you understand the importance of doing it right first time and are you committed to this? (Have there been repeated problems with planning, delivery, or other activities?)	Yes 2 Partly 1 No 0	
Production		
Are your production facilities adequate to provide a safe work environment for your workforce and a smooth work flow?	Yes 2 Partly 1 No 0	
Is your production consistent in volume and quality?	Yes 2 Partly 1 No 0	
Could you increase your production by about 30% or more at short notice? (Say, two to three months.)	Yes 2 Partly 1 No 0	
Do you have a formal product quality assurance/control system, with written records and reports? Note that this is relevant for all products, irrespective of type. (See "Section 4: Using the export marketing mix", page XX)	Yes 2 Partly 1 No 0	
Does your product comply with any recognised South African (SABS) and/or international standards and/or specifications and is compliance regularly audited? (If this is totally irrelevant rate at 2.)	Yes 2 Partly 1 No 0	
Do you have an accurate product costing system based on a bill of materials?	Yes 2 Partly 1 No 0	
Total score for first two sections	**20**	
If your score is below 15, seek help from a business consultant and/or CSIR, SABS, SEDA (depending on where your weakness is) before continuing with your export plans. If your score is 15 or above, continue with the questionnaire.		

Assess your company's export readiness

Financial management		
Do you have a recent audited or certified financial report for your business (including a balance sheet and profit/ loss statement and explanatory notes)?	Yes 2 No 0	
Do you have an efficient internal accounting system producing monthly financial performance reports and cash flow overviews?	Yes 2 No 0	
Do you prepare a budget annually?	Yes 2 No 0	
Did your turnover grow last year?	Yes 2 No 0	
Did you have a net profit?	Yes 2 No 0	
Score for this section	**10**	
If your score for this section is below 8, seek help from a financial or accounting consultant before continuing with your export plans. If your score is 8 or more continue with the questionnaire.		

Human resources and organisational structure		
Does your company have the resources and experience to handle administrative matters efficiently?	Yes 2 Partly 1 No 0	
Do you have efficient communications systems (telephone, fax, e-mail)?	Yes 2 Partly 1 No 0	
Do you respond quickly (within 24 hours) to enquiries, complaints, etc.?	Yes 2 Partly 1 No 0	
Do you have clear and up-to-date job descriptions for your employees?	Yes 2 Partly 1 No 0	
Are your workers trained for their jobs?	Yes 2 Partly 1 No 0	
Score for this section	**10**	
If your score is below 7, ask for help from a business consultant before you continue with your export plans. If your score is 7 or above, continue the questionnaire.		

Marketing		
Do you have a marketing strategy/marketing plan for your local market that consistently covers the main marketing aspects of product, price, distribution and promotion?	Yes 2 Partly 1 No 0	
Did you meet your marketing objectives (sales targets) last year?	Yes 2 No 0	
Do you have a person responsible for marketing?	Yes 2 No 0	

Assess your company's export readiness

Marketing continued		
Do you receive regular outside information relating to your markets?	Yes 2 Partly 1 No 0	
Have you analysed which market segments are the most attractive (which buyers yield the most profit consistently)?	Yes 2 No 0	
Do you regularly develop new products and do you have a recorded procedure for product development?	Yes 2 No 0	
Do you have a realistic pricing policy based on an accurate product costing system?	Yes 2 No 0	
Score for this section	**14**	
If your score for this section is less than 9, consider marketing/business training before you start exporting. If your score is 9 or more continue the questionnaire.		
Exporting		
Have you achieved any exports?	Yes 2 No 0	
Do you have any export experience?	Yes 2 No 0	
Do any employees have recent export administration experience?	Yes 1 No 0	
Are you registered as an exporter? (See page 9)	Yes 1 No 0	
Score for this section	**6**	
If your score is less than 4, you need export training. If your score is more than 4, you are ready to go. Note that the total score for this export readiness checklist is 60 and your company could be assessed as ready to go with a score of 43. If your score is less than 60 you can see the areas where you need to introduce some improvements to increase your chances of success.		

Export success essentials

- ☐ A product that meets the needs of users in foreign countries.
- ☐ People who are skilled to produce the product and to run the business.
- ☐ Enough money to research and develop an export market.
- ☐ Bridging finance to produce and ship the first export orders.
- ☐ Management skills to:
  - Plan carefully
  - Obtain the right information

Note that the information or help you request should be relevant to the organisation's field of activity.

- Wesgro
- Banks
- Business development organisations
- Chambers of Commerce (for training courses)
- Export councils
- Finance houses
- Government Departments
- 'Help' desks (general business advice bureaus)
- Industry associations
- Trade or business consultants (marketing)
- Trade or business consultants (technical)
- Training/education institutions

Section 2: Planning for Export Success

In this chapter:

The story of Western Cape Lights

Why planning is important

A practical approach to marketing planning

Marketing plan checklist

case study

The story of Western Cape Lights

Western Cape Lights had been in business for about 18 months when Marcia and Ricardo decided to try to sell their lamp bases through one of the popular homewares chain stores in the Western Cape. The buyer liked the quality and design of their products but before committing his company to any purchases, he asked some searching questions.

Would Western Cape Lights be able to deliver sufficient quantities to make it worthwhile for the store to buy from them? How would they handle any extra orders they might receive? Would they be able to buy the additional materials to produce the orders the store might place? In short, he wanted to see their business and marketing plan in order to assess whether they would be reliable suppliers.

Marcia and Ricardo nearly panicked – they had always been too busy running their company to do anything like planning. But they called in a business consultant to help them and started the process of regular planning.

Marcia and Ricardo found their early planning efforts much easier once they had drawn up a mission statement.

Our business is to enhance people's homes in South Africa and abroad by producing well-designed, functional and finely crafted lamp bases.

We use high-quality materials. Our workers are skilled and motivated. This adds up to products that provide value to our buyers.

We are committed to a sustainable business that gives a secure livelihood for all of us who are involved in Western Cape Lights.

"This mission statement gave us a focus. It made sure that we both had the same view of what the company should be doing and the things we should concentrate on", said Ricardo. "It is also only fair that our workers can see what our basic ideals are," added Marcia.

Marcia and Ricardo are still very disciplined in their regular planning sessions, even though there are just the two of them in management positions.

"We do a proper situation analysis, we review performance against previous objectives and we set new ones. Then we get down to the hard work of setting out what we have to do and when we have to do it in order to achieve the objectives," said Ricardo.

Marcia and Ricardo carried out an initial SWOT (strengths, weaknesses, opportunities and threats) analysis as part of their export planning. These were some of the key findings:

Strengths:

- Spare production capacity for export
- Well-trained workforce
- Ability to modify designs to customer's preferences

Weaknesses:

- No export experience
- High-cost producer

Opportunities:

- SA-EU trade agreement gives better market access
- Similar consumer preferences in niche UK markets

Threats:

- Possible competitors from Far East

When Marcia and Ricardo decided to take Western Cape Lights into export markets, foreign market development quite naturally became part of their marketing plan.

However, they found that they had difficulty in even setting specific objectives at first because they lacked so much information.

Obtaining information therefore became one of their early objectives.

"Sometimes we had to go back to our objectives and refine them because our detailed action plan showed that we were being too ambitious in some respects," said Ricardo.

"At first we thought we would develop the UK and the German markets at the same time. But when we drew up our action plan we realised that we should tackle the UK market first, and then the German one," said Marcia.

Why planning is important

It is important for you to plan your business, especially to plan your export development, for some very simple reasons:

- When you plan properly you gain a deep insight into:
    - Your own business, your strengths and your weaknesses
    - The environment in which you operate
    - Your market and your competitors
- You realise what economic conditions might affect your business, either for better or for worse
- By planning to achieve your business objectives you test whether those objectives are realistic
- Your business plan helps you to:
    - Use your resources efficiently
    - Set realistic objectives
    - Work out a strategy for achieving your objectives
    - Check your progress so that you can prevent problems from arising or take action to solve them at an early stage
    - Identify opportunities as they present themselves
    - Improve your decision-making because you have gained a deeper insight into your business
    - Obtain finance
- Perhaps, like many other small and medium-sized businesses, you have never drawn up a formal plan.
    - You may say that you have been in business for several years and have not needed a plan yet. But:
        - Are you getting the best possible return on your assets?
        - Is your business running as efficiently as it could?
        - Is it achieving its objectives to the maximum?
    - You do not have time to plan: you are too busy dealing with problems each day. But:
        - The problems probably continually arise because you do not plan

important

The knowledge gained from the planning process can improve the way you run your business thus avoiding many future problems.

– Planning could help you to avoid many of the problems

- Your planning is in your head, you do not need to write it down. But:
  - What happens if you are sick, or are killed in an accident?
  - What happens if you want a loan from a bank?
  - Can all your employees read your mind and know what your plan is?
- You do not know how to plan and you are not good at paperwork and figures. But:
  - This guide gives you the basics and shows you how to start
  - There are export service providers who can and will assist you

- Our guidelines on planning are orientated towards marketing planning, rather than full business planning, because export marketing and logistics is the focus of this book.

important

You can start to plan very simply, with only a few facts written down.

A practical approach to marketing planning

What is marketing?

Before you look at marketing planning, you need to understand what is meant by marketing.

- Marketing, and more specifically export marketing, is the management process by which you identify and satisfy the requirements of customers in foreign markets at a profit
- Marketing is therefore concerned with
  - Your customers and their needs
  - Your product or service – which must meet those needs
  - Getting your product to your customers – in order to satisfy their needs
  - Your price – so that your customers will buy your product and you will make a profit
  - Promoting your product – so that your customers are aware of your product and its benefits for them
- Your marketing planning takes all these aspects into account

The mission statement

Before you start on your planning, it is advisable for your company to have a mission statement. Your mission statement helps you to keep your business focused and ensures that everyone pulls in the same direction. It should do four things for your company:

- Describe the role of your company: it probably is to make a profit, but you might have an additional purpose, such as to create more jobs.
- Define your company's core business: it should describe the benefits you provide to your consumer or user, so that you remain focused on your market.
- Set out the special strengths of your company and your products: these are the features that make you different from other producers of similar products.
- Define the values that guide your business: what major issues would guide your growth in the future; what will your company do, what might it do, and what will it never do? Your concerns about the sustainability of your business, about the environment and about the contribution you want to make to your community are provided for in this element of your mission statement.

Five elements of a marketing plan

A marketing plan is like a route map for a journey. You can see where you are, you can see where you want to be, and you can identify how you are going to get there. The marketing plan therefore consists of five main elements:

- Situation analysis: your company's present position, your present markets and your business environment.
- Marketing objectives: what you believe your company can achieve in total sales and to different market segments.
- Marketing strategies and plans: how you are going to achieve your objectives, taking into account your customers and their needs, your product, your price, your distribution channels and your promotional activities.
- Budget: what it is all going to cost and what sales and profit you are aiming for.
- Monitoring and corrective action: making sure your plan is working.

SWOT Analysis (analysing Strengths, Weaknesses, Opportunities and Threats)

An essential part of looking at the present situation is identifying your company's strengths and weaknesses and assessing what opportunities and threats you face in the external business environment.

- Follow these guidelines in carrying out your SWOT analysis:
  - Your mission statement is the benchmark against which you test your strengths, weaknesses, opportunities and threats.
  - Strengths and weaknesses concern company internals: they are the things you can control – although it might be difficult for you to do so!
  - Opportunities and threats are in the external environment: they are the things – like competitors' actions, changes in user preferences – that you cannot control, but that you must adapt to.
  - Try using a brainstorming approach in which all participants are free to express their views.
  - Involve all managers and supervisors as well as employees closely involved with product development and with your customers.
  - It often helps to use a facilitator who understands the process; in this way you will get the best out of all the people who contribute.
  - Every strength, weakness, opportunity and threat must be stated very specifically in language that everyone understands; there should be no generalities.
  - A full record must be kept as the results are used to develop your objectives and action plans.

important

Of all the classical business management tools that have been defined, you will probably find the SWOT analysis is the most useful and the most fun to do.

S	Strengths
W	Weaknesses
O	Opportunities
T	Threats

Details of marketing planning

The following chart shows the details of the marketing planning process.

- In many cases, your plan cannot be finalised immediately because you need more information. You may find that you even need more information about your company.
- If this is the case, you do not postpone planning – getting the information you need and, for example, putting in simple systems to tell you how much you are selling to individual customers is part of planning.

important

Planning is about setting targets and measuring your progress towards them.

Marketing planning chart

Situation analysis	Setting objectives	Deciding strategies	Compiling action plan and budget
Your company • what you sell • who you sell it to and where • how much you sell and at what profit • what new products you are working on • how you organise your marketing activities • your market information systems	Objectives usually relate to: • becoming export ready • developing your product for export • increasing your market share • developing new markets • setting domestic and export sales levels • setting profit levels	Market/product grid • current product in current market • new product in current market • current product in new market • new product in new market	Action plan must: • cover all objectives and strategies • be specific • say who is responsible • set time frame Budget must include the cost of all the actions you have planned and projected sales and profit
Your market • how your market is structured • who your competitors are Business environment in your present and targeted markets • economic climate • legislative issues • political issues	Objectives must be SMART: • specific • measurable • achievable • relevant to your company • time-related Objectives also relate to SWOT analysis	Four Ps of marketing: • product strategy • pricing strategy • place, i.e. distribution strategy • promotion strategy	Information and monitoring systems: • target dates met • new market development on track • sales targets achieved • corrective action needed

- The following diagram simplifies the process and suggests how you can apply these concepts to your business and to developing your exports.
- Using the example of Western Cape Lights, we take one objective – to achieve 2 500 unit sales of small lamp bases within 18 months – and show how this translates into product, pricing, distribution and promotional strategies, each of which has certain required actions.
- We have oversimplified this example, but it should help you to better understand the planning process.

Objective

Develop market for small lamp bases in the United Kingdom:

Sell 2 500 units within 18 months

Product policy:

Research to determine type of wood, fittings, other preferences, regulations, etc. Then firm up policy.

- Market research on wood and design preferences: Ricardo; within 4 months.
- Research on technical regulations regarding fittings: Marcia via SABS, within 2 months.

Pricing policy:

Aim at low-volume/ medium price market. Determine volumes with selected retailer. Delivery term CIP suitable named place.
Quantity discount on early payment?

- Research to determine retail pricing levels: Marcia through Internet within 2 months.
- Research to determine mark-ups at retail level: Ricardo on market visit within 4 months.
- Calculate export costs to CIP suitable named place in the UK: Marcia within 2 months.

Place/distribution policy:

Sell direct to retail outlets.

- Identify possible specialised chain stores/outlets: Marcia by Internet, telephone calls, within 6 weeks.
- Contact selected outlets and set up meetings for Ricardo: Marcia within 2 months.

Promotion policy:

Direct marketing to identified specialised outlets in southern England.
Print new brochure.

- Contact graphic designer for new brochure: Ricardo within 1 month.
- Plan UK market visit and obtain quotations from travel agent; decide on samples to take: Marcia within 2 months.
- Apply to EMIA for primary market research assistance for brochure: Marcia within 2½ months

important

Note: In this example, we have used phrases such as ‘within 2 months’ and ‘within 4 months’. When drawing up your action plan, you should state specific dates that you can monitor.

Marketing Plan

Situation analysis

- ☐ What you sell, how much, to whom and at what profit: this could be a computer spreadsheet with your customers listed down the side and your products across the top and the sales shown appropriately in units and in rands, together with the profit margin. How complicated it is depends on your business.
- ☐ Your strengths and weaknesses: you should carry out a SWOT analysis every 12 to 18 months.
- ☐ Products that you are developing.
- ☐ Processes that you are implementing, such as a quality management programme, costing system, any other improvements already in the pipeline.
- ☐ The structure of your market: the segment you target, who the main buyers are in that segment, what their preferences are, any changes in buying patterns, your status in your market segment (are you a major or minor player). This does not have to be too complicated, but if you do not know most of these facts you are probably lacking adequate market information.
- ☐ Who your main competitors are, their strengths, recent developments, the specific threat you face from them.
- ☐ General conditions in your market: economic influences, increases in costs, new legislation that might affect you, other influences.

Objectives

- ☐ What you want to sell, how much, to whom and at what profit: this should build on the detailed breakdown you have done for your situation analysis. Include target sales to new market segments you want to develop and new buyers you want to sell to.
- ☐ What market needs you want to satisfy through product development.
- ☐ Improvements to your product quality and information systems.
- ☐ Other objectives arising out of your SWOT analysis.

Objectives must be SMART: specific, measurable, achievable, relevant and time-related

Strategies

- ☐ Set strategies for achieving each objective regarding sales, target markets, target segments and new buyers.

- Strategies will relate to:
  - Product: its positioning in the market, the market niche it is directed at, its differentiation
  - Price: high, medium, low price – this must relate to your product strategy
  - Distribution: channels must support the positioning of your product in the market
  - Promotion: whatever medium is used (website, printed/electronic leaflet, trade fair, etc.) the message must support your product positioning and be aimed at your niche market
- For some objectives your strategies might include using consultants (product development and improvement), using published information and/or introducing market-feedback systems (improving market information).

Action plan

- Your action plan sets specific tasks, says who is to do them and by when they must be done.

Budget

Your company budget must include the cost of all the actions you have listed as well as your projected sales and profit.

where to find help

Note that the information or help you request should be relevant to the organisation's field of activity.

- Wesgro
- Business development organisations
- Chambers of Commerce (for training courses)
- Export councils
- 'Help' desks (general business advice bureaus)
- Industry associations
- Trade or business consultants (marketing)
- Training/educational institutions

Section 3: Finding Your Export Market

In this chapter:

The story of Western Cape Lights

Market entry choices

Distribution channels

Niche marketing

Identifying your export market

Handling incoming leads and enquiries

Where to find export market infomation

Checklist for appointing a trader in south africa

Checklist for agreement with south african trading house

Checklist to identify your target export markets

case study

The story of Western Cape Lights

As soon as they had decided to develop export markets for their lamp bases, Marcia and Ricardo faced a basic choice: what market entry method should they use?

- Should they export themselves?
- Should they sell their lamp bases to an international trading company based in South Africa and let that company export on their behalf?
- Should they license a company in the foreign market to manufacture for them in return for a royalty?
- Should they set up their own manufacturing company in the foreign market?

Security of employment was a fundamental value of Western Cape Lights' mission statement. Marcia and Ricardo therefore decided that they should use the Woodstock plant to produce lamp bases for foreign markets. They also felt that they had sufficient resources to undertake direct exporting. They believed this would give them the benefit of direct contact with their foreign buyers and users.

Marcia and Ricardo had heard from other exporters that it was common to use an agent in the foreign market to help them approach buyers. They were not sure whether or not they needed to appoint an agent and decided to make that decision when they were closer to identifying both a market and a buyer.

When Marcia and Ricardo first decided to export, their objective was to export 2 500 lamp bases to the UK within 18 months.

In South Africa, the consumers who buy their products are middle to upper income group people between the ages of about 25 to 40 years. They assumed that their market in the UK would be similar people.

Western Cape Lights' lamps are sold directly to the housewares stores where their South African consumers shop. The distribution channel therefore is quite short. Marcia and Ricardo were not sure what the distribution channels would be in their target export markets, and they realised that they would have to research this aspect.

Western Cape Lights is in effect selling into a niche market in South Africa because Ricardo and Marcia target the stores that cater to a particular segment of the market for lamp bases.

They believed that they needed to find a similar niche in their export markets. Their aim was to identify retail outlets that sold selected furniture and household items. They did not intend to approach the large chain stores that catered to the bulk of buyers.

They knew that one of their buyers in South Africa had some affiliation with a leading store group in the UK, and they thought this might be a promising start.

Marcia did some searching on the Internet. She had already found out that most large – and even some quite small – organisations have web sites, so she had no difficulty finding the web site of the UK retail group she and Ricardo wanted to approach.

She plucked up her courage and phoned through to the head office in the UK. She battled to get through to anyone who could help her, but by persevering she managed. "I told myself that the telephone bill was going to be far less than the cost of an airticket, and more productive than writing", she recounted.

Marcia was told that the group did indeed buy direct from suppliers, even from foreign suppliers. However, in that case they often worked through buying offices or agents in the foreign country. She was referred to a buying agent in South Africa.

When she contacted the local office she soon found that the quantities ordered by this group far exceeded the supply capacity of Western Cape Lights. So she had to start again. However, the local buying office did make some useful suggestions about smaller retail groups that Marcia might try.

She followed up these leads and found that a couple of them purchased direct from suppliers and occasionally imported direct. One in particular, House Décor, sounded quite encouraging. The others bought through a range of distributors or importers.

Marcia – and it seemed that research had become her responsibility – thought that she had found out all she needed to know at this stage. She felt that they did not need to have masses of detail about population figures, total imports into the UK and balance of payments.

She could not imagine that their lamp bases would be subject to any special regulations.

Consumer preferences and design were aspects that would be discussed with their potential buyers. She did not intend to be responsible for clearing the goods into the UK and so was not concerned about Customs regulations. She made a note to check later about import duties so that she could see if the import duty into the UK would affect their prices very much.

Marcia discovered later that she needed to gather far more information than she initially thought (Sections 4 and 5 refer).

Market entry choices

There are two aspects to getting your product from your factory to your foreign market.

- The first is how your foreign market is developed and your product is handled from South Africa to the market – this is called market entry channels.
- The second is how the product is handled within the foreign market to reach the final user – this is called distribution channels.
- Neither concept should be confused with the method by which your product is transported.

important

A trader buys your product, pays you for it and takes ownership of it. An agent negotiates a sale on your behalf and earns a commission from you.

Sell your product to a trader in the Western Cape

This is commonly known as indirect exporting.

- The trader in South Africa buys your product, identifies a foreign buyer, negotiates the sale and then exports the product.
- The trader pays you according to the terms of his agreement with you.
- Because the trader is based in South Africa and you will be paid in South African currency, your payment risks can be relatively small.
- You might choose this market entry channel if:
  - You produce an exportable product, but you have little business experience.
  - You do not have enough management time and support personnel to develop your foreign market yourself.
  - You want to keep your risks to a minimum.

Indirect exports through a trader in the Western Cape

- South Africa is well-served by a sizeable body of experienced and competent international traders: it is estimated that export traders handle at least 30 per cent of South Africa's total exports.
- In many cases, a close relationship builds up between the producer and the trader:
  - The trader advises the producer on product development
  - The trader will sometimes take the producer on foreign market visits with him to meet his buyers
- Through his knowledge of foreign markets and of the complexities of international trade, the trader reduces the "hassle factor" for both producer and buyer and therefore adds value to the whole transaction.
- This choice will succeed for you only if the trader you select is sufficiently experienced and has good foreign market contacts relevant to your product.
- In practice, unless your product is outstanding in its appeal, it may not be easy for you to identify an experienced trader willing to handle it.
- If you choose to develop your foreign sales through a South African trading house, your relationship with the trader should be governed by a formal contract.
- Such an agreement does not need to bind you irrevocably to the trading house under all circumstances, but will serve to protect you against loss.
- It will also help to prevent misunderstandings from arising between you and the trading house and will demonstrate to the trader that you are serious in your intent to supply products.

Sell your product to a buyer in the foreign market

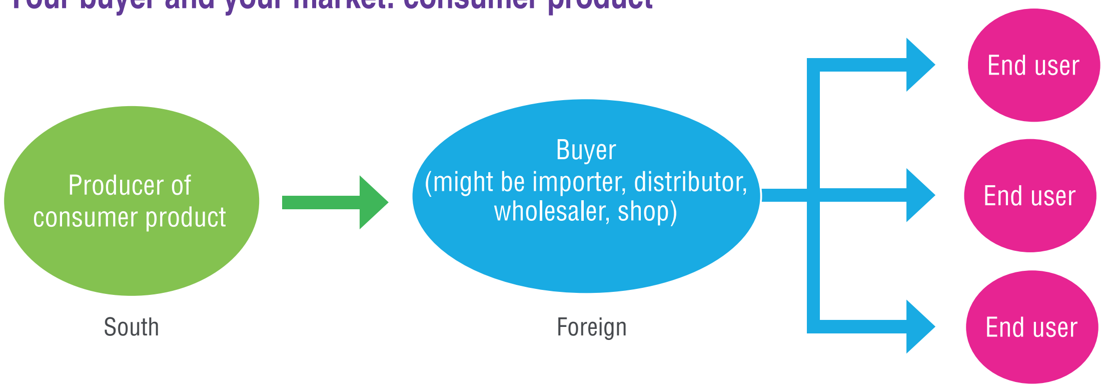
This is known as direct exporting.

- If you produce a consumer product, there is a difference between your buyer and your market.

important

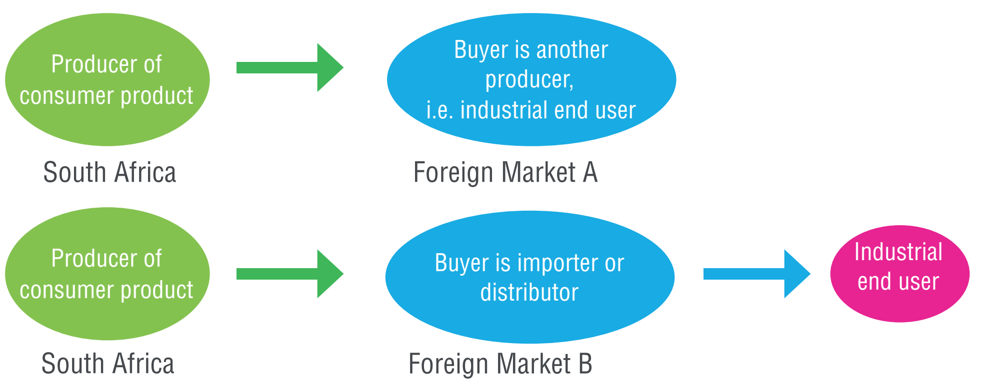
Always check the references and/or the creditworthiness of companies and individuals before you do business with them.

Your buyer and your market: consumer product



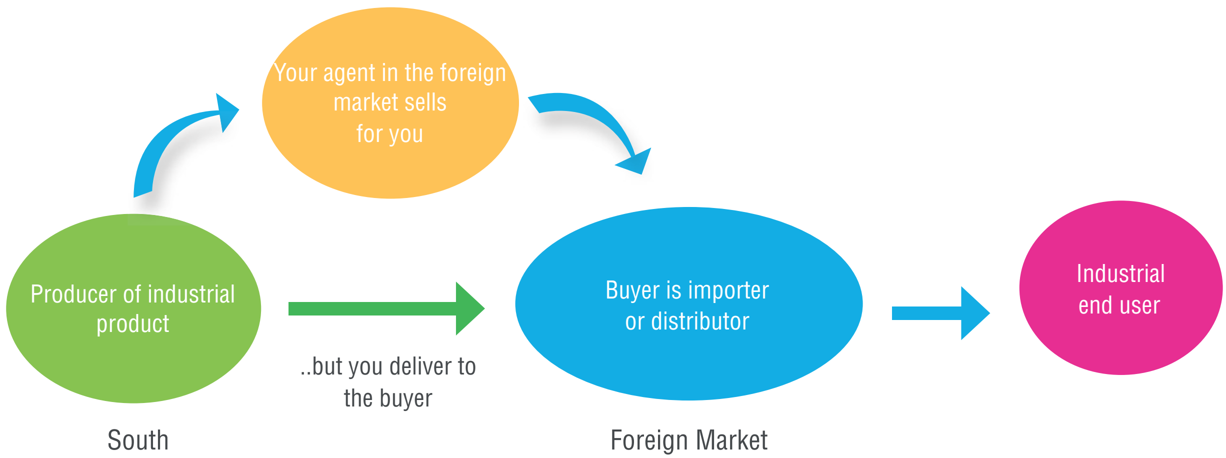
- If you produce an industrial product (if your product is used by another producer) then your buyer might be your market or your buyer might be an intermediary.

Your buyer and your market: industrial



- Because your foreign market is some distance from South Africa, it is likely that you will appoint an agent in the market to act on your behalf.
- Your agent will negotiate sales for you, but does not buy the product from you – you still sell and deliver your product to the buyer in the export market.
- This means that the diagrams you saw before would change a little.

Using a foreign market agent: industrial product



- There can be many variations on these linkages, and we explain more later in this section (see “Distribution channels”, page XX).
- The type of market entry channels and distribution channels you will use depend on:
  - Usual practice in your foreign market.
  - Your product
  - Your market segment
- When you decide to export directly to your foreign market you are responsible for all aspects of the export process.
- You would decide to export directly if:
  - You wanted to retain control over the development of your foreign markets.
  - You have sufficient management and administration experience to take on additional complex tasks.
  - You have sufficient management and personnel to handle the development and administration of your export business.
  - You are unable to identify a suitable trading house in South Africa to develop exports for you. In this case, you might consider building up your resources and postponing your move into exports until you are in a better position to succeed.

important

When you export directly, agents and consultants can help you, but you are responsible for all aspects of the export process.

Licensing, franchising or contracting in the foreign market

You arrange for a company in the foreign market to manufacture your product under license or sub-contract. This would avoid the need to export directly or indirectly from South Africa.

- This method of penetrating a foreign market avoids some risks, but it does entail others:
  - If your licensee or contractor does not perform well you do not obtain the royalty income you expect
  - Your reputation in that market could suffer. This would make it more difficult for you to enter that market again at some future stage
- You would not choose this method of market entry if you want to export in order to use your factory capacity more effectively and to create additional employment
- You might consider this form of market entry:
  - To avoid high import duties in a foreign market
  - To overcome strong cultural differences that make direct exporting difficult
  - To take your foreign market sales to higher levels at a future stage when you are already exporting directly to a number of markets

Manufacturing in the foreign market

This is a step further than merely licensing someone else to manufacture your product for you.

- With this market entry method, you can:
  - Establish your own manufacturing operation in your foreign target market
  - Set up a factory in partnership with another person or company as a joint venture
  - Buy out a manufacturer already operating in the foreign market.
- This method of market entry carries more risks:
  - You will own assets in a foreign country
  - You need to understand the business environment in that country
  - You need to understand tax, labour and business law
  - You will have to manage staff from a different culture

- You would consider this form of market entry if:
    - You needed to expand production capacity in a lower-cost location
    - You were prepared to take the additional risks involved
    - It represented the most advantageous way to grow your international business and support the sustainability of your entire company

What the global companies do

None of the four major market entry channels are mutually exclusive.

- Large global companies make use of all these methods, although not usually in the same market … that really would lead to chaos!
- A company such as SAB Miller, the South African-grown international brewing company, has different market entry channels:
    - SAB-Miller exports beer directly from its South African plant to some neighbouring markets
    - It allows traders in South Africa to buy beer for re-sale into small market niches in Africa
    - In Europe, China and North America it has acquired existing breweries instead of building its own breweries abroad

Distribution channels

Natural extension to market entry channels

Distribution channels describe how your product – once it gets to the foreign country – reaches the consumer or end user. Distribution channels are therefore a natural extension of market entry channels

- You are not concerned about distribution channels in the foreign market if you export indirectly through a trading house in South Africa
- If your market entry choice is through any other channel you want to understand how your product will finally reach the end user
- Distribution channels are usually discussed in marketing textbooks along with other factors in the "marketing mix" (see "Section 4: Using the export marketing mix"), but we have chosen to discuss certain aspects here because:
    - Distribution channels are a natural extension to market entry channels

- Distribution channels are closely linked to niche marketing (see page XX), which is a strongly recommended approach for medium-sized and small exporters

- Other aspects of distribution channels, such as foreign market agents and selecting agents and/or distributors, are dealt with in "Section 4: Using the export marketing mix", page XX.

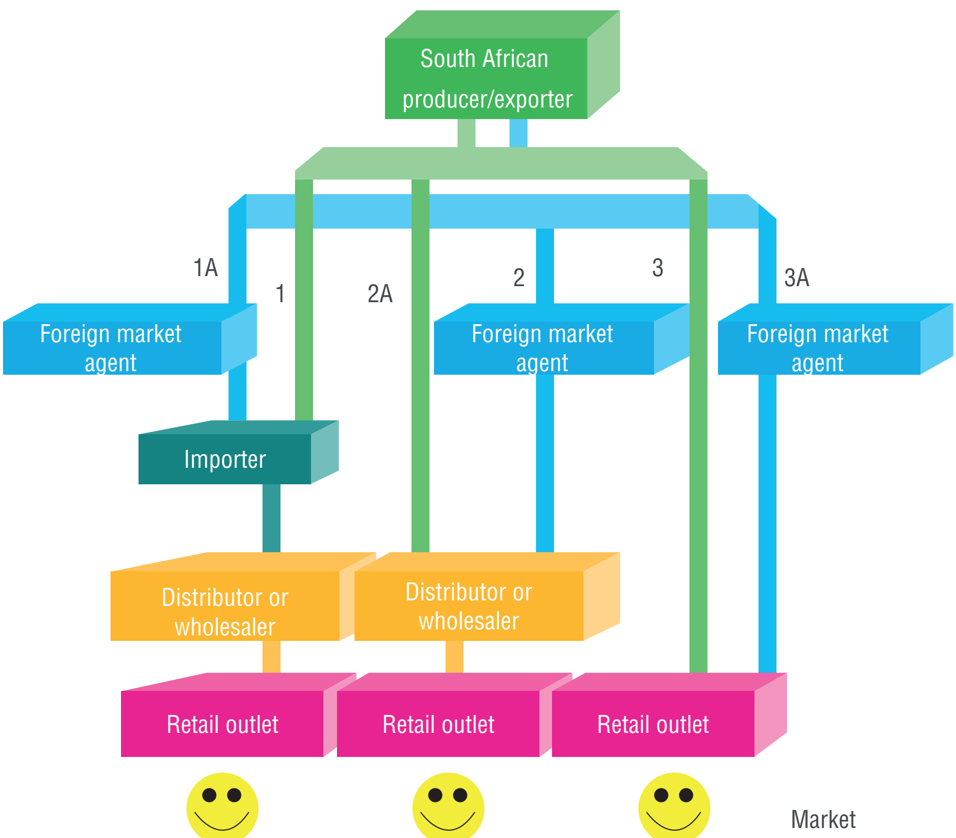
important

Identifying distribution channels serving niche markets can provide a short cut to identifying potential buyers

Consumer products

If you are selling a consumer product, there might be a number of channels of distribution in the foreign market.

Foreign market distribution channels: consumer product

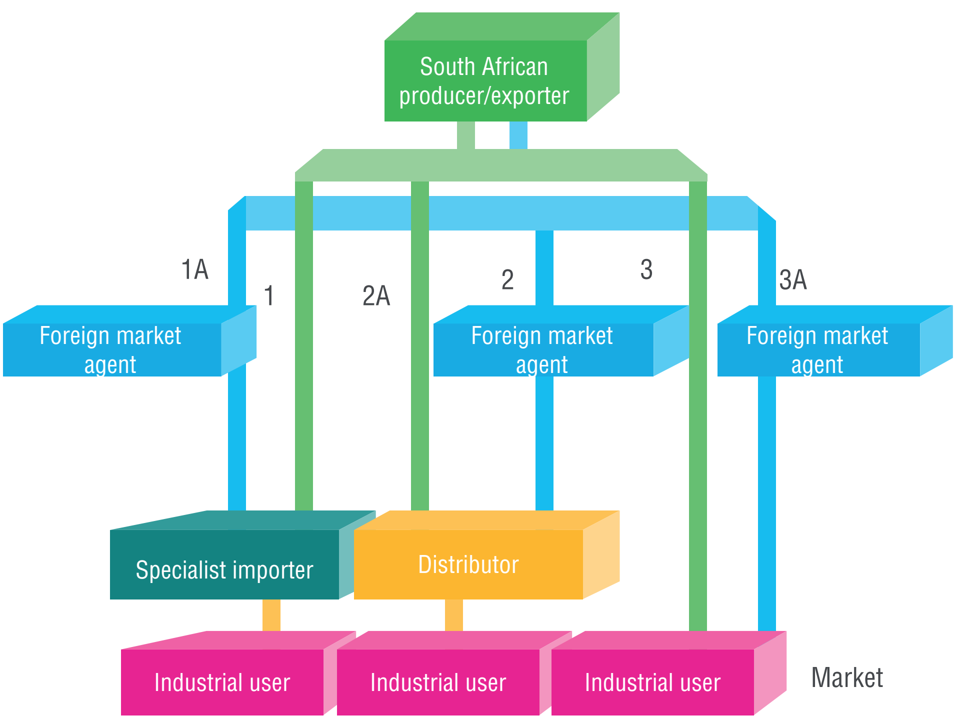


- The diagram shows:
  - In the first channel, you sell to an importer directly (1) or through your foreign market agent (1A); the importer then sells on to the distributor or wholesaler.
  - In the second channel, you sell to a distributor or wholesaler directly (2) or through your foreign market agent (2A).
  - In the third channel you sell to a retail store directly (3) or through your foreign market agent (3A).
  - We talk about foreign market agents in "Section 4: Using the marketing mix", page XX.
- You normally would not use these three different channels in the same market, because this would lead to confusion.
- But you could use one channel in one country or region, and another channel in a second country or region, and so forth.

Industrial products

If you are selling an industrial product your channels of distribution could be very much shorter.

Foreign market distribution channels: industrial product



- The diagram shows:
  - In the first channel, you sell to a specialist importer directly (1) or through your foreign market agent (1A); the importer then sells on to the industrial user.
  - In the second channel, you sell to a distributor directly (2) or through your foreign market agent (2A); the distributor sells on to the industrial user.
  - In the third channel you sell to the industrial user directly (3) or through your foreign market agent (3A).
  - We talk about foreign market agents in "Section 4: Using the marketing mix".
- You could use these three different channels in the same country if your industrial users were in different sectors of industry, each having its own distribution channels.

Benefiting your buyer

While you want to meet the needs of your market, (the consumer or the industrial user), you also have to provide a benefit to your buyer.

- Your buyer probably wants:
  - A product that sells well
  - A price from you that gives him a reasonable profit when he sells your product
  - A reliable source of supply
  - Efficiency and good service from you
- Your target market (the consumer or industrial user) determines who your buyer is. Therefore the first thing you have to do is to determine who will consume or use your product.

Distributing/selling through your website

Online promotion and selling is becoming common and some small companies find it effective. Important points to remember:

- Your website must be professionally designed (this also applies if the website is used for promotion and communication only).
- All necessary security measures must be in place to ensure safe payment and compliance with South African exchange control regulations (see Section 5).

- If you have established distributors in your markets it is probably best not to sell from your website in order to avoid possible conflict with them.
- Selling from your website means you have to pack and despatch individual orders. This may work well if your order volumes are relatively small, but be aware of the time and effort this will require.
- Your website must state that the price of your product excludes packing and transport, which means that you must be able to accurately determine these costs for each destination before setting the final inclusive price for any buyer. You need to make it clear that the buyer is responsible for customs clearance and payment of any import duty that is required.

important

Small and medium-sized companies can succeed in international markets only if they target specific market segments or niches.

Niche marketing

What makes a niche market?

A niche market is created by consumers or users who have some special distinguishing features that set them apart from other consumers or users.

- For consumer products this might be:
    - Age
    - Gender
    - Culture
    - Religion
    - Special hobby or leisure interest
    - Fitness and health
    - Income level
- For industrial products this might be:
    - Size of company
    - Specific industrial sector
    - Location
    - Linked to specific end products
- It is possible to have more than one market niche in a country. In the food sector, for example, you might provide your product to:
    - A consumer market niche
    - A catering market niche

  - An institutional market niche
- In the same country, the channels of distribution might be slightly different for each niche market.

Why niche marketing is important

Niche marketing is usually the only realistic approach for a small company to take because:

- You can be a more significant supplier to a small niche market.
- It is easier for you to meet the specific needs of a niche market.
- Large companies using mass-production techniques usually ignore small niche markets.
- Consumers and users in niche markets might be willing to pay a slightly higher price if your product meets their special needs.
- Niche marketing allows you to approach export market research in a very focused and cost-effective way.
- You can expand your niche markets at a rate that suits your company's growth.
- To use an old saying, "It is better for you to be a fairly big fish in a little pool than a little fish in a big pool where you will be eaten by sharks!"

Identifying your export market

Basic steps

There is no magic answer to finding a market and a buyer.

- You will have to work step by step to identify the foreign market segments where you might sell your product and to identify and interest the buyers in those segments.
- Promotional activities, such as establishing a web site or taking part in a trade fair abroad, will assist the process.
- You need to do a great deal of preparatory research work first to benefit from the money you will have to spend on promotional activities.
- It is a good idea to network, to build up a spread of contacts both in South Africa and abroad that you can use to obtain information.

important

It is usually a combination of research, promotion and networking, plus an element of luck, that brings you the first breakthrough.

Identify your South African market

You are successfully selling your product in South Africa, but do you know who buys your product and why?

- Your situation analysis should give you answers to these questions (see Section 2: Planning for export success, page XX).
- You need to understand exactly what market niche you enjoy in South Africa, because you should look for similar niches in foreign markets.
- It is also important to understand what special needs your product meets, what benefits it gives to consumers or users. Your SWOT analysis should tell you this.

Compile a target market profile

Based on the profile of your South African market, you can compile a list of the characteristics of your target foreign market.

- For a consumer product, you might list:
  - People in upper income groups, who like modern living environments and are probably in their mid-30s
  - Children between the ages of 7 and 10 who enjoy active outdoor games and sports
  - People who consume only Kosher and Halal certified food products and enjoy a middle level income
- If you are producing an industrial product, you might list:
  - Small companies, with a monthly demand of not more than (whatever amount you feel would be suitable)
  - Companies producing equipment for the bakery, spray painting, woodworking or whatever special niche you are targeting
  - Companies on the Indian Ocean Islands (e.g. Mauritius, Reunion, Madagascar)
- You might also list other features about your target market that are important. These might include:
  - Language and culture:
    - Some products just do not cross cultural lines easily
    - You may not be comfortable doing your first export business in a foreign language through interpreters
  - Distance from South Africa (perhaps your product does not travel well).
  - Climate

- Expressions of interest in your product from foreign tourists, or even the fact that your product is purchased by foreign visitors, might indicate potential in certain markets.
- However, people on holiday in South Africa often buy souvenirs as a reminder of their holiday; these are not items that they would normally purchase in their home country.

Approach your industry association

- If you have not done so already, now would be a good time to approach your industry association, if there is one, and see what guidance you can obtain.
- You have already done quite a lot of work, which will be a good basis for discussion, and the association may offer you valuable guidance on potential foreign markets.

Research buying patterns

You may have a good idea of some of the countries that you feel would offer you potential. Further information on this is given later in this section (see page XX).

- If your product is a consumer product you want to know
  - How, when and where your intended consumers in the target countries purchase their products
  - Do they buy only from large chain stores, or do they buy from small specialist shops?
  - Do such outlets exist only in the big cities, or are they found throughout the country?
- Your specific product will dictate the type of outlets used. Your next step is to identify such outlets, and you should use all your creative abilities in this. Use your network and the information sources listed later in this section (see page XX).
  - You are looking in each case for the names and contact details of suitable retail outlets for your product
  - While some of the well known retail chain stores in Europe offer good opportunities for exporters from South Africa, in many cases they are highly competitive outlets demanding large volumes and low prices, not unlike the South African situation. The smaller stores might be a better bet for you

important

Foreign visitors may buy your product while on holiday here – this does not automatically mean your product is exportable.

- Now you have your small list of possible outlets, you are ready for the next step. This is to identify the rest of the distribution channel.
- If your are selling an industrial product your research will probably be simpler, because it will be easier for you to identify the potential companies in your market segment. Any good business directory will help you and there are several on-line sites (see page XX for information sources).

Identify distribution channels

You have identified the retail outlets for your consumer product, but now you need to determine how your product will reach the stores.

- The quickest way to find out how products pass through the distribution chain to the retail outlet in the case of a consumer product is to contact the retail outlet. And the quickest way to do that is by telephone.
- The same applies if you sell an industrial product: in this case you will telephone the industrial companies that might use your product.
- The purpose of your call is to:
    - Check that your information is correct, that the store or company does handle your type of product
    - Determine whether it handles any imported merchandise.
    - Find out whether it buys direct from suppliers or from a distributor and if so which one
- The primary purpose of the contact is not to sell, but if the store or company does buy direct from suppliers, you have identified a potential buyer and would like to follow that up.
- Instead of contacting the outlets by telephone, you could write, enclosing a leaflet describing your product and asking for the information you require. However, the store would have to make an effort to reply to you, whereas responding to telephone questions would be easier.
- You can use other routes to identify distributors in your target market. Refer to the information sources on page XX.
- Your next step depends on what happens when you contact the stores or industrial users.
    - Possibly you have already identified your potential buyers and can proceed to negotiations
    - Possibly you need to contact the distributors whom you have now identified with the help of the retail outlets

Handling incoming leads and enquiries

You might be surprised and initially very excited at how quickly you receive unsolicited enquiries from foreign markets.

- These enquiries might come from genuine potential buyers or distributors. However, they are quite likely to come from a variety of unsuitable individuals or companies who, at best, will waste your time and, at worst, might cost you money if you engage in an unwise business arrangement with them.
- You need to be able to distinguish the leads with potential for business from the ones that you can safely discard.
- Respond to all leads, briefly, courteously and quickly. If the enquirer has not been specific about who he is and what he wants, ask for details:
  - What is the nature of his business, is he an importer, wholesaler, retailer, manufacturer, trader or agent?
  - What range of products does he handle and does he purchase from any other suppliers in South Africa? (You can then check with those companies as a reference.)
  - What product is he interested in, in what quantity, what are the specifications (if appropriate) and when does he expect delivery?
  - How did he obtain your details?
- If you hear no more from the enquirer, you can assume that it was not a worthwhile lead.
- If the enquirer has given all the above details initially or responds positively, there is a strong possibility that it is a genuine enquiry. How you reply depends on:
  - Your marketing plan
  - Your market entry choice
  - Your decision regarding target markets and distribution channels
  - Your ability to handle the order that the enquirer might place
- It is a good idea to have on hand one or two fairly standard responses to incoming leads so that you can reply quickly and efficiently without wasting too much time until there is evidence that the enquiry warrants attention.

Where to find export market information

Unfortunately there is no central source of market information.

- Even in highly developed countries such as the United States, information is not available from a central source: it is probably to be found somewhere, but with the different levels of government, the sources are fragmented.
- With developing countries, the structure of the country might be a little simpler, but there is usually a lack of funds and infrastructure for the gathering of up-to-date economic and market data.
- The following is a rough guide on how information might be organised, what type of government bodies, associations, private interests, might be able to give you – or sell you – some of the information you need.

HS code

- Your freight forwarder
- Department of Trade and Industry's website

  www.thedti.gov.za > saeconomy > trade > harmonisedsystem.

Note that you should consult your freight forwarder if you have no previous experience of classifying your products. The process is not as simple as it seems. Also, the international system extends only to six numerical digits and individual countries or trading blocs further classify goods for their own purposes. You will need to check the full correct classification of your product in your target markets to be sure of obtaining the correct import duty information.

Country information

- **Form and extent of government involvement in the economy**
  - South Africa's trade representatives or embassies abroad
  - Foreign country embassy/consulate in Cape Town
  - Wesgro
  - Cape Town Regional Chamber of Commerce and Industry
  - CIA World Factbook at website: www.odci.gov/cia/publications/factbook/index.html
  - CBI (Centre for the Promotion of Imports from Developing Countries, The Netherlands) at website www.cbi.eu for information on EU countries
  - US Dept. of Trade at website: www.usatrade.gov and follow links to Country Commercial Guides for most countries

- **General marketing factors**
  - All the sources listed above
  - Your industry association or export council
  - Country profiles from local banks
  - Chambers of commerce in your target markets; try World Chambers Network for addresses at website www.worldchambers.com
  - General news media and trade journals in target market
  - Market research consultants (watch costs!)
  - US Dept. of Trade, as above
  - CBI, as above for EU countries
  - International Trade Centre (ITC), Geneva, at website www.intracen.org for specific product reports
  - British Trade International at website www.tradepartners.gov.uk
  - EU information at website http://europa.eu.int
  - Business directories e.g. www.kompass.com; www.europages.com
  - Economist Intelligence Unit at website www.eiu.com (not a free service)
  - Euromonitor at www.euromonitor.com
- **Economic indicators**
  - International Monetary Fund at website: www.imf.org.
- **Present structure of the economy**
  - International Monetary Fund, as above
  - World Bank at website: www.worldbank.org
  - CI?A World Factbook, as above
  - Economic development plans
  - World Bank, as above
- **Banking infrastructure**
  - Your bank for basic information
- **Transport and communications infrastructure**
  - Cargo Info at website: www.cargoinfo.co.za.
  - Your freight forwarder

- **Foreign trade data**
  - International Trade Centre at website: www.intracen.org.

Market access

- **General import policy**
  - Foreign country's embassy/consulate in Cape Town.
  - Your freight forwarder
- **Membership of GATT/WTO, Customs union or free trade area**
  - Foreign country's embassy/consulate in Cape Town
  - Wesgro
  - Cape Town Regional Chamber of Commerce and Industry
  - World Trade Organisation at web site: www.wto.org
- **Special trade agreement with South Africa, how it is applied, rules of origin, special documentation**
  - SARS website: www.sars.gov.za > Legal & Policy > International Treaties & Agreements > Trade Agreements
  - SA's trade office/embassy in foreign country
  - DTI in Cape Town
  - Industry body for product-specific details
- **Import licensing and import tariff system**
  - Foreign country's embassy/consulate in Cape Town
  - Your freight forwarder
  - Cargo Info, as above
  - For US specifically, including AGOA, website http://dataweb.usitc.gov

Special customs provisions

- **Advance rulings on Customs classifications; entry regulations and procedures**
  - Your freight forwarder; check information with Customs officials in market when you visit
- **Use of free ports and bonded warehouses; appeals and penalties**
  - Your freight forwarder can obtain this information if you really need it

- **Commercial samples, advertising matter and postal packages**
  - Wesgro
  - Cape Town Regional Chamber of Commerce and Industry.
  - US Dept of Trade, as above.
  - Foreign country's embassy/consulate in Cape Town.

Other regulations

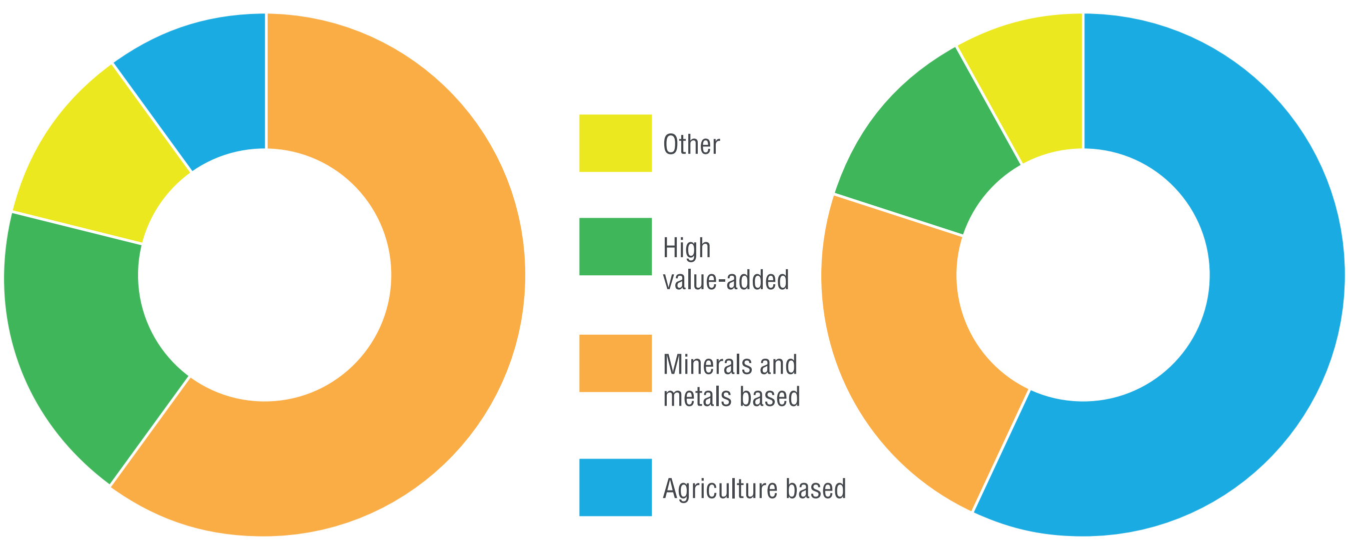
- **Technical, food, health and safety standards**
  - SABS in South Africa
  - Foreign country standards body (info from SABS)
  - European Committee for Standardisation (CEN) at website www.cenorm.be
  - 'New approach' standardisation and CE marking directives in the EU at website www.newapproach.org
- **Packaging and labelling regulations**
  - Foreign country's standards body or trade regulatory body
- **Patents, trade marks and copyright**
  - If you need this information, contact one of South Africa's specialist patent attorneys
- **Taxation**
  - Auditing firms in South Africa
- **Agency legislation**
  - Start with your own legal advisor, but also seek information in the foreign market (check costs!)
- **Documentary requirements**
  - Your freight forwarder should assist
  - Your buyer/agent should inform you of foreign market requirements
- **Environmental legislation**
  - Check with CSIR and SABS in South Africa
  - International Finance Corporation (part of World Bank group) at website: www.ifc.org/sustainability framework
- **All information**
  - Two useful Internet search engines you can use are: www.google.com and www.yahoo.com

Export market opportunities for Western Cape exporters

What does the Western Cape export and where to?

- **Western Cape exports in the national context**
  - The broad composition of exports from the Western Cape clearly reflects the Province's main business sectors and is very different to the national export pattern
  - We can see how important the agricultural sector and its down-stream products, such as processed foods and wine, are to the Western Cape's export earnings

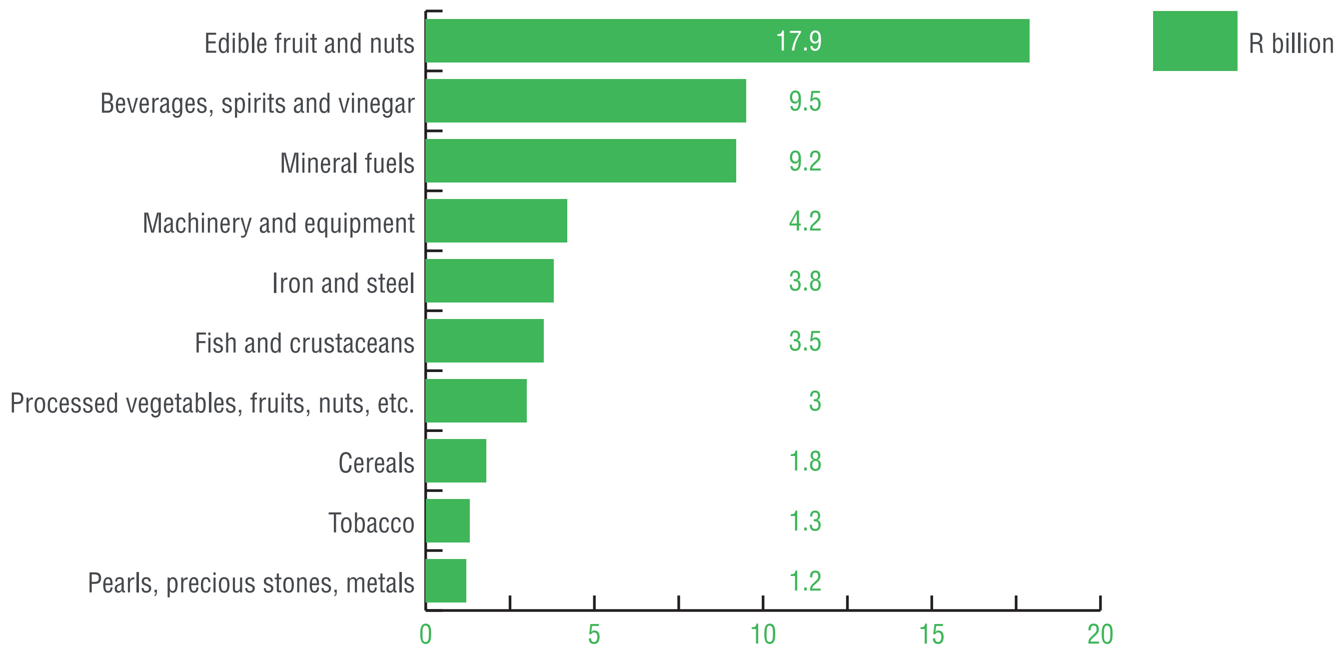
South African exports 2013 Western Cape exports 2013



  - It also shows the Western Cape's importance in the textile and clothing sector
  - Although the Western Cape does not export minerals as such, the Province exports steel products, which are minerals-based
- **Growth in key export sectors**
  - Exports of precious metals and stones (this category includes jewellery) increased by more than 20 per cent in value in 2004, continuing previous strong growth

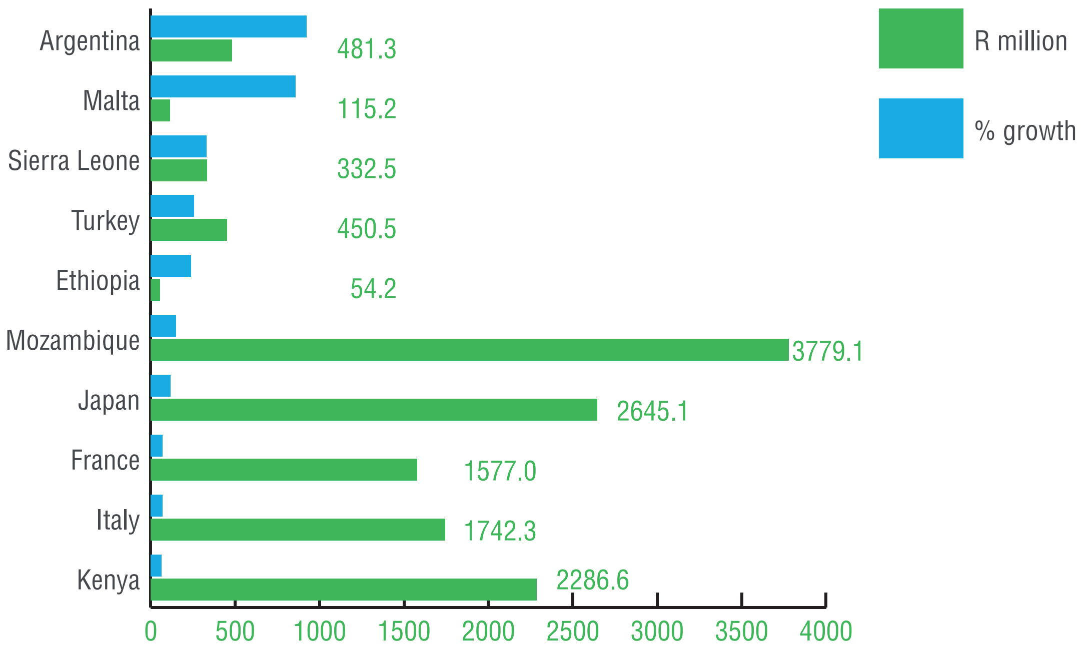
- The two big sectors – fruit and vegetables, and wine, beer and spirits – also grew reasonably well in 2004
- The difficulties of the textile and clothing industry are evident and exports of these products, as well as of ships and boats, prepared foods, and of fish also fell back last year

Top Western Cape export product groups

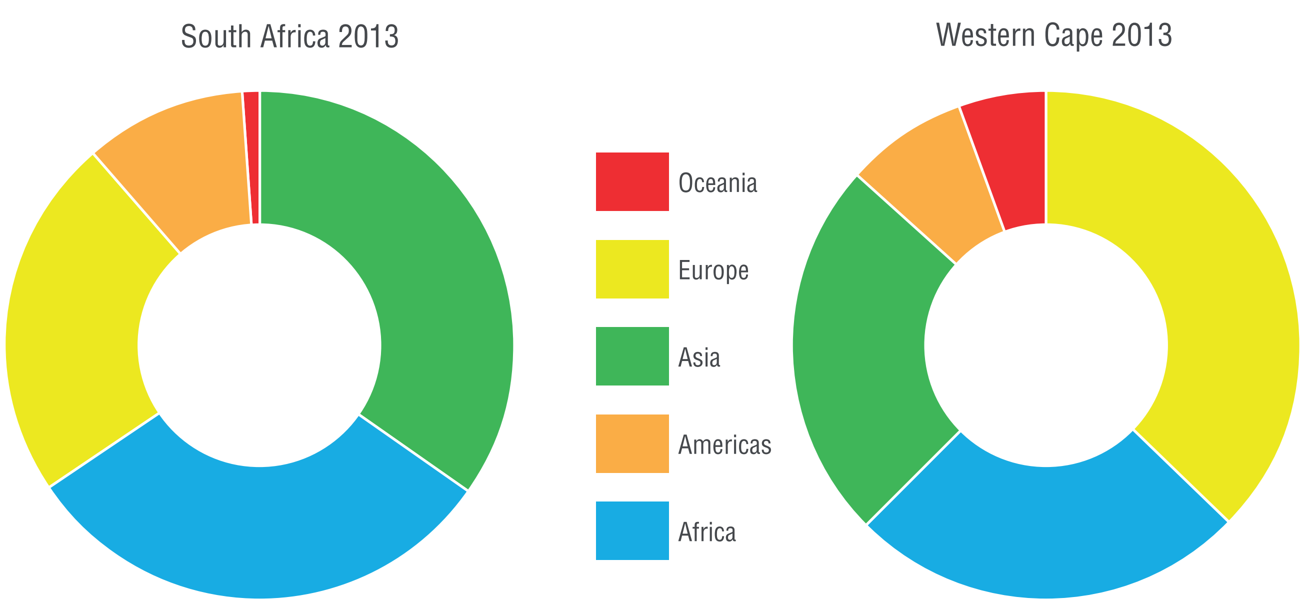


- A number of specific types of products grew very rapidly in 2004, many of them representing high value-added goods.
- The growth in export categories such as diodes, transistors and semi-conductors, of radio and TV transmitters, and of gas centrifuges and filtering machines is especially notable.
- The growth in exports of medicines in dosage forms is testimony to the strong health care industry of the Western Cape.

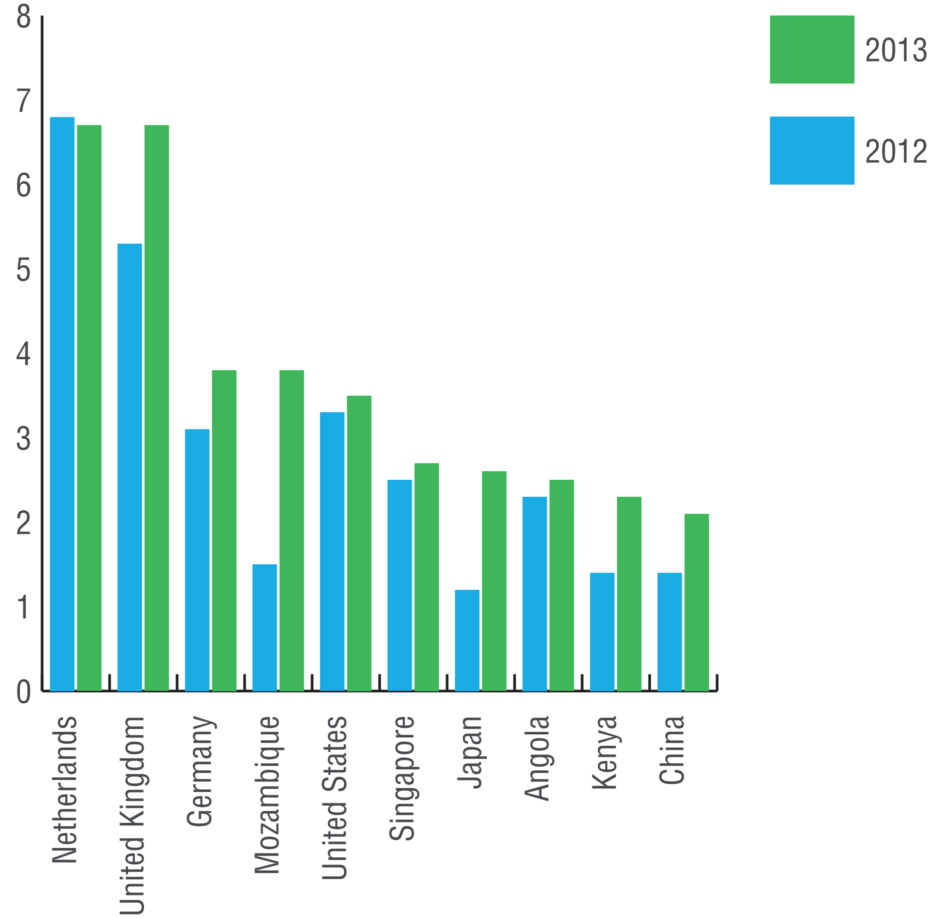
Some fast-growing Western Cape export markets 2013/2012



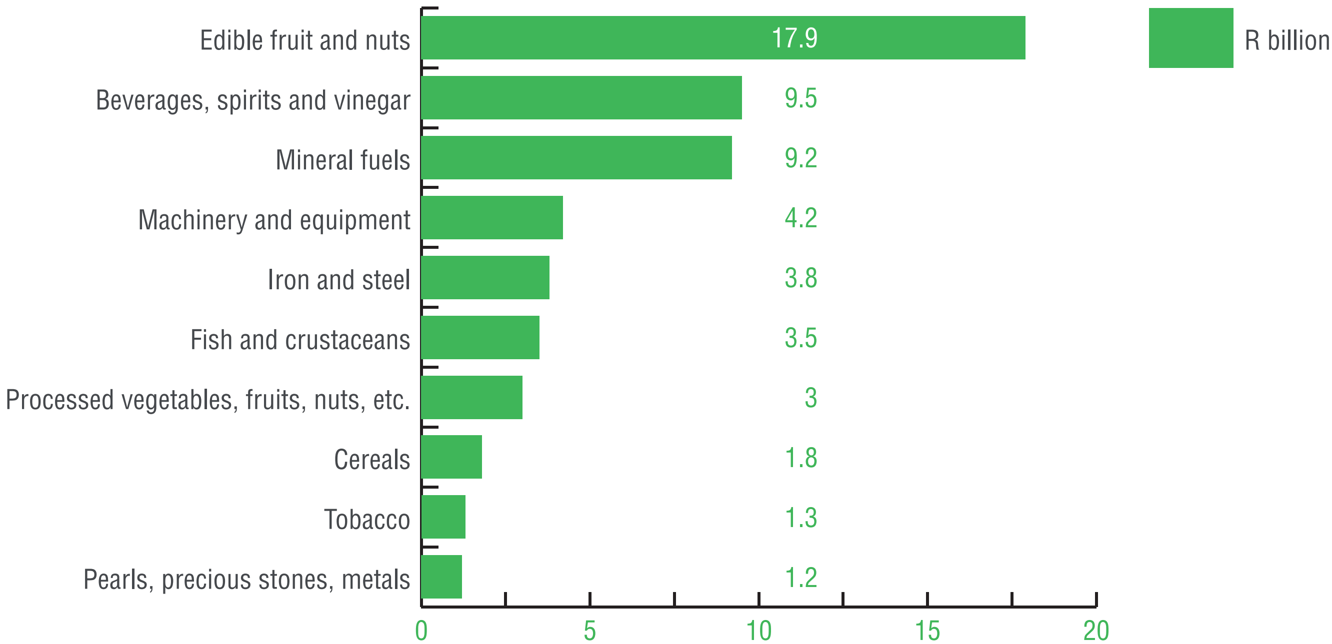
- **Where do the Westerns Cape's exports go?**
  - The regional spread of exports from the Western Cape is broadly similar to the national pattern. Europe is by far the largest regional buyer of products from the Western Cape and from South Africa as a whole.



- Africa and the Americas each take a similar proportion from the Western Cape and from the whole country. And so do Asia and Oceania (Australia, New Zealand and Pacific Ocean island states)
- The Western Cape's top 10 country markets are predominantly in Europe, but the United States, Japan and Hong Kong also feature.



- Three of these top export markets are also among some of the fastest-growing markets for Western Cape exports.
- But more significant, perhaps, is the rapid growth of the Western Cape's exports to China and the Russian Federation.
- We see, too, that exports to Middle East countries are among the fast-growing markets for Western Cape countries, as well as Angola.



- The markets presented in the chart are the fastest-growing of those accounting for one per cent or more of the Western Cape's total exports in 2004. However, they are not the only countries where Western Cape exporters are making good inroads, and there are many market opportunities that you can exploit.

Trade agreements give you better market access

South Africa has a number of international trade-related agreements, but the following are those that are most likely to have a beneficial impact on your export business.

- **World Trade Organisation/General Agreement on Tariffs and Trade**
    - The World Trade Organisation (WTO) administers the General Agreement on Tariffs and Trade (GATT). It has 158 member countries, including all of the world's major trading countries, and 30 observers.
    - South Africa was a founder member of GATT in 1948 and our membership has continued unbroken since then.
    - WTO/GATT is the major international forum in which issues such as tariff reductions and removal of non-tariff trade barriers as well as trade dispute settlements are negotiated.

- For you, the practical importance of the WTO/GATT is that, because South Africa is a member, any country that has special most-favoured-nation import duties must extend those preferential duties to South African products. You will want to check whether or not your product would benefit from such a preference when imported into other countries.
- However, note that a bilateral trade agreement between South Africa and another country, or any special duty status accorded to South Africa as a developing country, will usually be more beneficial.

◆ **South Africa/European Union Agreement on Trade, Development and Co-operation**

- Implemented in January 2000, this agreement provided for the development over a number of years of a Free Trade Area between South Africa and the European Union countries.
- Current EU members are: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.
- In July 2014, the EU and South Africa, Botswana, Lesotho, Swaziland, Namibia and Mozambique signed an Economic Partnership Agreement (EPA), which provides – amongst other things – for improved market access for South Africa's agricultural exports to the EU.
- The EU and South Africa have progressively reduced import duties. This means that you need to check (perhaps with your freight forwarder) the duty status of your product in the European Union.
- If you have any imported content in your product, you need to also check the country of origin requirements that will govern whether or not your product qualifies for the preferential duty.
- You must take account of the special documentary requirement: the EUR.1 form (a special certificate of origin) must be completed in order that your goods receive the duty preference. See "Section 5: Getting to grips with logistics", page XX, for more information on documentation.

◆ **Southern African Development Community (SADC) free trade agreement**

This agreement gives South Africa duty-free entry into 10 of the 15 SADC members, namely, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Tanzania, Swaziland, Zambia and Zimbabwe.

- **Southern African Customs Union**

  South Africa, Botswana, Lesotho, Namibia and Swaziland form this union, which allows for duty-free movement of goods between the five countries and a common external tariff on goods entering from outside the union.

- **Other trade agreements**

  - South Africa, through SACU, has an agreement with Mercosur that has not yet been ratified
  - Also through SADC, South Africa has a free trade agreement with EFTA, providing for duty-free entry into Norway, Switzerland, Liechtenstein and Iceland
  - South Africa has individual agreements with:
    - Malawi, Mozambique and Zimbabwe
    - India
    - Republic of China (Taiwan)
    - People's Republic of China

    In some cases, these agreements allow for limited duty preferences on products entering South Africa, but do not confer substantial, if any, duty benefits on South African products into those markets.

    The agreements are important, however, in setting a favourable environment for the development of two-way trade.

- **Binational commissions**

  There are a number of binational commissions between South Africa and other countries – Australia, the United States, France and the United Kingdom are examples – some of which might in future incorporate certain trade aspects.

- **Bilateral tax agreements**

  South Africa has a number of bilateral tax agreements with other countries designed to avoid companies being double-taxed on the same income when they conduct business across international boundaries.

- **Africa Growth and Opportunity Act (AGOA)**

  - This is not a trade agreement but a schedule of import duty concessions allowed by the United States on imports of certain products from countries in Africa, including South Africa.
  - The Act requires periodic renewal by the US Congress; it currently runs to 30 September 2015.

- AGOA could well give you a valuable duty advantage into the United States. You need to check whether your product is listed for duty-free entry.
- If your product contains any imported content, you must also check the rules of origin governing the concession. You need to take into account the specific documentation required. See the "Section 5: Getting to grips with logistics", page XX, for further information on documentation.

◆ **General System of Preferences (GSP)**

- This also is a concession, not an agreement. A number of developed countries allow South African products to enjoy GSP on a wide range of products.
- The countries that extend this benefit are:
  - Canada.
  - EU (runs at the moment parallel to SA-EU trade agreement; check which applies to your product)
  - Japan
  - Martinique
  - Norway
  - Reunion
  - Switzerland
  - USA (runs at the moment parallel to AGOA; check which applies to your product)
- As with other duty preferences, you must check to see if your product is listed and what regulations govern these concessions. Your documentation has to include Form A – see "Section 5: Getting to grips with logistics", page XX, for further documentation information.

◆ **BRICS and the TFTA**

- BRICS, consisting of Brazil, Russia, India, China and South Africa is not a trade agreement or any formalised grouping although high-level meetings take place fairly regularly to discuss matters of common interest.
- There are ongoing discussions regarding the linking of three African trade blocs – SADC, the East African Community and COMESA – into a single free trade area known as the Tripartite Free Trade Area (TFTA). However, there are major problems for these countries in fully implementing their current trade agreements and the TFTA is therefore some way from becoming reality.

Rules of origin

Rules of origin determine the "nationality" of a product and whether it is covered by a particular trade agreement or concession.

- Rules of origin set out the conditions under which your product qualifies for the duty concession. They usually state whether your product may incorporate any imported content and, if so, to what extent. The rules might also specify the degree of manufacture that is required.
- The general regulations governing the concessions also state what documentary evidence of South African origin is needed for your goods and who the authorising body is in South Africa.
- It is vital that you not only check to see if your product is listed for a concession, but that you understand the details of how the concession operates. In this way, you will be able to take full advantage of any duty benefit due to your product, thus helping it to be more competitive in your target market.

important

Rules of origin usually govern preferential duty treatment for your product under a trade agreement.

Thumbnail sketches of market regions

- **Western Europe, including the EU**
  - This is a traditional regional trading partner for South Africa and the Western Cape. The EU countries are especially attractive because of the advantage that the SA/EU trade agreement and the SADC/EU EPA provide. You will possibly have this as a priority target region.
  - A wide range of Western Cape goods is established in the region, including manufactured consumer and industrial products.
  - Buyers in the region place emphasis on quality, price and service. You will have to comply with a recognised international quality management system and meet specific technical product standards and safety and health requirements.
  - Consumer preferences in each country reflect the national culture to some extent. You will probably find individual country markets beyond your supply capacity, but the region offers great scope for niche marketing.
- **Eastern Europe**
  - Countries in the region have been traditional buyers of South African raw materials.
  - Opportunities are opening up for other types of products such as processed foods, fresh fruit, and some industrial goods.

- Free market structures and conditions are not yet fully established in many countries in the region.
- You may encounter language and cultural difficulties in this region and you will need to ensure that your payment method is secure.

- **North America**
  - This is a major consumer and industrial market with hugely diverse demands: if a product or service sells anywhere, it will probably also sell in the United States – at the right price.
  - The Canadian and United States markets have distinct differences, especially in consumer preferences, and you should approach them individually if this is your target region.
  - The Africa Growth and Opportunity Act has created many additional opportunities for Western Cape exporters in the United States market. However, you may still find potential American buyers doubt the reliability of any company located on the African continent.
  - The large volumes frequently ordered by American buyers are no myth: as a relatively small, or very small, supplier, your only practical approach to this region is through niche marketing, possibly even to specific individual outlets.

- **South America**
  - This region has been somewhat neglected by South African exporters in general, although selected South African products are well established.
  - In the region, there is widespread interest in Southern Africa and political leaders see parallels between South American and Southern African integration objectives.
  - Over the past decades, many countries on the sub-continent have introduced more liberal trade regimes and opened up their markets to imports. Their economies remain fragile, however, and you need to keep informed about current growth and foreign exchange conditions.
  - You will find marked language and cultural differences in the region. Niche marketing again is the best option for you, and you also might consider a joint marketing venture with an appropriate local partner.

- **Far East**
  - South Africa's and the Western Cape's trade with the Far East has grown rapidly over the past 20 years and many businessmen in

the region are familiar with some of the potential for further trade growth.

- Western Cape exporters seem to have been especially successful in increasing their sales to China and to Taiwan, while Hong Kong is an important market.
- The region, and especially Japan, is an established market for South African raw materials and for some industrial inputs.
- Japan grants GSP concessions to certain South African products.
- You will need unique product features and an aggressive marketing drive to succeed in this region.

◆ **Australia**

- South Africa's trade with Australia and New Zealand has grown rapidly over the past decade, and Australia is quite prominent among the Western Cape's trading partners.
- You will find many similarities between Australia and South Africa – and they extend further than wine and sport!
- The South African and Australian business sectors compete in many markets. However, there is a synergy between the two that creates opportunities for two-way business in both consumer and industrial products.
- Australia thinks of itself as a gateway for South Africa to the Pacific Rim. South Africa, and the Western Cape, might be a gateway for Australia into Southern Africa.
- Australia and New Zealand are competitive markets well served by suppliers in the Far East. You will need to offer distinct product benefits and a keen price.

◆ **Africa**

- Africa is South Africa's major market for manufactured goods as well as services of all types. Western Cape companies are active in the region across a wide product and service range. Angola features among the province's fastest-growing export markets.
- Aid-funded projects are common and can offer good business potential for appropriate products.
- The region is a natural first target region for South African firms and holds good prospects for entrepreneurs. Your product must be appropriate to the region, however.

- You need to be aware that lack of foreign exchange in many countries of the region may result in your payment being delayed even though your buyer may have ample local funds. See "Section 5: Getting to grips with logistics", page XX, for information on payment methods.

Checklist for appointing a trader in south africa

- ☐ How much experience does the trading house have and how long has it been established?
- ☐ What types of products is it handling and to what range of markets?
- ☐ What references can the trading house supply?
- ☐ Is the trading house willing to openly discuss with you a plan of action to develop foreign sales of your product and set target volumes, values and time-frames?
- ☐ Is the trading house willing to enter a formal agreement with you?

Checklist for agreement with south african trading house

- ☐ Products included in the agreement.
- ☐ Geographic region (for example, you do not have to give the trading house exclusivity for the whole world).
- ☐ When the agreement takes effect and how long it will run for.
- ☐ Responsibilities of the trading house, including performance level: spell out the value/volume of sales to be achieved over a certain period.
- ☐ Your responsibilities.
- ☐ Determination of prices and terms of delivery (Incoterms).
- ☐ Payment terms and method of payment.
- ☐ Termination and consequences of termination (legal protection for both parties; your lawyer should advise you).
- ☐ Other normal legal clauses concerning identity of parties to the agreement and addresses, and so forth

These contract guidelines are given in good faith and you must seek the assistance of your legal advisor when drawing up any agreement and prior to signing one.

Checklist to identify your target export markets

- ☐ Identify who consumes or uses your product in South Africa and why
- ☐ Compile a profile of the market niche you are looking for in foreign markets
- ☐ Discuss possibilities with your industry association or export council
- ☐ Research the buying patterns of your target market niche
- ☐ Identify the distribution channels that serve those niches

Export Market Research Checklist

The following checklist is fairly comprehensive and it is doubtful if you will need to research all these items.

- ☐ Classification Of Your Product According To The Harmonised System (Hs)

  You need this when you first register as an exporter with your local Customs Office, and you also need it to check the duty status of your product in potential export markets.

- ☐ General information about your target country

  Look only for the information that you need.

  - Its size, geography and climate
  - Population and areas of concentration, languages, literacy rate and average education levels
  - Religions practised, specific cultures
  - Income levels
  - Major commercial and industrial regions and centres

- ☐ Government

  - Political climate
  - Degree of government involvement in the economy. This tends to be greater in developing countries where private-sector resources are limited
  - Economic and social policies
  - Responsibilities of central and regional governments

Export Market Research Checklist

- ☐ General marketing factors
  - General market conditions; are conditions buoyant or depressed?
  - Consumer and user preferences.
  - Competitors, local and international.
  - Distribution channels.
  - Quotation and payment terms.
  - Standard weights and measures, electricity and other technical standards.
  - Chambers of commerce and industry.
  - Relevant government ministries and departments (and functions).
  - Free trade zones (may not be relevant).
- ☐ Economic indicators
  - National currency, exchange rates and stability.
  - Balance of payments, foreign currency reserves, debt situation (if it is a developing country).
  - Gross domestic product and per capita income (do you need this?).
  - Consumer and wholesale price indices; interest rates.
- ☐ Present structure of the economy

  More relevant if your target market is a developing country than a developed one.
  - Employment sectors.
  - Sector contribution to the economy (mining, industry, services, tourism).
- ☐ Economic development plans

  Usually important only if you are selling to a developing country.
- ☐ Banking infrastructure

  You do not usually need to research this if you are targeting developed countries.

Export Market Research Checklist

☐ Transport and communications infrastructure

You do not usually need to research this if you are targeting developed countries. Your freight forwarder should provide all the information you need.

☐ Foreign trade data

It might be interesting to know which countries supply the types of product you are selling as this might indicate your major competitors. However, trade statistics do not always give detailed information.

☐ Market access

This information can be important, because it affects whether or not your product will enjoy any special duty status.

- General import policy.
- Government support/encouragement for imports from developing countries.
- Membership of customs union or free trade area, member of GATT/WTO (General Agreement on Tariffs and Trade, World Trade Organisation).
- Any special trade agreement with South Africa and how it is applied, rules of origin, special documentation.
- Import licensing (categories of licence, basis of licence allocations, procedures).
- Import tariff system (rates, basis of assessment) and additional import taxes.

☐ Special customs provisions

It would be useful for you to have this information but it becomes truly relevant if your delivery term requires you to pay for Customs clearance.

- Advance rulings on Customs classifications.
- Entry regulations and procedures.
- Use of free ports and bonded warehouses.
- Commercial samples, advertising matter and postal packages.

Export Market Research Checklist

☐ Other regulations affecting international trade

Many of these are very important and will determine whether or not your product will be acceptable in your target market.

- Technical standards.
- Food, health, safety and quarantine regulations.
- Marketing, packaging and labelling regulations.
- Patents, trade marks and copyright.
- Unfair competition and restrictive trade practices.
- Taxation.
- Agency legislation.
- Documentary requirements for specific products.
- Environmental legislation.

Checklist to prioritise markets

Your research may indicate that several countries could present target market niches for you. As you probably want to focus your efforts on only one or two countries initially, you might prioritise the countries along the following lines:

☐ Proximity

This really applies only if your product is suited for both developing (e.g. African) markets as well as developed markets.

☐ Socio-political conditions

Socio-political conditions may not be relevant if your target market niches are to be found only in developed countries.

☐ Economic conditions

It is likely to be easier to penetrate a new market if economic conditions are favourable. This factor will be relevant for any target niche market.

Checklist to prioritise markets

- ☐ Culture

  Your product or service may not be suitable for countries whose culture is totally different to South Africa's cultures. Or you may feel uncomfortable with the prospect of doing business in a country where the language and culture are very different to what you are used to. In either case, culture will be an important factor in your priorities.

- ☐ Technological conditions

  Whether this factor is important will depend upon your product or service and the environment in which it is used. If your product needs a high level of technical support and service, then you will place the technological environment fairly high on your priority list.

- ☐ Geophysical, climatic conditions

  If your product or service is suited to a specific terrain or climatic environment, this factor will be an important priority for you.

Note that the information or help you request should be relevant to the organisation's field of activity.

- Wesgro
- Banks
- Chambers of Commerce
- Credit insurers
- Export Councils
- Freight forwarders/logistics specialists
- Government departments
- Industry associations
- Law firms
- Market research agencies
- Online information providers
- Publisher of trade journals
- Sales agents
- Trade or business consultants (marketing)
- Trade libraries
- Trade portals
- Trading houses
- Competitive intelligence specialists
- Specialist research organisations

Section 4: Using the Export Marketing Mix

In this chapter:

The story of Western Cape Lights

Export marketing is a management process

Product factor

Distribution channels

Price factor

Promoting your product in your export market

Making the marketing mix work for you

International trade fairs as a marketing tool

Export marketing assistance from DTI (EMIA)

case study

The story of Western Cape Lights

When targeting their export markets, Marcia and Ricardo had to find out what style of lamp would sell, what wood would be popular, what type of finish – whether varnished or oiled – would be acceptable, and if there were any technical details they had to take into account.

In South Africa, their lamps were sold through specialised retail chains under the house brands of those stores. Ricardo and Marcia had therefore not developed their own brand name; they wondered now if they should brand their export products.

Initially, Marcia and Ricardo had thought that their lamp bases would not be subject to any special standards or safety regulations. However, when Ricardo later started talking to House Décor, he learned that, because the lamp bases were the essential part of an electrical appliance, they had to conform to UK and EU standards. This meant that Western Cape Lights had to use fittings that met specified standards.

Export marketing is a management process

We have said that export marketing is the management process by which you identify and satisfy the requirements of customers in foreign markets at a profit.

- This implies a number of things as the diagram shows.

Export marketing: a management process

- The four major elements of your marketing strategy in any market, whether local or foreign, are:
  - Your product, including the packaging

- Your price
- The distribution channels you choose
- Your promotional material

- These are known as the four Ps of marketing and together they are referred to as the marketing mix. You need to manage these elements if you are to be successful in exporting your product or service

important

Your success will depend on how well you combine the four Ps of marketing to meet conditions in your target market.

Product factor

The product factor covers:

- Your product: its design, quality, materials, compliance with international specifications or standards and all other features.
- The product packaging, the labelling and the brand name.
- The service that you provide with the product. This might be in the form of:
    - Instructions on the product's use and care
    - Servicing or repair of the product (if relevant)
    - Whether spares are available
    - How efficient you are in manufacturing and delivering your product
- In considering your product strategy you take these aspects into account to see if any of them can give you a competitive advantage over other products similar to yours.
- A number of issues will affect your product's acceptability in a market.

Consumer and user preferences

Consumer and user preferences differ from country to country and even from region to region.

- Consumer differences can differ within a country according to culture, religion, age, income level and many other characteristics.
- These differences can help you to target your product at very specific niches within a market.
- If you are selling an industrial product, user preferences are usually dictated by the performance required of the product. A machine must be capable of producing a certain output, and a raw material must meet certain specifications. A component must be of exact dimensions.

- It is common for buyers in developed countries to require suppliers of all types of consumer and industrial goods to comply with a recognised international quality management standard, such as the ISO 9000 series. Retailers in the EU have developed common standards for certain types of products, such as GlobalGAP for fresh produce.
- You will find, too, that the issues of environmental awareness and social responsibility are frequently given greater priority in developed countries than they are in developing regions. You may be questioned by potential buyers on the impact of your company's activities in South Africa in these areas of concern.
- All consumers and users want to see value for money and all are looking for a certain quality. Product quality is evaluated at two levels:
  - Physical quality, as in dimensions, standard of workmanship, materials used, and so forth
  - Perceived quality, which concerns whether the product meets expectations
- Market research can help you to identify those countries, regions or market niches where your product most closely matches consumer or user needs.

important

Foreign buyers may want proof that you implement a recognised quality management system.

Government regulations

In many countries, especially in the highly developed economies, products must meet specifications laid down by law.

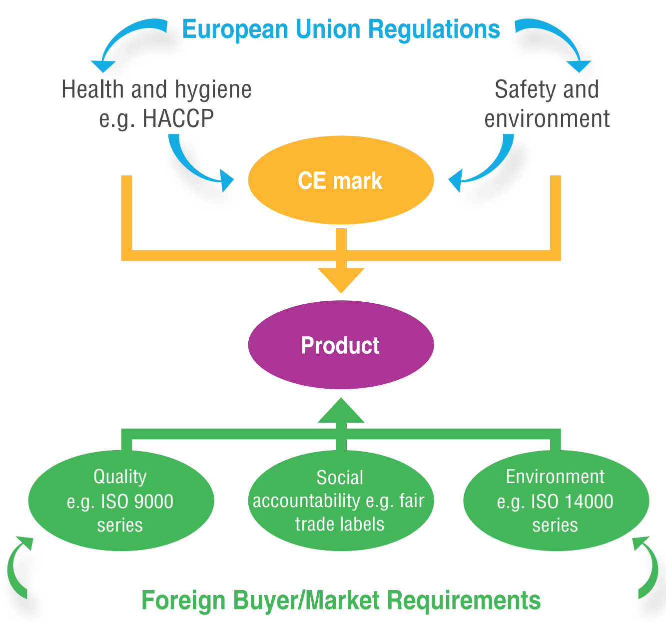
- The purpose is usually to protect users and both locally produced and imported items have to be tested against the required standards.
- The types of products most affected are:
  - Household electrical and gas appliances
  - Food products, including fresh produce as well as processed foods
  - Medicines and certain chemical products
  - Children's toys and clothing
  - Household fabrics (upholstery fabrics, carpets)
- In addition, a number of countries, notably the United States and Australia, allow the entry of vegetable materials only after fumigation. This means that some products as well as packing materials must be certified as having been fumigated before they leave South Africa (speak to your freight forwarder in this connection and see also "Section 5: Getting to grips with logistics", page xxx).

- Furthermore, all packing material made of unprocessed raw wood exported from or imported into South Africa must have been treated and marked according to the International Standard on Phytosanitary Measures "Guidelines for Regulating Wood Packaging Material in International Trade" (ISPM 15).
- The South African Bureau of Standards (SABS) represents South Africa at the International Standards Organisation (ISO). As well as having details of all the ISO standards that have been drawn up, SABS can provide information about specific standards laid down by different countries or trading blocs.
- Most of the standards applied in South Africa, those that give an SABS mark, are based on international standards. However, even though your product carries an SABS mark:
    - It may not automatically be approved for sale in your target export market
    - Your product may still have to undergo testing and approval in the country concerned
    - This is often a lengthy and costly procedure, but you may qualify for some assistance from the Department of Trade and Industry's EMIA scheme (see page XXX later in this section).
- Bringing your production processes to a point where you meet the regulated standards of your target export market is not a one-off action:
    - If your product is a processed food, for example, your production process must be audited regularly by a body such as the Council for Scientific and Industrial Research (CSIR)
    - These audits are to ensure that you are entitled to a HACCP certificate (Hazard Analysis and Critical Control Points) showing your compliance with basic standards of health and hygiene
- Exporters of fresh produce face a range of conformity regulations in the European Union (EU). Your export consignments to the EU are inspected by the South African Perishable Products Export Control Board (PPECB), which is authorised to implement EU regulations in this respect (see also "Section 5: Getting to grips with logistics", page xx).
- Any food product, whether processed or not, is now subject to traceability legislation in the EU (similar to the legislation effective in South Africa from mid-2005).
- In most cases your potential buyer will know what standards, if any (remember, not all products are subject to legislated standards), your product must comply with. However, you will be in a stronger position

to negotiate with potential buyers if you know in advance what standards apply and whether your product complies with them.

- In the EU and the United States the issue of product standards is complex:
  - Many items are covered by EU standards, which are common to all member countries
  - In some cases, there is no common standard, so there are differences from one EU member to another
  - You should always check the position for your product in the specific EU country or countries you are targeting
  - In the United States, your product might be affected by federal and state legislation
  - You should check on the position in the specific state or states you are targeting
- To be able to consistently meet the requirements of product standards and regulations you will, as much as anything else, need to keep meticulous records of each production stage. This emphasises again the need for effective supervision and administration throughout your company, no matter how small you are.

European Union regulations and market requirements



Climate

You will need to take into account the possible effects of climate and the physical environment on your product.

- **Consumer products**
  - Clothing, foods, household items, and many other types of product are influenced by different climatic conditions
  - Is the packaging of your product suitable for a different climate?
- **Industrial products**
  - Will different climatic and geographic conditions affect the use of your product?
  - Will it operate equally well in different temperature ranges?
  - Can it withstand extremely dry or very wet conditions, or rough terrain?

case study

Western Cape Lights' lamp bases were packed in individual cartons for the South African market. It turned out that this was quite acceptable for the UK market, although the labelling on the cartons had to change. It was also necessary for the lamps to be clearly marked that they were made in South Africa.

Packaging and labelling regulations

Most industrialised countries have implemented laws governing the type of packaging materials that can be used for all products:

- In broad terms, packaging materials must be re-usable, recyclable or biodegradable.
- South Africa's packaging suppliers are generally well informed on the requirements of foreign markets in this respect.
- If your target buyer is a retail outlet, you may find that your product will have to be packaged to suit the way it will be displayed in the store.
- Legal requirements may dictate how you label your product:
  - Industrial countries usually demand more information on product labels than is common in South Africa

- You may need to have the information translated into the language or languages of the market concerned

- Product packaging and labelling are often affected by consumer preferences regarding colour, illustrative materials and other design elements.

case study

Ricardo was anxious to build up his export business under his own identity and not just as a supplier to a house brand, as he was in South Africa. He realised that he would have to do this from the start and have a brand name and identity established before he even entered discussions with potential buyers.

He and Marcia discussed this important issue and decided that they would have to invest in developing a brand name and building a brand image. Ricardo undertook to contact their lawyer and find out all the legal implications of registering a brand, and the costs involved.

They realised that it might mean some delay in starting to negotiate orders, although there was a lot more they could do in the meantime.

Branding

The essence of branding your product is that the brand name or brand symbol conveys the whole concept of your product and the benefits it provides to the consumer or user.

- Registering your brand name gives you some protection internationally against other interests "stealing" your brand name.
- Your brand name may be affected by consumer preferences in your export markets:
  - A name that suits your home market may be quite inappropriate for a foreign market
  - Find out if your brand name is suitable by asking contacts in the target market
- Use your brand name and your symbol consistently on all your communications – this is one of the ways in which you build up recognition of your brand:
  - Packaging
  - Product labels
  - Letterhead
  - Business cards

important

You will not achieve brand recognition immediately, but you will not achieve it at all if you do not start.

- Brochure
- Web site
- Invoices could carry your brand name and symbol

Service

The service component of your product might be intangible, but it is none-theless always important.

- Does your product require after-sales service support? If it does, how will you provide this?
- Even if your product does not require such technical support, there is a service element to your product:
  - The way you respond to your buyer's enquiries
  - The efficiency with which you despatch orders
  - Your overall reliability as a producer and supplier

important

All products have a service element based on how efficiently you handle the export process.

Distribution channels

Market entry and distribution channels and how to identify them have been described in the previous section, "Section 3: Finding your market and your buyer". These are some other important aspects about your distribution channels.

case study

Ricardo and Marcia had wondered whether they might need a foreign market agent. They now knew a little more about distribution channels in the UK and that they could, in fact, deal with a buyer direct. As they did not expect to have more than three or four individual buyers in the UK, they did not think that they needed an agent.

They would review that decision when they tackled the German market, which they planned to do at a future stage.

Do you need a foreign market agent?

The answer to this depends on the market, the product, your distribution channels, and other factors.

- It may be better to work through an agent if:
  - You expect to sell to a number of buyers in a market
  - Your product requires a lot of personal promotion to potential buyers
- A good agent will:
  - Add value to your export business
  - Grow your sales in the market
  - Strengthen your relationship with your buyers

Difference between your agent and your distributor

Your relationship with your agent will differ from that with a distributor.

- Your agent:
  - Represents you and your interests
  - Receives payment from you in the form of commission on sales
  - Does not set the price, nor sign the final sales agreement with the buyer
  - Is not a principal to the transaction
  - Does not usually provide any technical support for the product
  - Should give you regular information about market conditions
- Your distributor:
  - Is independent and buys on his own account
  - Carries stocks of your product
  - Sets the price to the retailer or user, although often in consultation with you
  - Usually provides the technical service back-up for a product that requires it

Appointing your foreign market agent or distributor

You will be able to negotiate a better arrangement with a potential agent or distributor if you know what you want beforehand.

- Compile a profile of your ideal agent/distributor:
  - Where located and region to be covered
  - Experience and years in business as an agent or distributor
  - Products handled

    - Technical knowledge
    - References
    - Other essential features
- Prioritise this list: you may not find all the attributes you want, so decide which are the 'must haves'.
- Check potential agents and distributors against the list:
    - Ask for the information you want
    - Check out the references
    - If possible, visit them at their own premises, especially if your product requires their technical support

Managing your agent

The agency agreement lays the foundation for your relationship with your agent but nonetheless the relationship needs to be managed. You can do this by:

- Regular communication: informing your agent of developments in your business, especially product development and production up-grades
- Regularly reviewing your agent's performance against the agreement
- Ensuring you receive the market feedback requested and reports on buyers visited, and so forth
- Visiting your agent regularly in the foreign market

Relationship with your distributor or buyer

As a small or medium-sized South African company you will possibly find yourself dealing with much larger distributors or buyers. In such a relationship, it is easy for the "power" to lie with the other party.

- In order to prevent this from happening, or to at least maintain some management over the relationship, it is important for you to be proactive from the start.
- Take steps to build a close relationship with your buyer or distributor so you fully understand what motivates him to buy. He may say that it is price, but usually it is a blend of price and other factors, and you want to know what they are.
- You build a relationship over time, but you can speed up the process by setting specific areas of co-operation, perhaps relating to penetrating a

certain market sector, developing a new product, modifying packaging to meet a certain market need.

- Your proposals must be seen to benefit your buyer or distributor as well as you.
- Building confidence and trust in this way makes it far less likely that your distributor or buyer will switch his loyalties.

case study

Ricardo had learned to be a tough negotiator in dealing with buyers in South Africa, so he felt ready for UK buyers.

He knew his factory costing system was accurate and exactly what price he needed to charge in order to make his target profit margin. He decided to keep his export pricing policy as simple as possible and work on a constant ex-factory price.

Initially he thought he might give a buyer a discount for large quantities ordered. He discussed with his suppliers what sort of price rebates he would get for ordering larger quantities of materials.

To his surprise he found that the discounts he would receive would not be very high – only if he doubled or trebled his orders would there be any significant savings. He was thankful that he had done this exercise before negotiating any prices.

Price Factor

Price is usually regarded as the most important factor in marketing. Your buyer will usually tell you that it is.

- In fact, however, price is only one factor: your buyer and consumers or end users are not looking only for a low price, but rather for value-for-money.
- Only in basic commodities where there is no product differentiation is price the only factor to be considered – and even with commodities, on-time delivery is usually important.

Price setter or price taker?

Your status as a supplier to your chosen market determines this and is an important reason for identifying a special niche market to serve.

- Price setters dominate their market and therefore dictate prevailing product prices.
- Most South African producers find it difficult to be price setters in global markets because of the extent of competition from producers in countries where production costs are lower than they are in South Africa.

- A niche market approach ("Section 3: Finding your market and your buyer") gives you a chance to dominate your market niche and therefore in that small segment to be a price setter.

important

It is often not feasible for you to offer your buyer a volume discount – know all your costs before agreeing on a price.

Price and product differentiation

- Special features that add value and increase demand for your product will allow you to set a higher price.
- If your product cannot be directly compared with other products, you have greater control over setting your price.
- You can make your product unique, or appear unique, by:
  - Its design; quality
  - Its efficiency in performing a function
  - Presentation – packaging, labelling
  - Range of models, sizes or colours you offer
  - Promoting it to fit special needs: dietary, sports, health, specific industries (industrial product)
  - Brand name: an identifiable product is often perceived to have greater value than a 'no name' brand
  - Distribution: making it accessible
  - Technical support and product information
  - High-level service to your buyer

Price policy

Even before you have identified a buyer, decide on certain pricing issues.

- One global price or different pricing structures for different regions? Information flows so freely around the world that you are wise to have one pricing structure. However, prices quoted to individual buyers might vary according to:
  - Modifications to the product, packaging or packing
  - Term of delivery (Incoterms®, see "Section 5: Getting to grips with logistics", page XX, for information).
  - Other special factors
- Discount for volume? It is a common request from a buyer and appears logical. However, if you are a small producer with a labour-intensive production process, you probably have limited opportunity to achieve

cost savings through supplying a large order. Do your sums well before agreeing to a volume discount.

- Discount for prompt payment? This depends on the method of payment. Check out the figures very carefully with your accountant or financial advisor before agreeing.

Distribution channels and price

Each stage in the distribution channel – importer to distributor to retailer – adds to the price of the product.

- This addition to the price is justified if you have chosen your distribution channel well, because each stage is adding value by taking your product one step closer to your consumer or user and possibly adding some other service element to your product.
- A complex distribution channel, however, makes it difficult for you to assess your price competitiveness merely by looking at the prices for which products similar to yours sell in retail outlets. You do not know the margins that have been added at each stage.
- Identifying typical "mark-ups" for your product along the distribution channel is one of the important objectives of your market research. This will place you in a better negotiating position, especially when your buyer is an importer or distributor.

Accurate costing is vital

Your price has to be related to costs.

- You cannot hope to set a price that will bring you a profit unless you know what it costs you to produce your product and to deliver it to your buyer at the agreed point.
- An effective costing system, giving up-to-date information on all variable and fixed costs, is essential if you want to export profitably.

Currency fluctuations

Because you usually have to quote for export business in a foreign currency, the value of the South African rand against other currencies, especially against the US dollar, British pound and the Euro, has a strong bearing on your competitiveness in export markets.

- Information on foreign currencies and your foreign exchange risk for specific transactions is given in "Section 5: Getting to grips with logistics", page XX.

- However, the question of how to account for changing exchange rates also affects your pricing policy and requires you periodically to review your export prices in the light of changing rand exchange rates.
- You cannot move your export prices up and down every few weeks, so you need to try to take a longer view of the exchange rate you should use. This becomes one of the most difficult aspects of export pricing when exchange rates fluctuate significantly over short periods. If the rand is steadily moving down (or up) against the US dollar, it is relatively easy to forecast future levels.
- Unfortunately, there is no easy answer – like many other factors that affect your export success, the better informed you are, the less likely you are to suffer loss. Keep in touch with your bank, read the financial news media and learn to study underlying trends that can affect the exchange rate.

case study

Even before Western Cape Lights had decided on a brand name and image, Ricardo and Marcia were anxious to start promoting their lamp bases in the UK market. Surprisingly for usually cautious individuals, they were carried away with their enthusiasm and went ahead.

They had had some leaflets produced for a South African promotional drive some years earlier and thought they would just bring these out again, change them a bit, and have them re-printed – it seemed an inexpensive way of doing it.

Ricardo believed that a web site would be an excellent way for Western Cape Lights to promote itself. He arranged with a friend (who claimed to be an expert at designing web sites) to develop the Western Cape Lights site and to get it up and running.

Ricardo was ambitious and wanted to display the very best of his designs and also to show that he could meet virtually any consumer's needs.

He therefore insisted on a wide array of graphics and photographs to be on the site in the belief that the more illustrations and the less text the better. He was told that there were complex security issues if he wanted to sell from his site, so he invited enquiries through e-mail.

He could not understand why he had so few responses. The only ones he had were from a couple of people in the United States – one in California and one in North Carolina – both of whom wanted to know where they could order one lamp by direct mail.

Eventually a close friend asked him if he had actually tried to go into the web site and had seen how long it took to download. Ricardo realised that it is better to use professionals and pay for their services than well-meaning friends. He closed down the web site until he had a better idea of what he wanted to achieve.

Promoting your product in your export market

Who is your audience?

The term promotion covers all forms of advertising, publicity, and product promotion in your foreign market.

- If you are selling a consumer product it is unlikely that you will advertise and promote your product directly to consumers. Your audience will therefore be your potential buyers.
- If you are selling an industrial product your audience would be your potential buyers, who might also be your end users.

Decide on your message

You need a strong message that your target audience can relate to.

- What consumer or user needs does your product meet? These are the points you should promote.
- What special competencies do you have? Check your mission statement and your SWOT analysis.
- Do you have a special 'identity' that adds value to your product?
- What symbols, illustrations and visual themes support your message?
- Be consistent with your message in all promotional tools you use.

Practical promotional tools for medium and small exporters

There are relatively few promotional tools you are likely to use in practice, mainly because of budgetary limits. Some of the more practical ones are:

- **Promotional mailshots, printed and electronic**
  - Direct mail sent by the postal service is still used, although the response rate is low – 2% to 4% is considered a good response
  - E-mail is widely used for direct mail, but messages are easily confused with 'spam'; it is useful only if you know the e-mail address of the individual you want to approach. Rather use this form of communication when some initial contact has been established
  - Direct mail has limitations but is worth considering, providing you take the following into account:
    - Your objective would be to establish useful contacts, hopefully with potential buyers, whom you would later meet during your visit to the market

- You should not try to conclude sales through direct mail
- It is a relatively low-cost tool
- You can tailor and target your approach quite specifically
- You need to develop a good mailing list (refer to ”Section 3: Finding your export market”, page XX)
- Your promotional letter must be fairly short, attractive and professionally designed; you can include your promotional leaflet
- You should use a direct mail approach as part of a campaign, whereby you follow-up your letter with a reminder and then possibly with a telephone call for maximum impact

◆ **Leaflets or brochures, printed and electronic**

- The term leaflet or brochure is used generically to cover material in printed or electronic format.
- Leaflets are useful as extended visiting cards that provide information about your product, preferably in visual form.
- They need not be excessively expensive but must be professionally designed.
- Use pictures, illustrations and diagrams and a minimum of words. Try to avoid copy that ‘dates’ your leaflet (such as a reference to a specific trade show or event).
- Include any international standards you comply with.
- Give full contact details.
- Do not include prices.
- You can get best value from your leaflets if they are suitable for distribution at trade fairs, by mail and during market visits.

◆ **Samples**

- Samples are an essential form of promotion in certain trades, for example, with food products.
- Samples are, however, an expensive form of promotion, not only in the cost of the sample, but in the cost of getting the sample to your prospective buyer.
- Do not confuse a request for a sample of your product with “sample orders”, which a potential buyer might try to obtain free of charge. Reputable buyers who want such “sample” or “trial” orders will pay for them.

important

Never include prices in promotional material. Quote prices only when you have a specific enquiry.

- If a sample will help to arouse interest in your product, see if it is possible to produce a miniature – it might be less expensive to produce and transport.

- **Outgoing trade missions**
  - This is a well-recognised promotional tool to create awareness in selected markets.
  - If you plan to participate in a trade mission, check that:
    - Precise objectives are set
    - The organiser is experienced and has good contacts in the selected markets
    - Preliminary research shows that the selected markets are appropriate for your product
    - Both group and individual appointments will be set up
    - Some 'free' time will be included for you to follow your own leads
  - Make sure that you are prepared:
    - Know what you expect to achieve, whether you are looking for an agent, a distributor, or an end user
    - Identify your own leads to follow up – don't rely on the organiser.
    - Be an expert in your product, able to answer any technical question
    - Ensure you have sufficient promotional material with you – leaflets, business cards, and samples if feasible
    - Know your product pricing, the terms of delivery you can quote, payment terms and method you want, and lead times for shipment
  - Following up after a trade mission can be as important for you as your actions during the visit
  - Keep informed about Wesgro's outgoing trade mission programme.

- **Incoming trade missions**
  - Incoming trade missions usually consist of businesspeople who are wanting to sell their products in South Africa, but there may be some buyers among the members.
  - Meeting an incoming trade mission can give you a networking opportunity and open the way to useful contacts in a target country.
  - You can learn some fundamentals about conditions in a target market from mission members.

- It usually costs you nothing to attend the functions!

- **Foreign trade fairs**

  These are fully dealt with later in this section (see page xxx).

- **Advertising or listings in South African export directories distributed abroad**
  - Several directories are compiled in South Africa, published on the Internet and printed and distributed in major export markets.
  - Your costs are incurred in South Africa, in rands.
  - It is a more passive form of promotion and may not bring you direct orders.
  - It could be a useful tool to support other promotional methods if your budget allows.

- **Internet website**
  - Advantages of a website:
    - The Internet enables you to reach a far greater and more diverse audience than any other promotional tool
    - It enables potential buyers to see your product range quickly, in detail and at their own leisure
    - It provides you with credibility
    - It provides good promotional value-for-money in view of its global reach
  - Points to be careful of:
    - Set your exact objectives for establishing a website: saying to promote my product' is not specific enough. Your objectives will dictate the form and design of your website.
    - Have your website professionally designed, make sure it is quick to download, and is up-dated very regularly – every two weeks is not too often!
    - Find an appropriate host for your website to ensure that it receives the visitors you want.
    - Think carefully and obtain professional advice from e-commerce experts before deciding to sell from your website.
    - Your website should present the same image and message as the rest of your promotional material.
    - Provide an e-mail link for enquiries, but ensure you have the capacity to respond quickly – within 24 hours.

- **Company stationery**
    - Your company stationery also has a promotional impact – or otherwise!
    - This is often where you first present the image of your company and your products.
    - Ensure that your letterheads, business cards, compliment slips and all other office documents carry the same professional appeal as your promotional material.

Making the marketing mix work for you

In this section so far we have explained the four major elements that you can control in marketing your product or service:

- The product or service, its presentation and packaging, services supporting it, including how efficient your are in managing the export process.
- The place at which you offer your product or service to the user – how it is distributed within your target market.
- The price you charge for it.
- The way you promote it, raise user awareness, the image you create of your product or service.

- It is the interplay of these four factors that makes your buyer decide to buy, or your consumer decide to use your product or service.
- Only when there is no difference between your product and the others on offer is price the single deciding factor. Whenever there is a discernible difference in quality, design, distribution or ease of access to your product or service, price ceases to be the only consideration.
- Successful and profitable marketers – both at home and abroad – are those who manipulate all four factors in such a way that they enjoy lasting sales at acceptable prices. This is why these four factors are called the “marketing mix”.

case study

The first time Western Cape Lights took part in a foreign trade fair, Ricardo and Marcia were hopelessly unprepared. Anxious as they were to do some sort of product promotion in their target market, Ricardo and Marcia took the plunge and decided to exhibit at an international trade fair.

Through an Internet search they found that the House & Garden fair was to be held in the Olympia Exhibition Centre in London, UK, in nine months' time. They contacted the organisers and were able to get a small booth in one of the side halls.

They drew up a budget and thought they would be able to keep costs down to about R40 000. Ricardo designed the stand himself, chose a selection of lamps to display and included some enlargements of photographs showing the lamps in domestic settings. He ordered another 1000 of the re-printed brochures and contacted a freight forwarder to send all his display material to the trade fair site.

Then he booked his ticket and made hotel reservations. Marcia stayed in South Africa to take care of the business here.

International trade fairs as a marketing tool

Fundamental considerations

- A major international trade fair brings together a large number of serious foreign buyers, import agents and distributors as well as large and small producers from around the world.
- No other event can give you the same exposure to your potential foreign buyers as well as to your competitors in so short a time.
    - No trade show in South Africa conveys the sheer size and intensity of a major international trade show and the level of professionalism you must have to hold your own as an exhibitor.
- Participating at a foreign trade fair is costly, even if you obtain a subsidy from the Department of Trade and Industry. You will want to ensure that your participation is cost-effective by planning ahead and being well prepared.
- While an appropriate trade fair can be a powerful export promotion tool for you, it is only one tool among many. Your participation in a trade show should form part of your total export development plan.
- Depending on your product, you may make a bigger impact at a trade show by combining with a number of other South African exhibitors in the same broad sector. This approach can work, for example, in the craft sector and with homewares such as household textiles and ornamental items, where themed displays offer potential buyers a greater range than each producer alone can manage.

- An increasing number of trade shows in South Africa attract foreign buyers, particularly from Africa. If you have never taken part in a trade show before, exhibiting at a suitable local fair may be a good way to gain experience and starting setting up your international contacts.
- As a Western Cape-based company make use of the assistance provided by Wesgro.

case study

At that first trade fair, Ricardo realised within hours of the opening that he had made a disastrous decision. It was not the right fair for his product because it was aimed at consumers, not at distributors and retailers. All the visitors expected to be able to buy products and he had no stocks to sell.

Moreover, his stand showed that it had not been professionally designed, and his leaflets looked amateurish. He had no brand and no cohesive image. He had hopelessly under-budgeted by not taking into account additional expenses.

He decided to salvage what he could. He phoned House Décor, the small retail chain that Marcia had spoken to some while earlier, and arranged to meet Gretta Sheffield, one of the buyers.

He also took the opportunity to walk around the trade fair to get a feel for overseas trends in furnishing and furniture. In the evenings, he visited several stores to see the type of home products that were being sold and especially the type of lamps that appeared to be in fashion.

He did not see any products exactly like his – which pleased him – but he felt that his designs were compatible with the furnishings on display. When he converted the selling prices displayed in UK sterling to South African rands he was sure that his would be competitive in price.

checklist

Checklist for setting trade fair objectives

You need to set clear and realistic objectives before you commit yourself to participating in a trade fair abroad. The most common realistic objectives would be:

☐ **Undertake market research**

- To assess the viability of your product in the market.
- To gain first-hand information about:
  - Pricing levels
  - Channels of distribution
  - Local style trends in design, colour and texture
  - Technical requirements
  - Suitability of your packaging
  - Competitors operating in the same market
  - Any other essential factors

Checklist for setting trade fair objectives

☐ **Create product awareness**

- To introduce your product to buyers, import agents and distributors and let them see, touch and try it out.
- To develop an effective marketing database of buyers, importers, distributors, etc., for post-show follow-up.
- To make as many worthwhile contacts as possible.

☐ **Appoint a distributor and/or agent**

- To identify suitable potential agents and/or distributors according to the criteria you have drawn up (see page XX on identifying a suitable agent or distributor).

☐ **Sell your product**

- Trade fairs usually do not allow the sale of products from the stand; your objective would be to obtain orders for delivery after the show.
- Many exhibitors do not obtain orders during the trade show. They receive enquiries for subsequent follow-up.

Do not expect to appoint an agent or distributor during the show; you will compile a short list of potential partners to evaluate afterwards.

Choosing the right trade fair checklist

There are thousands of trade fairs each year in different parts of the world.

◆ **Markets served**

- Choose the trade fair that will give you the required geographic exposure in the priority export markets you have targeted.
- The ‘reach’ of trade fairs varies tremendously:
  - A trade fair in San Francisco will probably target the west coast of the United States
  - A trade fair in Dubai, in the United Arab Emirates, will probably attract visitors from the entire Middle East as well as Iran, Saudi Arabia, Pakistan and Egypt
  - A leading industrial trade fair in Frankfurt may well have a global reach, with visitors coming from all five continents
  - More and more trade fairs are taking place in Beijing and attract large numbers of buyers from all parts of Asia

Choosing the right trade fair checklist

- **Industry sectors served**
  - The international trend is towards sector-specific trade fairs - ensure that your product range falls within the sectors targeted by the fair
  - Visitor numbers are not necessarily the most helpful guideline: a highly sector-specific trade fair may attract a relatively low number of visitors but will be the most appropriate for your product.
  - Large trade fairs are usually split into a number of divisions; ensure that your booth is located within the most suitable division for your product range.
- **Trade versus consumer fairs**
  - A trade fair that is not open to the general public is most likely to attract trade buyers with whom you could develop long-term business
  - Trade fairs usually prohibit direct sales from the booths
  - Consumer fairs are open to the public and visitors are usually intent on immediate purchases
  - For a trade show, you will take only a sample range for display
  - For a consumer fair, you will need stock of your product in order to meet customer demand on site
  - At a consumer fair you will have to offer facilities to take cash or credit card payment from your customers
- **Other factors to consider**
  - Track record of the trade fair organisers
  - Frequency of the trade fair
  - History of the trade fair
  - Endorsements by leading trade associations
  - Visitor numbers and profile
  - Origin and numbers of international exhibitors

case study

A couple of years later, when Western Cape Lights was already starting to sell to House Décor, Ricardo decided to exhibit again in order to open up additional opportunities to export into Europe. He had learned from his previous mistake and took advice on what trade fair he should go to, how he should prepare, what assistance was available. Also, by this time, his brand image was developed and he had some reasonably well co-ordinated publicity material.

The second participation, in The Lighting Show at the National Exhibition Centre in Birmingham, UK, was far more successful and Western Cape Lights attracted interest from several potential new buyers in Europe.

Ricardo wasted no time in following up those leads when he returned to South Africa.

Setting your trade fair budget

Whether you will be financing your own independent participation in a trade show or will be participating in a trade show through Wesgro, supported by the Department of Trade and Industry, you need to draw up a detailed trade fair budget.

- **Expenses incurred in South Africa**
  - Promotional materials:
    - Business cards
    - Brochures/leaflets
    - Postcards
    - Display samples
    - Give-aways
  - Display requirements:
    - Booth design costs
    - Wall posters
    - Shelving systems
    - Company signs and graphics
    - Draping, carpets and special props
  - Pre-show marketing:
    - Compiling or purchasing a pre-show customer database
    - Invitations to potential buyers and distributors – to be sent out well in advance
    - Advertising in show directory
    - News/publicity release
- **Travel and freight costs**
  - Air fares

- Accommodation
- Local travel in the foreign market
- Telecommunications and internet
- Subsistence
- Freight to and from the exhibition
  - If you make use of exhibition assistance provided by the Department of Trade and Industry, you must use a preferred service provider

important

If you make use of exhibition assistance provided by the Department of Trade and Industry, you must use a preferred service provider.

- **Exhibition booth costs**
  - Space cost:
    - Obtain this from the organisers and verify exactly what is included
    - Some fair organisers quote on raw space only
    - Others include basic walling, carpeting and furniture
    - Some offer enhanced packages with lighting and fascia panels
  - Other items:

    There are many items you may need, which are not included in the standard booth package.

    - Lighting
    - Carpeting
    - Plug point
    - Furniture (tables, chairs, shelving, counters, lockable cabinet).
    - Audio-visual equipment
    - Telephone/Internet access
    - Refrigerator.
    - Cleaning services.
    - On-site labour costs
    - Drayage (delivery of your goods onto your booth and out again after the exhibition)
- **Special services**

  Special services that you might require, depending on the nature and location of the show:

  - Interpreters
  - Additional sales staff
  - Credit card facility (on a consumer show)

Planning your display

At an international trade fair you are displaying against the best in the world. To attract visitors to your booth, your display must effectively communicate what you have to offer.

There are practical and cost-effective ways of achieving this, but always make sure that you comply with the venue regulations stated in the set-up manual that the organisers provide to exhibitors.

- **Signs and graphics**
  - Use signs and graphics to establish your company identity and to support the image that your stationary and promotional material conveys.
  - Standard signs are sometimes provided in the booth package, but it would be better for you to use a graphic designer to incorporate your symbol or logo.
- **Show your South African identity**
  - Your South African identity can work to your advantage, especially if your product falls into a sector for which South Africa is particularly well known, such as crafts, food, wine and travel.
  - Your South African identity immediately sets you apart from competitors.
  - You avoid wasting time with visitors who are not interested in imported products.
- **Create an environment**
  - Setting the tone for your whole exhibit is one of the most important design aspects.
  - Colour is an essential element and you may choose painted walls, draping, carpeting or other techniques to achieve this.
  - Joining forces with other South African exhibitors with similar products creates a greater impact e.g. a group of complementary crafts or textile products.
- **Lighting**
  - If your booth is fully illuminated it will be welcome, warm and will display your products well.
  - The trade fair organisers might provide lighting or you might decide to order a plug point and supply your own lighting.

- Aim for an even spread of illumination and use beams to highlight your goods.
- Remember to include in your budget the cost of fixtures and labour for installing them, as well as power.

◆ **Choose the right merchandise**

- Your product range should be cohesive and should reflect what you are able to offer the market.
- Avoid overcrowding your booth – a crowded booth will be off-putting to your target audience.

Pre-Fair Checklist

- ☐ Read the trade fair set-up manual provided by the organisers
- ☐ Ensure that you are listed in the trade fair directory
- ☐ Plan your display and the promotional items that you will be using on your booth
- ☐ Order furniture, booth extras, exhibitor badges and fascia panels
- ☐ Investigate special promotional opportunities offered by the trade fair organisers
- ☐ Invite target customers to visit your booth – this should be done well in advance
- ☐ Prepare your price lists and order book
- ☐ Make your travel arrangements
- ☐ Finalise insurance and delivery of freight to the trade fair
- ☐ Pay for your booth and services according to the payment schedule set out by the organisers

Practical hints for exhibitors

- Try to get to the city where the fair is being held a few days before the exhibition opens and plan on staying a few days after it closes. This allows you to recover from any jet lag, to become acquainted with the city and to evaluate your competition. After the trade fair you will have time to immediately follow up some of your leads.
- Try to have two representatives on your stand. At a busy trade fair you will lose potential buyers/contacts if you keep them waiting. Both of

you must know the product, pricing structures, lead times for orders, possible modifications to your product if requested, and so forth.

- Choose accommodation near the trade fair venue. You do not want to spend time, money and effort commuting each day. This means planning well ahead to ensure you can get a booking.
- Follow the rules: it is embarrassing to be sanctioned by the organisers for selling products directly from your stand at a trade-only show.
- Be aware of security. Trade fair security is generally good, but do not leave personal valuables (wallets, cell phones, laptops) in public view.
- Make sure you have a system for collecting business cards and of taking proper notes of all enquiries. A scrapbook in which you staple cards is quick and effective.
- More and more organisers offer the facility to exhibitors of ordering a scanner so that they can immediately capture details of all visitors to their booths.
- Keep your booth neat and do not crowd the entrance.
- Observe trade fair times. Aim to be at your booth well before starting time in the morning to tidy your booth and prepare for the day.
- Bring all necessary stationery with you from South Africa. This includes:
    - Business cards
    - Order book
    - Stapler, scissors and pocket knife
    - Scrapbook for visitors' cards
    - Paper and pens
    - Prestik
    - Clear adhesive tape as well as packing tape.
        - Your hard work begins after the trade fair is over

Trade Fair Follow-Up Checklist

- ☐ Post-show review
    - Review what you have learned about your exhibit, your product and your market.
    - Few exhibitors return to a trade show the following year without having made major changes to their products, their prices, their presentation and their packaging.
- ☐ Build up your post-trade fair database
    - Capture all enquiries into a usable contact list.
    - This is one of the tangible assets resulting from your participation.
- ☐ Follow-up all enquiries
    - Immediately e-mail all enquirers thanking them for their interest.
    - Remind them of your product range (refer them to your website, if you have one).
    - Give them a timetable for a further response from you.
    - If any specific problems arose concerning issues such as delivery, pricing, warehousing and packaging, find practical solutions and inform the relevant people.
    - If you received orders, ensure they are despatched on time, and then follow up invoicing and payment.
- ☐ Book for the following year?
    - Your post-show review will dictate whether or not trade fair participation fits your export development plan as you had expected.
    - If it does and this trade show was an appropriate one for you, you may want to book immediately for the following year to ensure that you obtain the same booth or that you improve your location.

Export marketing assistance from the department of trade and industry (dti)

case study

While Ricardo was still at the first trade exhibition that Western Cape Lights participated in, Marcia heard about the Export Marketing and Investment Allowances. She did not have all the details, but she e-mailed Ricardo to keep records of all his costs so that they could claim.

It was only later that she learned of the complex procedures applying to the EMIA schemes. Worst of all, she found out that Western Cape Lighting could not claim anything because they had not applied in advance. She resolved not to make that mistake again, and obtained full details of all the schemes. The next thing she did was to register Western Cape Lights as an exporter with the local Customs office.

When Western Cape Lights decided to exhibit a second time, Marcia submitted their application to TISA well in advance and motivated their case so well that the application was approved.

What Is EMIA?

The Department of Trade and Industry (DTI) subsidises certain export marketing costs incurred by qualifying South African enterprises.

- The subsidies are known as the Export Marketing and Investment Allowances (EMIA) and are administered by the Industrial Development Incentive Administration Division (IDIAD) of the DTI.
- These notes cover only the EMIA components related to developing export markets for South African products. The export marketing components of EMIA are:
    - Primary export market research
    - Outward selling trade missions
    - Inward buying trade missions
    - Exhibition (trade fair) assistance, covering national and mini national pavilions, and individual exhibitions (trade fairs) and in-store promotions
    - Assistance to industry sectors

Who qualifies for EMIA schemes?

- **Types of companies**
    - South African manufacturers of products who are registered with the SA Revenue Service

- South African export trading houses representing at least three SMMEs or HDI-owned businesses
- South African agents representing at least three SMMEs or HDI-owned businesses
- South African export councils, industry associations and joint action groups (JAGs) representing at least five South African entities
- Your company must have been operating for at least a year
- You must be registered as an exporter with the Commissioner of Customs & Excise

◆ **Approval criteria**

The DTI many factors into account and these are set out in the EMIA guidelines. Note that the marketing activities must relate to a value-added South African product containing 35% local content, including raw materials and packaging, but excluding commissions, taxes, and duties (see guidelines for complete definition).

◆ **Classification of companies**

For the purposes of the scheme, companies are classified according to different categories:

- Previously (historically) disadvantaged businesses (HDIs), providing such enterprises are also SMMEs.
- SMMEs, which must be privately, independently or co-operatively owned and managed.
- Other companies, that is, all those that do not fall into the above classifications.

◆ **General requirements for the subsidies**

- Each scheme is governed by detailed requirements, which are modified periodically. You must ensure that you have the latest guidelines for the scheme you wish to apply for and that you use the correct application form.
- You must apply for an EMIA scheme before you carry out the marketing activity; two months' or 60 days' notice is required. If you apply to participate in a national pavilion your application must be submitted in time for the selection meeting for the specific event. Wesgro will inform you of national pavilions in which it is arranging participation.
- You may claim the approved amount of assistance only after you have completed the marketing activity.

  - There is a specific, very detailed application form for each EMIA scheme, obtainable from Wesgro or the DTI's website. You must complete the form in full and attach all required documentation.
  - You should obtain an EMIA claim form before you begin the marketing trip to ensure that you keep all the documentation needed to support your claim.
- You must submit your claim to IDIAD, with all required supporting documents, within three months of returning to South Africa.

◆ **Use of preferred service providers**

- You will receive the subsidy on your approved air travel only if you book and purchase your ticket through certain preferred service providers. A service provider of your choice might be considered if the quotation is cheaper than that of the preferred supplier.
- The same applies to the freighting of samples or exhibition material.
- If you choose not to use the preferred service providers, you may still claim for other approved costs.

Extent of subsidies

◆ **Primary export market research and product registration**

- This scheme is available to individual exporters only if supported by DTI's sector specialist.
- Check the details of the scheme to ensure that you comply with all necessary documentation when you submit your application and later when you submit your claim.
- You will be subsidised only for one person to visit a market or market region.
- Check the DTI website for current levels of assistance.

◆ **Outward selling trade missions**

- The same subsidies as for primary export market research.
- The mission organiser submits the claim together with all required documentation.

◆ **Inward buying trade missions**

- Check the details of the scheme to ensure that you comply with all necessary documentation when you submit your application and later when you submit your claim.
- For an incoming group mission a business or economy class return

    airticket and domestic air travel in South Africa is subsidised 100% and for an individual buyer, the subsidy is 50%; you must use the preferred service providers

  - Check the DTI website for current levels of assistance.

- **Exhibition assistance**

  There are various forms of assistance:
  - National pavilions
  - Mini national pavilions
  - Individual exhibitions
  - In-store promotions (IDIAD subsidises certain costs for HDIs and SMMEs)

Contact details

- Information on these schemes is available from Wesgro.
- It is also given on the DTI website at www.thedti.gov.za.
- Companies may contact the DTI for full details of the application and claims procedures at the following telephone numbers:
  - Individual exhibitions, primary market research, individual missions: Donald Mabusela (Director) on 012 394 1716; fax 012 394 2716; e-mail: dmabusela@thedti.gov.za
  - National pavilions and group missions:
  - Ernest Moagi (Director: Export Marketing) on 012 394 1961; fax 012 394 0114/7; e-mail: emoagi@thedti.gov.za.

Product Checklist

- ☐ What consumer preferences in your target market affect the acceptability of your product?
- ☐ What technical specifications does the buyer of your industrial product demand?
- ☐ What government regulations affect your product?
- ☐ What packaging and labelling regulations must you comply with?
- ☐ Any special packaging likely to be required by your buyer?
- ☐ Is your product affected by climatic and geographic conditions?

checklist

Product Checklist

- ☐ Are your brand name and symbols suitable for your target markets?
- ☐ What service support can you give to add value to your product?
- ☐ Note that some products may have special requirements.

Checklist for agency and distributorship contracts

- ☐ Your relationship with any agent or distributor you appoint needs to be set within a formal contractual framework. This could be in the form of a Letter of Intent for a trial period before you enter a full contract.
- ☐ The difference between the functions of your agent and your distributor will be reflected in the details of such contracts.
- ☐ You should seek expert legal advice on such contracts, but the following are some of the points you should discuss with your proposed agent or distributor and include in the contract:
  - The products covered by the agreement.
  - The geographic region (for example, you do not have to give your agent exclusivity for the whole of North America, or even Australia!).
  - When the agreement takes effect and how long it will run for.
  - What you expect the agent and distributor to do:
    - Performance level: spell out the value of sales to be achieved over a certain period.
    - Development of new business: state target sectors or buyers to be developed.
    - Market information: decide what key market information you want to receive regularly.
  - What you undertake to do.
  - Whether you will allow the agent or distributor to appoint sub-agents/sub-distributors; this is usually not advisable.
  - Product warranties, if applicable, and indemnity against product liability claims.
  - Determination of prices and terms of delivery (Incoterms).

Checklist for agency and distributorship contracts

- Level of commission your agent is to receive and on what basis it is calculated.
- In the case of a distributor, whether you will contribute to any promotional activities.
- What type of technical support the distributor must provide, stockholding of spares, warranties, etc.
- Termination and consequences of termination (legal protection for both parties, your lawyer should advise you).
- Other normal legal clauses concerning, for example, identity of parties to the agreement and addresses.
- Applicable law: it would be beneficial to have the contract subject to South African law; the contract should provide for arbitration in the event of a dispute.

important

Guidelines on contracts are given in good faith. Consult with your legal advisor for specific assistance.

Checklist for setting trade fair objectives

You need to set clear and realistic objectives before you commit yourself to participating in a trade fair abroad. The most common realistic objectives would be:

☐ Undertake market research

- To assess the viability of your product in the market.
- To gain firsthand information about:
  - Pricing levels.
  - Channels of distribution.
  - Technical requirements.
  - Suitability of your packaging.
  - Any other essential factors.

☐ Create product awareness

- To introduce your product to buyers, import agents and distributors and let them see and touch it
- To develop an effective marketing database of buyers, importers, distributors, etc., for post-show follow-up
- To make as many worthwhile contacts as possible

checklist

Checklist for setting trade fair objectives

- ☐ Appoint a distributor and/or agent
    - To identify suitable potential agents and/or distributors according to the criteria you have drawn up (see page XX on identifying a suitable agent or distributor).
- ☐ Sell your product
    - Trade fairs usually do not allow the sale of products from the stand; your objective would be to obtain orders for later delivery.
    - Many, possibly most, exhibitors do not obtain orders during the trade show. They receive enquiries for subsequent follow-up.

Do not expect to appoint an agent or distributor during the show; you will compile a short list of potential partners to evaluate afterwards.

Pre-fair checklist

- ☐ Read the trade fair set-up manual provided by the organisers
- ☐ Ensure that you are listed in the trade fair directory
- ☐ Plan your display and the promotional items that you will be using on your booth
- ☐ Order furniture, booth extras, exhibitor badges and fascia panel.
- ☐ Investigate special promotional opportunities offered by the trade fair organisers
- ☐ Invite target customers to visit your booth – this should be done well in advance
- ☐ Prepare your price lists and order book
- ☐ Make your travel arrangements
- ☐ Finalise insurance and delivery of freight to the trade fair

Pay for your booth and services according to the payment schedule set out by the organisers.

Trade fair follow-up checklist

- ☐ Post-show review
    - Review what you have learned about your exhibit, your product and your market.
    - Few exhibitors return to a trade show the following year without having made major changes to their products, their prices, their presentation and their packaging.

Trade fair follow-up checklist

☐ Build up your post-trade fair database

- Capture all enquiries into a usable contact list.
- This is one of the tangible assets resulting from your participation.

☐ Follow-up all enquiries

- Immediately e-mail all enquirers thanking them for their interest.
- Remind them of your product range (refer them to your website, if you have one).
- Give them a timetable for a further response from you.
- If any specific problems arose concerning issues such as delivery, pricing, warehousing and packaging, find practical solutions and inform the relevant people.
- If you received orders, ensure they are despatched on time, and then follow up invoicing and payment.

☐ Book for the following year?

- Your post-show review will dictate whether or not trade fair participation fits your export development plan as you had expected.
- If it does and this trade show was an appropriate one for you, you may want to book immediately for the following year to ensure that you obtain the same booth or that you improve your location.

where to find help

Note that the information or help you request should be relevant to the organisation's field of activity.

- Wesgro
- Business development organisations (product standards)
- Chambers of Commerce
- Competitive intelligence specialists
- Export Councils
- Freight forwarders
- Government departments
- Industry associations
- IT development/support specialists (website development)
- Market research agencies
- Online information providers
- Publishers of trade journals
- Specialist research organisations
- Trade or business consultants (marketing)
- Trade or business consultants (technical)
- Trade fair specialists
- Trade libraries
- Trade portals
- Translation services

Section 5: Getting to grips with logistics

In this chapter:

The story of Western Cape Lights

Understanding transport issues: modes of transport

Quoting for export

Getting paid for your goods

Handling the paperwork

Importing machinery, materials and parts

case study

The story of Western Cape lights

- Once Marcia and Ricardo had started communicating with House Décor in the United Kingdom, they needed to look into the logistics aspects of exporting – how to quote for export, how to transport their lamp bases, how to arrange payment, and what paperwork needed to be prepared.
- Logically, they need first to be able to quote export prices to their potential buyers. However, in order to do that, they needed first to understand the other basics of export logistics that would affect the prices they would quote.
- It emerged fairly soon in their discussions with House Décor that Marcia and Ricardo would have to arrange for their lamp bases to be transported from their factory in Woodstock to their buyer's premises in the UK, initially, and later in Germany. First they had to decide how they should send their consignments to their buyers.
- Ricardo favoured sending their lamp bases by air so that they would reach their buyers quickly and Western Cape Lights would be paid quickly. A friend of Marcia's had recommended that she contact Janna Abrahams at One World Freight Forwarders if she needed any help with transport.
- Marcia therefore contacted Janna and with her help investigated different transport modes. She then persuaded Ricardo that sending their products by air would be necessary only if the buyer had a really urgent need and was prepared to pay the extra transport costs.
- Marcia had further discussions with Janna at One World Freight and came to the conclusion that the main part of the journey from Cape Town port to the foreign ports would be by sea. Because their early export orders were likely to be relatively small, they would use a groupage service provided by their freight forwarder.
- Western Cape Lights' early export consignments were delivered by road to One World's premises where they were consolidated into a container, which was then transported, again by road, to Cape Town port. The container was transported by sea to the port of Felixstowe, which was the entry point for their English buyer. From Felixstowe the consignment was transported by road to their buyer's central warehouse. Marcia realised that their export consignments were in fact making use of multimodal transport.

Understanding transport issues: modes of transport

Your goods will move from the Western Cape to a foreign market by sea, by rail, by road or by air – or by a combination of these modes.

The method you choose will depend on the nature of your product, the cost of transporting it, your preference and your buyer's needs.

Air transport

- Air transport has many advantages. Although expensive, it is fast and generally more secure (against damage and theft) than other transport methods.
- You would consider air transport for your goods if your product is of low mass and high value, such as jewellery, or if you are exporting perishable products such as fresh flowers, live lobsters and crayfish.

- Even if none of these situations applies, it is still worthwhile asking your freight forwarder to help you to do a total cost comparison with other possible modes of transportation.

Sea transport

- Because South Africa is situated a long way from major markets of the world, the greatest proportion of our exports move by sea.
- If you are targeting countries in the Far East, Europe, North and South America and Australia, and even some countries on the African continent, your goods will travel by sea for at least part of the journey.
- These are some features of sea transport:
  - Your goods will travel more slowly by sea than by air, but this is nonetheless a good transport mode for consignments crossing oceans and seas.
  - Sea transport is very suitable for moving large-volume goods, whether they are shipped as bulk or breakbulk cargo or as full container loads (FCLs).
  - If your export consignments are not large enough to fill a container, they can still be shipped cost-effectively if they are packed into a container with goods from other exporters going to the same destination. The other export consignments do not have to be going to the same buyer, just to the same container depot in the foreign country.
  - This service of consolidating consignments of different exporters to make up a full container load is called an LCL (less-than-container-load) service or groupage.

important

Air transport might be your best choice if your buyer is located in a place unreachable by other transport modes, such as some countries in Africa, particularly during the rainy season.

Road transport

- If you are shipping your goods by air, road transport will be used to take your goods to the airport.
- If your goods are going by sea (FCL, LCL or groupage), the container will usually travel by road to Cape Town port.
- If you are exporting to other countries to the north of us, road transport may be important for you.
- You should consider the following points about road transport:
  - It can be used whether your consignments are large or small in volume.

important

Consolidating a consignment in a container is known as an LCL service when offered by a shipping line; it is groupage when offered by a groupage operator.

  - A road transporter can offer you a door-to-door service. This means he collects the consignment from your premises and delivers it to the buyer's premises or a depot in the buyer's country.
  - The cost and reliability of the road transport service varies from one haulier to another.

Rail transport

- If your Western Cape factory or production facility is relatively close to Cape Town and you are not shipping bulk or breakbulk consignments, it is unlikely that rail will feature in your transport options in South Africa.
- However, if you are located some distance from Cape Town port, or if you are shipping goods in bulk or breakbulk, then it is possible that your consignments will travel by rail to Cape Town port.
- Whether your exports are containerised, bulk or breakbulk, when they reach the foreign market they might be transported by rail from the port of entry closer to the final destination.

Multimodal transport

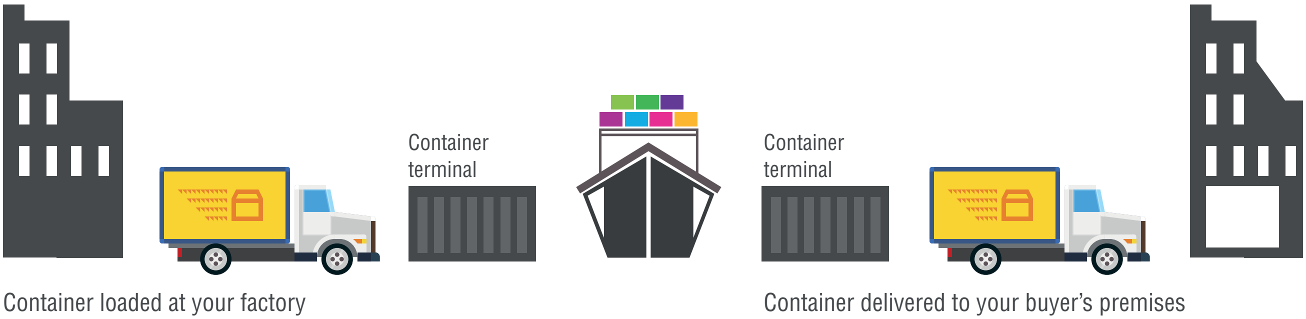
- Most small exporters learn that their export consignments move by multimodal transport. The concept is quite easy to understand:
  - The term is used when your goods are transported by a combination of road, rail and sea or road and air modes.
  - A multimodal transport operator will offer you, in one contractual agreement, a complete transportation service to suit you and your buyer, no matter how many different transport modes are required to get your goods to where you and your buyer want them to be.
  - Containerisation and courier services are typical examples of multimodal transportation.
- The following explains the procedures for FCL, LCL and groupage shipments:

FCL (full-container-load) shipment

- Road haulier collects full container from your factory for transportation to Cape Town port
- Container is loaded onto ship for transportation to port of destination

- Container is off-loaded from ship onto railway wagon or road truck for transportation to inland terminal
- Road haulier delivers container to buyer's premises

FCL export consignment



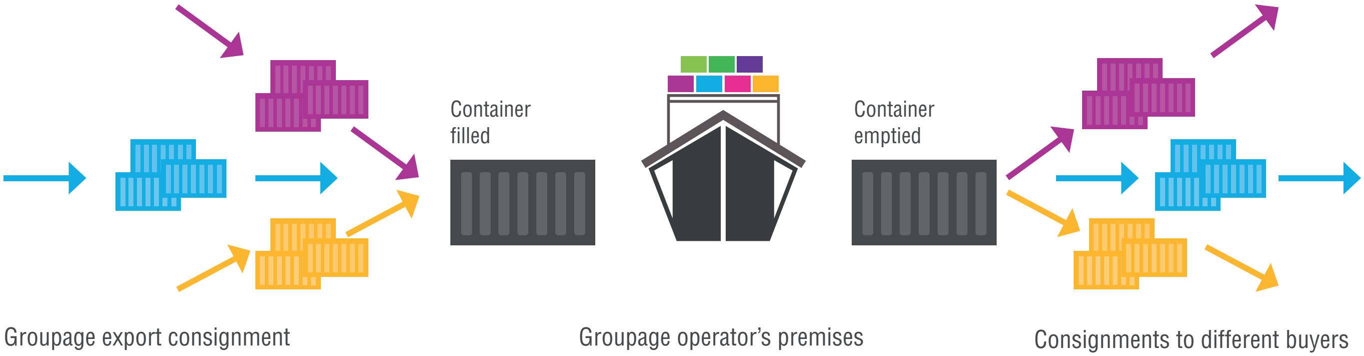
LCL shipment

- You deliver your consignment by road to container depot appointed by shipping line, or container depot collects the consignment
- Your products are consolidated into a container with products from other exporters
- Depot delivers container to port terminal by road
- Container is loaded onto ship for transportation to port of destination
- Container is off-loaded from ship onto railway wagon or road truck for transportation to shipping line's depot
- Container is unpacked at depot and road haulier delivers your consignment to buyer's premises

Groupage shipment

- Groupage operator collects your consignment by road from your factory, or you deliver the consignment to the operator
- Groupage operator consolidates goods into a container with consignments of other exporters for transportation to Cape Town port
- Container is loaded onto ship for transportation to port of destination
- Container is off-loaded from ship onto railway wagon or road truck for transportation to operator's depot.
- Container is unpacked at depot and road haulier delivers your consignment to your buyer's premises

Groupage export consignment



Courier service

- Courier collects the small parcel from your premises by road for transportation to courier's depot
- The small parcel is sorted for place of destination and transported to airport by road
- Small parcel is loaded onto aircraft for transportation by air to airport of destination
- Small parcel is off-loaded from aircraft and transported to courier's depot by road in town area of your buyer's premises
- After parcels have been sorted according to town suburbs or areas, small parcel is delivered to your buyer by road

case study

- Marcia and Ricardo as well as their buyers have always been aware that their lamp bases could be damaged while being transported to the foreign market – or the consignments might be lost entirely. They have therefore always sought insurance against such risks. Insurance is a complex issue and Marcia has tried to learn as much as possible about the subject.
- She believes she should understand the risks that Western Cape Lights faces and the steps that she can take to minimise any loss. One of the first things she found out was that the term of delivery that Western Cape Lights negotiated with its foreign buyers determined at which stage of a consignment's journey the risk of loss or damage during transit passed from Western Cape Lights to the foreign buyer.
- Where Western Cape Lights was to include the cost of marine insurance in its export price, Marcia needed to know how much the insurance premium would be; this depended on the value of the export consignments as well as on the mode of transport and some other factors.

Marine insurance

When your export consignment is being transported to a foreign destination it is exposed to various kinds of risks

- It may be damaged by fire, explosions or poor handling
- It may be lost because the ship sinks or the aircraft crashes
- Items may be missing because of theft
- Delivery may be prevented because of war or strikes
- You can cover such risks by taking out marine insurance

Determine the risk

- Before you consider taking out marine insurance you need to first determine what risks you face on what leg of the transport journey.
- The term of delivery that you have agreed with your buyer sets out who is responsible for the risk of loss of, or damage to, the goods. For example:
  - Under the FCA term your risk ends when the goods have been handed to the carrier in South Africa
  - Under the term DDP your risk extends to a place of delivery in your buyer's country

Types of marine insurance cover

- You can take out a marine insurance policy for just one shipment, or for all your export shipments during a year.
- The policy forms the basic outline of the full contract, but incorporates separately the type of risk cover you require.
- The scope of risk cover is set out in a number of standard clauses, called "Institute Cargo Clauses", designed by The Institute of London Marine Underwriters.
- These clauses are used worldwide and include the following:
  - Clauses A, which cover your goods for "all risk" of physical loss or damage except for certain exclusions – check with your insurance broker.
  - Clauses Air, which are similar to Clauses A except that they have been specifically designed for airfreight. They also have the same exclusions as Clauses A and do not cover airmail post.

important

"Marine" is an historical term and does not apply only to transport by sea but to other modes of transport used in international trade. For this reason, marine insurance is often known as cargo insurance.

important

References to "term of delivery" and "Incoterms®" are explained later in this section under the heading "Quoting for export".

- Clauses B and C, which provide cover against some nominal risks and are mainly used for certain goods shipped as bulk cargo. They also have the same exclusions as the other two sets.

Risks not covered

- Your standard marine insurance policy will not provide cover against certain risks and you should ask your insurance broker to explain these to you.
- Although wars, strikes, riots and civil commotions are exclusions, you can cover separately against loss arising from these risks through the Institute War Clauses and Institute Strikes Clauses.

Transit risk

- Marine insurance usually covers the international movement of cargo warehouse to warehouse (from premises to premises).
- However, if you are selling on, for example, the FCA term of delivery it is possible that you are not covered for the risk of damage to your goods or for their loss while they are in transit from your factory to the point of delivery in the Western Cape.
- Your insurance broker can arrange cover for this risk.

Marine insurance premium and the insured value

- The premium is calculated as a percentage of the insured value of your export consignment but subject to a minimum flat fee.
- This percentage depends on the type of product you are exporting, the mode of transport and other circumstances influencing the degree of risk involved. It is usually lower when airfreight, rather than other forms of transport, is used because the risks of damage or loss are less.
- The minimum insured value of your export consignment must be based on CIF/CIP + 10% unless you and your buyer have agreed upon a different percentage.
- The additional 10% covers costs such as import duties, inland transport in your buyer's country and other possible costs.

important

References to "term of delivery" and "Incoterms®" are explained later in this section under the heading "Quoting for export".

case study

- As we have seen, Marcia and Ricardo began a close working relationship with their freight forwarder, Janna Abrahams, very early in their export development.
- They needed to obtain a great deal of information and advice from her about transporting their lamp bases to target markets, packing requirements and other logistics issues.
- They also found that her company, One World Freight Forwarders, offered a groupage service for the relatively small consignments they exported. Furthermore, Janna could handle most of the export documentation for them so that Marcia did not have to employ additional administrative staff – nor did she have to work at the office until 22h00 every night of the week!
- Western Cape Lights found that working closely with their freight forwarder saved them time and, equally as important, they avoided incurring unnecessary costs.

Your freight forwarder/clearing agent

A freight forwarder specialises in arranging land, sea and air transportation of goods, and also offers expertise in other fields related to the international movement of cargo.

The role of the freight forwarder

Your freight forwarder can help you in the following basic ways:

- He can act as an agent for you in transport-related matters
- He can act as a transport operator offering:
  - Groupage container services where the international transport mode is sea
  - Consolidation services where the international transport mode is air

The freight forwarder as your agent

- When the freight forwarder acts as your agent we do not mean that he is your marketing agent. In this context, he is your agent in transport and related matters, and his services can therefore cover a range of activities in this field:
  - Advising on the best and most economical mode of transport and transport routes; this would include carrying out the total cost comparison of sea versus air transportation that we mentioned earlier in this section
  - Advising on schedules and transit times
  - Booking cargo space and arranging inland transport to the carrier in the Western Cape and, if required by the term of delivery, from the carrier in the foreign country.

- Arranging or advising on packing and marking of your export consignments according to requirements; this is very important if you are exporting goods classified as dangerous.
- Offering warehousing for cargo before shipment as well as the packing of containers if you do not have adequate facilities or knowledge.
- Preparing, obtaining or advising you on all the documentation required for your export consignments to move from the Western Cape to the foreign market.
- Arranging for your goods to be cleared through your nearest customs office before shipment and also customs-cleared into your export market if the term of delivery requires it.
- Facilitate in obtaining marine insurance for your shipment.

* Your freight forwarder is entitled to charge you for services he provides and it is best for you to discuss his fee tariff with him early on in your relationship so that you can take these costs into account.

important

Have a frank discussion with your freight forwarder early in your relationship to determine the services you would like to use and the fees you will be charged.

Your freight forwarder as transport operator

Where your freight forwarder fills the role of a groupage operator or air consolidator, you should take note of certain things:

* Your forwarder is entitled to levy his own tariffs and charges. However, because he places regular business with carriers he receives very competitive rates from them. Using the groupage or airfreight consolidation services of your freight forwarder is often cheaper than other options that might be available to you.
* You need to remember that it may take your forwarder a while to fill a container. The delay in your export consignment being shipped might be only a few days but might be a couple of weeks, depending on the country of destination.
* Taking into account the two previous statements, groupage and airfreight consolidation are very cost-effective and should be considered if speed of delivery to your buyer is not a critical issue.
* Your forwarder is legally responsible (within certain trading terms) for the transportation of your goods from the place that he accepts them from you to the place where he delivers them to your buyer.

What should you do?

- We advise small and even medium-sized exporters to use the services of a reputable freight forwarder. Even large exporters, with their own shipping departments, use some of the services provided by freight forwarders.
  - You will find that it will cost you more to try to do it all yourself than if you pay your freight forwarder for doing most of the transport-related work for you.
  - However, you still need to manage your export process. Therefore you need to know enough about export logistics to give your freight forwarder the correct information at the start and to check the documents as well as the invoice that your freight forwarder gives you later.

case study

Ricardo and Marcia had a good product costing system for sales to their domestic buyers. When they started exporting, they first had to estimate the "factory cost" of lamp bases for export by stripping out all the costs that related only to units produced for the local market. Then they added all the product costs that were specific to export orders, plus their target profit margin per unit, to give them their factory price.

Although Ricardo had established in his own mind a broad export pricing policy, neither he nor Marcia had any idea how they should set their export prices when they first started.

Marcia thought they should quote a factory price and let their buyers sort out the rest, but Ricardo thought that good marketing meant they should quote a price for delivering the lamp bases to their customers' warehouses in the foreign market.

When Ricardo met with Gretta Sheffield of House Décor in London after his disastrous trade fair experience, Gretta soon raised the question of price. Ricardo realised that he was totally unprepared and had no idea what price to quote or even how to estimate a price.

Fortunately, Gretta was impressed with the design and quality of Western Cape Lights' products. House Décor was looking for innovative products and this seemed to be one. She therefore agreed to give Ricardo time to come back to her with prices, saying that while she would like a DDP price, she would accept a CIP price. Ricardo had no idea what she meant!

Back in South Africa, Janna introduced them to the concept of the Incoterms®, which would allow Western Cape Lights to quote prices according to where in the transport chain between the factory and their buyers' premises delivery of the consignments was to take place.

Marcia and Ricardo debated for some time what term of delivery to offer Gretta. Janna explained all the different Incoterms®. She also pointed out that as most of their export consignments would be too small to fill a container, they should look at groupage or LCL consignments. Bearing in mind Gretta's comments, they decided to use the CIP term for most shipments, feeling this gave some control over their shipments and an element of service to their buyers. Mode of transport would usually be by sea.

Janna helped Marcia to draw up an export cost checklist so that she would be able to compile an export quotation fairly easily. Janna warned, however, that Marcia must check all the costs fairly regularly to ensure that none had changed and that where she departed from the sample CIP checklists, she must ensure that she had included all the charges she would face.

Marcia, with Janna's help, prepared some sample export pricings for her UK and German business. First she prepared the basic information that was required. This included the number of lamp bases, their mass and volume, ex works unit price including packing, and where they were going to.

Then Janna gave Marcia the cost information needed so that Marcia could complete a basic range of export pricings. They had not yet identified a German buyer, but they suspected that if they were successful, the orders might be larger than for the UK market and Marcia calculated a CIP Hamburg price based on an FCL consignment.

Janna gave Marcia information to enable her to quote House Décor on a CIP Felixstowe port groupage seafreight consignment and on an urgent airfreight consignment CIP Heathrow Airport, London.

Quoting for export

Costing base

- **Factory price**
  - When starting your costing for export it is a good idea to use the concept of "factory cost" and "factory price" – the difference between the two being your profit margin.
  - Your final export price will be your factory price plus all the export delivery costs according to the Incoterm® you and your buyer agree on.
- **INCOTERMS®**
  - Incoterms® are a set of international delivery terms devised by the International Chamber of Commerce (ICC), based in Paris, France.
  - Their purpose is to set out clearly the responsibilities of the seller and the buyer, the costs each must bear and the risks each carries according to the specific conditions of an international trade transaction.
  - The Incoterms® define:
    - The obligations of both you and your buyer regarding the delivery of your consignment
    - The costs you and your buyer must bear
    - The point of delivery where the risk of loss or damage to the goods passes from you to your buyer
  - The latest version of the Incoterms® is the 2010 revision, which covers 11 different delivery terms. These range from "Ex Works", in which you carry the least cost, risk and responsibility, to "Delivered Duty Paid", in which you carry the most cost, risk and responsibility.

important

Setting the right export price means setting a price that is attractive to your buyer and gives you the profit margin you expect.

Incoterms® 2010	
Description	**Code**
Incoterms® to use used for all modes of transport	
1. Ex Works (named place in country of dispatch)	EXW
2. Free Carrier (named place in country of dispatch)	FCA
3. Carriage Paid To (named place of destination)	CPT
4. Carriage and Insurance Paid to (named place of destination)	CIP

Incoterms® 2010	
5. Delivered At Terminal (named terminal at named port or place of	DAT
6. Delivered At Place (named place of destination)	DAP
7. Delivered Duty Paid (named place of destination)	DDP
Incoterms® to be used for sea and inland waterway only	
8. Free Alongside Ship (named port in country of shipment)	FAS
9. Free on Board (named port in country of shipment)	FOB
10. Cost and Freight (named port of destination)	CFR
11. Cost, Insurance and Freight (named port of destination)	CIF

- **Incoterms® most commonly used**

EXW: Ex Works (named place)

EXW Ex Works (named place)
1. You must make the goods available, packed and ready for collection, at your premises or at another named place such as a factory or warehouse
2. In addition to your factory cost you may need to add:
- inspection costs, e.g. checking of quality, weight and measures, if applicable
- packing and marking
3. Thereafter, your buyer bears all risk and costs in taking the goods to the required destination, including the costs of export and import customs clearance

FOB		FCA	
Free On Board (named port of shipment)		Free Carrier (named place of despatch)	
1.	You should use this term for seafreight only - where the international transport leg is only from port to port.	1.	You can use this term for all modes of transport, i.e. sea, rail, road and air.
2.	Suitable for bulk and breakbulk cargo; you should not use it for containerised goods.	2.	Suitable for breakbulk cargo and containerised goods; you should use it for FCL, LCL or groupage shipments where the main leg of international transport is by sea.
3.	You are responsible for delivering the goods on board the ship at a specified port in South Africa (e.g. Cape Town).	3.	You are responsible for delivering the goods into the custody of the carrier at the specified place in South Africa (e.g. your factory or the groupage operator's premises) or a person nominated by the buyer.
4.	Your buyer has the right to appoint the shipping line and nominate the ship.	4.	Your buyer has the right to appoint the carrier and nominate the ship, flight or scheduled rail/road journeys.
5.	The point of delivery/risk is when your consignment has been placed on board the vessel.	5.	The point of delivery/risk is the 1st carrier; this point could be your premises or the groupage operator's premises OR once you hand to goods over to a person nominated by the buyer.
6.	In addition to the costs of EXW, you incur:	6.	In addition to the costs of EXW, you incur:
-	all transport costs in delivering your consignment on board the ship	-	all transport costs in delivering your consignment to the carrier, or to the port terminal if your consignment is containerised
-	transit insurance, if applicable	-	transit insurance, if applicable
-	export cargo dues	-	export cargo dues – sea only
-	terminal handling charges	-	container terminal handling charges – sea only
-	documentation costs including Customs clearance for export	-	documentation costs including customs clearance for export
-	freight forwarder's fees, if applicable	-	freight forwarder's fees, if applicable
-	other costs such as financing and bank charges, credit insurance, agent's commission	-	other costs such as financing and bank charges, credit insurance, agent's commission
7.	Your buyer bears all risks from the time your consignment has been placed on board the vessel at e.g. Cape Town port.	7.	Your buyer bears all risks from the time your consignment has been handed to the 1st carrier at the named place in the Western Cape OR person nominated by the buyer.
8.	Your buyer bears the cost of freight and all subsequent charges.	8.	Your buyer bears the cost of freight (sea, rail, road or air) and all subsequent charges.

CFR	CPT
Cost and Freight (named port of destination)	Carriage Paid To (named place of destination)
1. Basically the same as FOB points 1 - 5, but you nominate the vessel.	1. Basically the same as FCA points 1 - 5, but you nominate the carrier.
2. The costs are the same as those listed for FOB but you also incur: - freight to the named port of destination	2. The costs are the same as those listed for FCA but you also incur: - freight to the named place/port of destination
3. Your buyer bears all risks from the time your consignment has been placed on board the vessel at e.g. Cape Town port.	3. Your buyer bears all risks from the time your consignment has been handed to the 1st carrier at the named place in the Western Cape.
4. If not included in the freight rate, your buyer bears the cost of off-loading and all subsequent charges.	4. If not included in the freight rate and if applicable, your buyer bears the cost of off-loading and all subsequent charges.

CIP: Carriage, Insurance Paid to (named place of destination)

CIF	CIP
Cost, Insurance and Freight (named port of destination)	Carriage, Insurance Paid to (named place of destination)
1. Basically the same as CFR except that you must take out marine insurance for the benefit of your buyer.	1. Basically the same as CPT except that you must take out marine insurance for the benefit of your buyer.
2. Minimum cover is required (port to port) but it is advised that more suitable cover should be taken out (preferably and where possible warehouse to warehouse, i.e. from your premises to the buyer's premises)	2.Minimum cover is but it is advised that more suitable cover should be taken out (preferably and where possible warehouse to warehouse, i.e. from your premises to the buyer's premises)
3. You must insure to the value of CIF + 10%, unless your buyer requests otherwise.	3. You must insure to the value of CIP + 10%, unless your buyer requests otherwise.
4. Your buyer has the right to request the types of risks to be covered.	4. Your buyer has the right to request the types of risks to be covered.
5. The costs are the same as those listed for CFR but you also incur the cost of the marine insurance premium.	5. The costs are the same as those listed for CPT but you also incur the cost of the marine insurance premium.

Export pricing calculations

Basic information for export costing

Germany	United Kingdom	United Kingdom
CIP Hamburg Port	CIP Felixstowe Port	CIP London Heathrow Airport
1x 20ft/6m FCL	2 x pallets by Groupage	3 x big boxes, airfreight
300 wooden lamp bases, packed in individual cartons	224 small wooden lamp bases, packed in individual cartons	36 small wooden lamp bases, packed in individual cartons
10 pallets, 30 cartons each	2 pallets, 112 cartons each	3 boxes, 12 cartons each
Ex works unit price R270,00 including packing	Ex works unit price R225,00 including packing	Ex works unit price R225,00 including packing
Gross mass: 150 kg per pallet; total 1500 kg	Gross mass: 210 kg per pallet; total 420 kg	Gross mass: 25 kg per box; total 75 kg
Volume: 2,28m^3 per pallet; total 22,8m^3	Volume: 2,28m^3 per pallet; total 4,56m^3	Volumetric weight: = 112,5 kg (special formula)
EUR/ZAR exchange rate: 13,8996 (bank's buying rate) USD/ZAR exchange rate: 11,2053 (bank's selling Rate)	GBP/ZAR exchange rate: 17,691 (bank's buying rate)	GBP/ZAR exchange rate: 17,691 (bank's buying rate)

Sample export pricing for CIP Hamburg - FCL

CIP Hamburg Port	
Total Ex Works price	81 000,00
Cross haulage/cartage of container	660,00
Terminal handling charge (THC)	716,00
Export cargo dues	773,00
Carrier release fee	220,00
B/L issue fee: USD 20,00 at rate of exchange (RoE) 11,2053	224,00
EUR.1 certificate	225,00
Documentation	450,00
Forwarder's agency fee: 4,75% of disbursements; min. R500,00	779,00

CIP Hamburg Port		
EDI fee		35,00
	FCA price	85 082,00
Ocean freight: USD 1050,00 @ RoE 11,2053		11 766,00
BAF: 16,31% = USD 171,26 @ RoE 11,2053		1919,00
ISPS: USD 8,00 @ RoE 11,2053		90,00
	CPT price	98 857,00
Marine insurance: 0,24% of (CIP+10%) = 0,24% of R108 743,00		261,00
	CIP price	99 118,00
Unit CIP Hamburg price: ZAR 99 118 : 300 = ZAR 330,39 per lamp Unit CIP Hamburg price in EUR: ZAR 330,39 : 13,8996 = EUR 23,77 per lamp		

Sample export pricing CIP Felixstowe Port - Groupage

CIP Felixstowe Port		
Total Ex Works value		50 400,00
Cross haulage/cartage: R126,00/1 m³ = 126 x 5 cbm (4,56 cbm rounded upwards) (cbm is the standard form of m³)		630,00
Export cargo dues: R55,00 per 1000 kg/1 m³ = R55,00 x 5 cbm		275,00
EUR.1 certificate		225,00
Documentation		450,00
Forwarder's agency fee: 4,75% of disbursements; min. of R500,00 applies		500,00
EDI fee		35,00
	FCA price	52 515,00
Ocean freight: USD 110,00 per 1000 kg/1 m³ = USD 550,00 @ RoE 11,2053		6163,00
BAF: USD 15,00 per 1000 kg/1 m³ = USD 75,00 @ RoE 11,2053		840,00
	CPT price	59 518,00
Marine insurance: 0,286% of (CIP+10%); minimum premium applies		200,00
	CIP price	59 718,00
Unit CIP Felixstowe price: ZAR 59 718,00 : 224 = ZAR 266,60 per lamp		
Unit CIP Felixstowe price in GBP: ZAR 266,60 : 17,691 = GBP 15.07		

Sample export pricing CIP Heathrow, London - Airfreight

CIP Heathrow Airport, London		
Total Ex Works price		8 100,00
Cartage: R1,50 per 1 kg/6000 cm³ = 112, 5 x R1,50 = R 169		169,00
EUR.1 certificate		225,00
Documentation		325,00
Forwarder's agency fee: 4,25% of disbursements; min. of R200,00		200,00
EDI fee		35,00
	FCA price	9 054,00
Air freight: USD 2,20/kg x 112,5 = USD 247,50 @ RoE 11,2053		2 773,00
Fuel surcharge: USD 0,55/kg x 112,5 = USD 61,88 @ RoE 11,2053		693,00
Security surcharge: USD 0,15/kg x 112,5 = USD 16,88 @ RoE 11,2053		189,00
	CPT price	12 709,00
Marine insurance: 0,24% of (CIP+10%); minimum premium applies		150,00
	CIP price	12 859,00
Unit CIP Heathrow price: ZAR 12 859,00 : 36 = R357,19 per lamp		
Unit CIP Heathrow price in GBP: ZAR 357,19 : 17,691 = GBP 20,19 per lamp		

- Pricing for export is primarily a marketing function (see "Section 4: Using the export marketing mix"). However, in order to be able to quote a price that your buyer can understand and that gives you your required profit, it is vital that you take into account all the costs involved in getting your product to your buyer.

Dealing with foreign currencies

- **International currencies and rates of exchange**

Because you are doing business internationally:

- will be expected to quote in foreign currencies, and you therefore need to understand the risk of fluctuating exchange rates and to know what you can do to minimise such risks.
- The term "foreign exchange" means to exchange the currency of one country, say the South African rand, for the currency of another country,

say the US dollar. Foreign exchange is often used to mean the same as foreign currencyand is often abbreviated to "forex".

- The rate of exchange is the amount of one currency that you can exchange for another currency. An exchange rate changes constantly as a result of trading in the currencies concerned in the same way that the prices of shares quoted on stock exchanges change.
- The currencies used in international trade are:

USD	United States dollar	USA
GBP	British pound sterling	United Kingdom (Great Britain)
JPY	Japanese Yen	Japan
EUR	Euro	Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain [There are in total 18 countries]
Other well-known trading currencies are the Canadian Dollar, Australian Dollar, New Zealand Dollar, Singapore Dollar, Hong Kong Dollar and Chinese Yan Renminbi		

- The US dollar is a major international currency and you will often find that you will quote in US dollars even though you are not selling to a buyer in the USA.

Forex risk:

– When you quote a price in a foreign currency, you have to use a certain exchange rate of the rand against that currency at a certain time.

– When you receive payment in the foreign currency, it will be converted into rand but not necessarily at the exchange rate that you used in the first place.

– If the rand has weakened against the foreign currency, you will receive more rand than you expected.

– If the rand has strengthened against the foreign currency you will receive fewer rand than you expected.

– You can protect yourself against the forex risk by taking out "forward cover" (forward exchange contract - FEC) with your bank.

– This is a written/signed contract in which you and your bank agree to exchange the foreign currency you will receive in the future (when you receive payment) at a rate fixed today.

– You must discuss forward cover fully with your bank so that you understand the procedure and what you have to do and when.

important

Why take extra risks by betting on currency movements? Speak to your bank about a forward contract.

- **South African exchange control regulations**
  - In practice, the day-to-day implementation of exchange control is handled by authorised dealers, mostly the commercial banks.
  - Exchange control regulations that affect you as an exporter:
    - You can receive payment for your exports in certain currencies only; these are the rand and all major currencies, as well as payment in rand from a local non-resident account.
    - Your export payments must be back in South Africa within 180 days from the date of shipment; you can get a 6-month extension to this date.
    - You must sell your foreign currency to your bank within 30 days of receiving it. You can choose to keep it in a Customer Foreign Currency (CFC) account for an unlimited period from which you can make payments for imports or foreign agent's commission that might be due.
  - Speak to your bank's exchange control specialist regarding other possible payments you are allowed to make from your CFC account
    - If you ship out goods (e.g. commercial trade samples, promotional items, equipment used for an overseas project, and so forth) worth more than an insured value of R50 000 and you will not be receiving foreign exchange in return, you must complete form NEP (no exchange proceeds). Your bank can assist you with the completion of this document.

Customer Foreign Currency accounts (CFC)

CFC accounts are selected currency denominated accounts used by exporters and importers to hold foreign currency for payment of goods or receipt of funds for products supplied or services rendered. The account can be held in major currencies such as the AUD, CAD, EUR, GBP, JPY and USD and is subject to the South African Reserve Bank's corporate exchange control regulations. Any credits to the account that are received from a non-resident source may remain in the account for an unlimited period.

Some features of a CFC account:

- Assists with managing currency risk.
- Export proceeds can be retained in the account and can be used for settling import commitments.
- Interest earned on CFC accounts may be retained in the account and use for set-off purposes

– The account also enables a company to eliminate the administrative burden associated with early deliveries or extensions of forward exchange contracts (FECs)

– The capability of pooling numerous small amounts until a marketable amount is reached, which can then be off-set against a FEC or favorable spot rate

Exporters can use the facility for both pre and post shipment finance

case study

For Western Cape Lights the ultimate success in exports would be receiving payment for the lamps. In South Africa, the company was dealing with well-known and reputable buyers. Arranging payment from a foreign buyer, however, was a different matter. Ricardo had heard from business acquaintances alarming tales of not being paid or of payment being delayed.

Marcia advised Ricardo that they should request payment by unconfirmed irrevocable letter of credit At Sight when they were supplying a new buyer. Later, depending how the relationship developed, they might consider less expensive methods of payment.

She pointed out that, with South Africa's relatively high interest rates, Western Cape Lights could not afford to give foreign buyers extended credit unless they could build the cost into their export prices. Even if they did that, Marcia thought their cash flow might become very tight.

Gretta Sheffield of House Décor asked Western Cape Lights to quote on a small trial order of about 200 lamp bases. She asked for their best price in British pounds.

With the information that Janna had already given her and the advice she had from her bank, Marcia compiled the quotation for Gretta.

She quoted for 224 lamps, packed in individual cartons on two wooden pallets, on the basis of CIP Felixstowe Port, U.K.(Incoterms® 2010) delivery at GBP15,07 per unit, with a shipment date of three weeks from confirmation of order.

She stated that payment was to be made by an irrevocable letter of credit At Sight.

Gretta accepted Western Cape Lights' quotation for the first trial order and said she would instruct her bank, Bank of Britain plc, to open an irrevocable letter of credit in favour of the South African company.

In due course, Marcia received notification through her own bank that the Bank of South England (Pty) Ltd, correspondent bank of Bank of Britain plc and based in Cape Town, had received an L/C in favour of Western Cape Lights. When Marcia received the L/C, the first thing she and Ricardo did was to check it carefully to ensure that they could meet all the requirements.

They noted that among the documents they would have to provide was the EUR.1, because their lamp bases were listed for preferential entry in the EU (which of course included the UK) under the SA-EU trade agreement. They also noted that Gretta had given them sufficient time to manufacture the order and arrange for it to be shipped.

Marcia then contacted Janna to let her know the good news and to put her on stand-by regarding the shipment of the order.

She mentioned that payment was to be by an irrevocable letter of credit At Sight.

Before Marcia had finally fixed her price for House Décor, she had discussed the possibility of credit insurance with a credit insurance company. As she would be paid by an irrevocable letter of credit and because the country of payment was the UK, they had decided that it would not be necessary.

Marcia was excited to receive the order from Gretta. She was still nervous about quoting and being paid in a foreign currency, but she thought that Western Cape Lights was safe enough because the foreign currency was the strong British pound. She knew that if the South African rand continued to strengthen, Western Cape Lights would make a loss on the consignment when the UK payment was received. On the other hand, if the South African rand would weaken again, the company would make an even bigger margin on this sale of lamps. She thought she would take the risk on the currency for that reason – to increase the profit.

Her banker asked her whether she was in business to sell a product or to speculate in currencies. Marcia decided that trying to make extra profit through currency movements was not such a good idea, so she took out a forward exchange contract.

Marcia and Ricardo were glad to learn that they could retain their foreign currency proceeds in a Customer Foreign Currency (CFC) account. As the basic concept of a CFC account is "off-setting", i.e. "outs" against "ins", in the same currency, Marcia realised that a CFC account would be most effective if Western Lights also imported items.

Getting paid for your goods

Methods of payment

- **Factors influencing how and when you are paid**

  A number of factors influence the payment methods and terms – the how and when of payment – you negotiate with your buyer.

  - The credit-worthiness of your buyer. If you have no previous experience of this buyer, your foreign market agent or a credit bureau (such as TransUnion) can give you information. If there is any doubt you will want to insist on the most secure form of payment possible (see following paragraphs for guidance).
  - The value of the export order. You might be more flexible with a relatively small amount, but you cannot afford payment risk with a large order.
  - Your cash flow and your ability to grant credit. Small companies, especially, need to protect their cash flow.
  - The payment terms offered by your competitors.
  - The potential for building a good long-term relationship with your buyer if you extend favourable credit terms; however, look at the risks involved.
  - Normal business practices of your buyer. Large supermarket chains in Europe, for example, usually pay on open account with credit terms of 60 to 120 days.
  - The nature of your goods – how easily could you sell them elsewhere if the buyer fails to pay for them?
  - Exchange control regulations in South Africa state that your export payment must be received within 180 days from date of shipment (you might get an extension to 12 months).
  - Exchange control regulations in your foreign market may not allow for payment in advance or may state that all imports must be paid for by letters of credit only.
  - Whether or not the foreign country has foreign exchange available to pay for imports. If there is a shortage – usually this happens only with less-developed countries – payments for imports may be delayed, possibly for many months.
  - The political stability of your foreign market: instability and disturbances often result in payment delays.

important

Know the difference between profit and positive cash flow and the importance of each.

- **Security of payment methods**

The following are the basic methods of payment used in international trade listed in their order of security for you as the exporter:

- Pre-payment (payment in advance/cash with order)
- Documentary credits (documentary letters of credit or L/Cs).
- Bank collections.
- Open account.

- **Pre-payment (payment in advance/cash with order)**
    - This is the safest method of payment for you because your buyer pays for your goods before you despatch them.
    - It is not a common method of payment but is used under some circumstances:
        - When you are selling relatively small quantities to countries that permit pre-payment for imports
        - In mail order business, whether by means of the Internet or through a printed catalogue
        - When buyers come from neighbouring countries to stock up on supplies in South Africa
        - If you make goods to your buyer's specifications it is normal for you to receive an up-front deposit to cover manufacturing costs, with your buyer paying the balance by another method of payment

- **Documentary credits (letters of credit)**
    - A documentary credit, better known as a letter of credit (L/C), means that a bank guarantees, instead of your buyer, to pay you provided you submit certain specified documents proving that you have met the conditions and terms of the L/C.
    - Banks worldwide follow The Uniform Customs and Practice for Documentary Credits (UCP 600), drawn up by the International Chamber of Commerce.
    - There are different types of L/Cs, the most commonly used ones being the unconfirmed irrevocable L/C and the confirmed irrevocable L/C.
    - Unconfirmed irrevocable L/C:
        - This L/C cannot be cancelled or amended unless you, your buyer and the issuing bank agree

important

You would run a credit check on a local buyer; it is equally important to run one on a foreign buyer.

- The issuing bank, usually your buyer's bank, undertakes to pay you on presentation of the correct documentation.
- The risks you face with this type of L/C are:
  - The issuing bank does not honour its commitment (check with your own bank the status of the issuing bank).
  - Lack of foreign exchange or political instability in the foreign country prevents funds being transferred to South Africa (known as "country risk").
- You should consider requesting this method of payment when:
  - You do not know the financial status of a new buyer.
  - You have experienced problems receiving payment from a particular buyer in the past.
  - You will be able to obtain credit insurance only if an L/C is issued (see page XX).
  - The foreign country allows for imports to be paid only by L/C but does not present a country risk.
  - Prompt and guaranteed payment is important for your cash flow.
- Confirmed irrevocable letter of credit:
- This is the most secure L/C for you because a bank in South Africa or a bank in a third country confirms that you will be paid even if the issuing bank does not transfer the money.
- A bank is not obliged to add its confirmation to an L/C when asked to do so.
- You should consider payment by this type of L/C when:
  - The country of the issuing bank experiences slight payment problems and a South African bank is prepared to confirm the L/C.
  - If a South African is not prepared to confirm the L/C, seek confirmation by a bank in a third country.
- L/C costs can be substantial and include:
  - Establishment costs charged by the issuing bank to your buyer and usually calculated as a percentage of the value of the transaction.
  - Advising fees, which the bank in South Africa charges you for advising you that the L/C has arrived and is ready for collection.

important

A buyer may refuse to pay by L/C, not because he wants to cheat you, but because the cost of establishing an L/C vary and are very high in some countries.

- Confirmation fees, which you usually have to pay and which can vary according to the perceived risk.
- Negotiating fees, which are charged by the South African correspondent bank and which you or your buyer pay, according to what you have agreed.
- Amendment fees, which are charged by the issuing bank to the buyer if an L/C has to be amended; any amendment involves additional advising fees and, if applicable, confirmation fees.

• Points to note:

- When you receive an L/C you must check every detail of it carefully to ensure that it corresponds with your sales agreement and that you can fulfil all the terms and conditions.
- If you cannot fulfil any of the terms you should contact your buyer immediately and ask for an amendment.
- The L/C will specify that certain documents are required to prove that the goods have been shipped. One of the documents required will be your draft. This is the common term for a Bill of Exchange, which is a legal order for payment used with L/Cs and bank collections; your bank will explain.
- As soon as you have despatched your goods and have all the documents specified in the L/C you present them to your bank, which checks and forwards them to the correspondent bank.
- The correspondent bank checks the documents and sends them to the issuing bank where they are again checked.
- The issuing bank, if it accepts the documents, pays the amount due to you immediately (if it is a sight L/C) or at a later date (if it is a usance L/C because you have given your buyer credit terms). Your payment reaches you by way of the correspondent bank and your bank.

important

If your export documents are not accurate and according to the L/C, your payment will, at best, be delayed.

Export process for payment by letter of credit

Bank collections

There are two types of bank collections, namely, Documentary Bank Collection and Clean Collection

- Documentary Bank Collection
  - With a documentary bank collection you use the international banking system to collect payment from your buyer according

to your instructions. However, the bank does not guarantee payment.

- It is a cheaper method of payment than an L/C, but is far less secure. You would therefore use this method of payment only if you were confident that your buyer would honour his commitment to pay and if there is no country risk.
- Your buyer needs certain documents to clear your goods and take possession of them in his country. Most of these documents originate in South Africa and you arrange for them to be conveyed through the banking system to a bank (usually your buyer's bank) in your buyer's country.
- The bank releases the documents to your buyer only when he has paid the required amount or, by signing the draft, has undertaken to do so at a future date which you have specified.
- The documents concerned have been agreed upon between you and your buyer at the time you have agreed on the method of payment. Typically they would include the commercial invoice, transport document (e.g. the bill of lading), insurance policy/certificate, certificate of origin, and the like, as well as your draft (Bill of Exchange).

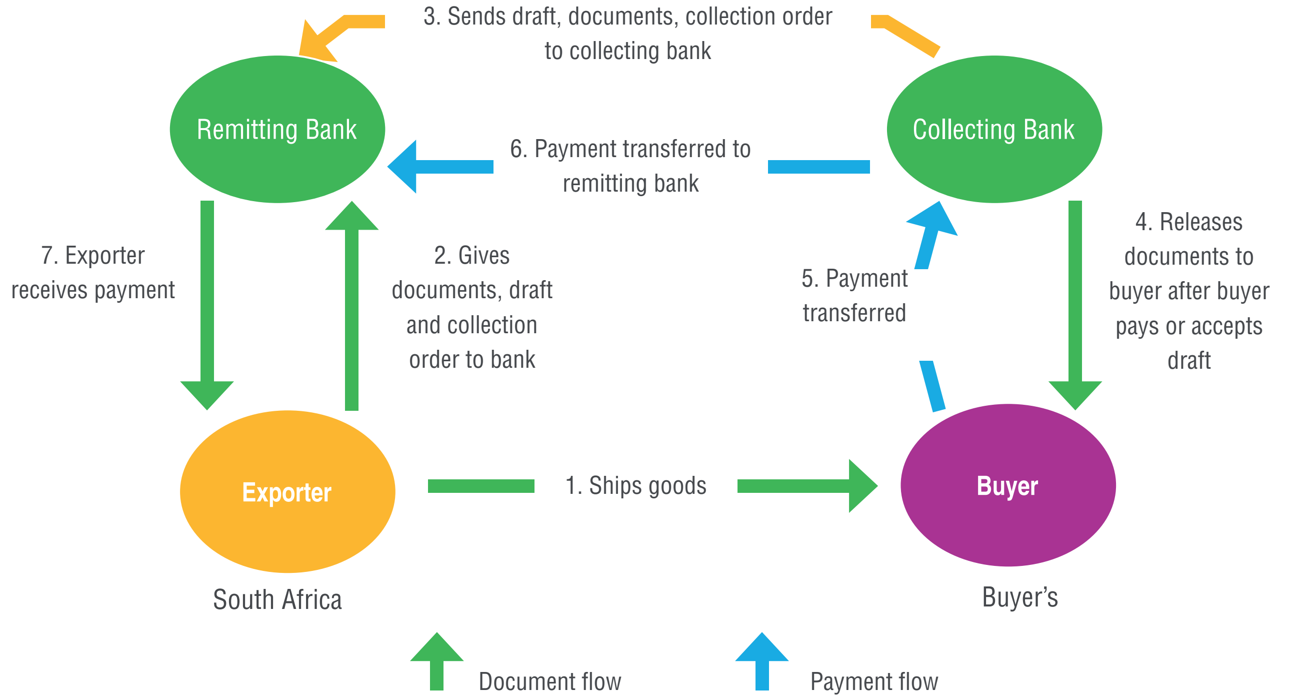
• Points to note:

- If your draft requires your buyer to pay on sight (immediately) the collection is known as 'documents against payment' (D/P); if your draft allows a certain period of credit (it is a usance draft), the collection is called 'documents against acceptance' (D/A).
- Bank collections are controlled internationally by the 'Uniform Rules for the Collection of commercial papers' (URC522), published by the International Chamber of Commerce. You must use the official instruction document, the Collection Order, to give precise instructions to your bank.
- You should deliver all the agreed documentation to your bank (known as the remitting bank) as quickly as possible so that they can reach the bank in your foreign market (known as the collecting bank) before the goods arrive.

important

A documentary bank collection does not mean that a bank guarantees payment.

Export process for payment by bank collection process



- **Clean Collection**
  - With a clean collection you ship your goods to your buyer and send directly to him all the relevant document to clear the goods.
  - You then submit a bill of exchange to your bank, who will forward it to the buyer's bank.
  - The buyer's bank presents the bill of exchange to the buyer for acceptance of the document and thus his undertaking to pay you on the due date.
  - This method carries a higher risk than the documentary collection, as the documents are already in possession of the buyer and the bank does not guarantee payment.
- **Open account**
  - This is an inexpensive method of payment in which you ship your goods to your buyer and send directly to him all the relevant documents to clear the goods.
  - The understanding is that your buyer will pay for the goods within an agreed period, and the only role of the banking system is to transfer the funds to your account.

- You would consider using open account when:
  - Your buyer's country is politically and financially stable and there is no country risk
  - You trust your buyer to pay on due date - often because you have had a good business relationship over some time
  - You are selling in a highly competitive market
  - You are selling to an overseas affiliate company

Credit insurance

- **What is credit insurance?**
  - Credit insurance covers your risk of not being paid, as opposed to covering the risk of loss of, or damage to, the goods in transit (marine insurance).
  - The degree of risk of not being paid depends primarily on your method of payment. There is no risk if you receive payment in advance, and very little risk if payment is by irrevocable letter of credit confirmed by a bank in South Africa. Your risk can be much higher if you are being paid on open account and you should certainly consider credit insurance for such transactions.
  - Credit insurance is offered by specialist insurance companies, such as Credit Guarantee Insurance Corporation of Africa Limited, Coface and Lombard Insurance Company Ltd.
  - Export credit insurance is short term, providing cover for up to 90% of the value of your transaction for credit terms of up to 180 days.
  - Commercial risks covered are mainly the insolvency of your buyer or the failure of your buyer to pay, and political risks including restrictions on the transfer of funds, outbreak of war or hostilities outside South Africa, and boycotts or sanctions against South Africa.
  - Depending on the type of policy taken out, export credit insurance does not cover:
    - Trade disputes (i.e. about the quality of goods, conditions of delivery and etc.), whether related to a current or previous transactions.
    - Physical damage to goods (transit/marine insurance).
    - Changes in exchange rates (see paragraphs on "Dealing with Foreign Currencies").

- Any actual or alleged breach of contract by the exporter.
- Any shipments made against payment under an L/C, confirmed by a South African bank before shipment.
- Losses arising from any sales or shipments of goods defined as "controlled substances" under the Montreal Protocol.

case study

The trial order for House Décor was completed in good time. Ricardo gave the lamp bases a final check before they were packed and strapped onto the pallets.

Marcia contacted Janna again and arranged for the order to be collected. Marcia provided Janna with a copy of the L/C and the commercial invoice .

Janna took care of clearing the lamps for export through Customs and raising all the other necessary documents stipulated in the L/C. Marcia drew up the drafts (Bills of Exchange).

The following were the documents necessary for this trial shipment:

Commercial invoice: stipulated by the L/C; also required by SA Customs

Bill of Lading: stipulated by the L/C

Marine Insurance Certificate: stipulated by the L/C (Marcia had quoted CIP Felixstowe port)

EUR.1: stipulated by the L/C; required also by SA Customs (product listed for preferential duty entry)

Packing list: stipulated by the L/C

Drafts (bills of exchange): stipulated by the L/C

SAD500: required by SA Customs

Handling the paperwork

Why the emphasis on documents?

As you will have seen from the previous parts of this section, transporting your goods from your factory to your buyer in the foreign country involves many different parties each of whom has a specific role.

- Each party needs specific information about what to do and when so that the process flows smoothly. This information is provided in the form of documents.
- You will raise some documents:
    - The commercial invoice
    - Packing list
- It will probably be better if your freight forwarder arranges to have the other documents issued because of the need for accuracy.

- Accuracy is essential because if there is any mistake in the documents for an export shipment:
    - Your goods may not be cleared through South African Customs to leave the country
    - Your buyer may not be able to clear the goods through Customs in his country
    - Your goods may not enjoy special duty concessions for which they should qualify
    - You may have difficulty in receiving payment, especially if your payment method is a letter of credit
- Even though your freight forwarder will handle most of the documentation for you, it is wise for you to have a basic understanding of each document's purpose. This enables you to:
    - Give correct and appropriate instructions to your freight forwarder
    - Check the documents for accuracy when your freight forwarder returns them to you
- There are several export management software programmes available to assist you. You still need to have an understanding of the export process, but such a programme can then:
    - Help you to compile accurate export costings to the Incoterm® you have agreed with your buyer
    - Generate all the relevant export documents
    - Inform you of all the necessary local and foreign documents required for a particular transaction

important

Accurate and complete documents are essential for the smooth flow of your goods to your buyer.

Types of export documents

We have concentrated here on the basic documents most frequently needed for shipments by small and medium-sized companies. Always discuss your requirements and details of your product with your freight forwarder to ensure that you are informed of any special documents that may also be required.

- **Pro forma invoice** is not a request for payment but a pre-advice of the amount due to you for your goods if the sale takes place. It shows what the commercial invoice would look like and is used:
    - For repeat clients, instead of a quotation

    - When a buyer needs it to instruct his bank to issue an L/C in your favour
    - When a buyer needs it to obtain an import permit or licence
- **Commercial invoice** is your statement showing the goods you have supplied to your buyer and the amount that is due to you as payment:
    - If you are being paid by L/C, you must show the same information as on your pro forma invoice and any information stated by the L/C
    - The commercial invoice is required by:
        - South African Customs to verify the quantities, values and descriptions of the goods declared for clearance
        - The foreign country's Customs to levy the appropriate import duties and taxes on your goods as they are imported
        - By your buyer or, in the case of an L/C, the relevant bank to pay you for your goods
- **Inspection certificate** is a document relating to pre-shipment inspection and applies:
    - If you are exporting perishable goods that must, according to South African law, be inspected at source by the Perishable Products Export Control Board (PPECB) prior to shipment:
        - You must pay the charges
        - The document is required by Customs in South Africa
    - If you are exporting perishable products to the EU a conformity certificate issued by PPECB may be required:
        - You must pay the charges
        - The certificate is required by EU Customs
    - If you export goods to a foreign country requiring a mandatory inspection by Société Générale de Surveillance (SGS) or similar organisation:
        - You arrange for the inspection
        - The cost is born by the importing country
        - The document is presented to the importing country's Customs
    - If you or your buyer want inspection prior to shipment:
        - Either you or your buyer pays the cost, by mutual agreement

    - The inspection document might be a requirement for payment by L/C
    - Your buyer requires the inspection certificate

- **Fumigation certificate** may be required if your product or your packing materials are made of wood:
  - Countries such as Australia and the United States require any vegetable material to be fumigated at the country of origin
  - Your freight forwarder can arrange fumigation
- **Export permit** is the South African government's authorisation that goods may be exported but is required for only a few products. You can check with your freight forwarder whether or not your product requires a permit.
- **Bill of entry export** is a Customs declaration:
  - Known as the SAD500, it's required for all exports from South Africa.
  - Your freight forwarder will complete this document for you and will submit it to Customs.
  - The SAD 500 includes the following details:
    - Your name and address details and those of your buyer (the consignee)
    - The description, quantity and value of your goods, including the Harmonised System (HS) classification code
    - The type and number of any export permit or special certificate controlling your export transaction, such as the EUR.1 under the SA-EU Free Trade Agreement
    - Details of the marks, numbers and type of containers or packages and the gross mass in kg
    - A UCR number (Unique Consignment Reference Number) which is used by the bank and SARB to tie up exports with receipts
    - A statement that the Form NEP has been produced or is not required
- **Export cargo dues order** is required only if your goods are going by seafreight:
  - It reflects the charges by the National Ports Authority of South Africa (NPA) for the use of the general harbour infrastructure

- The charge for FCLs is a flat rate per TEU (20-ft equivalent unit, or 20ft/6m container)
- You receive a copy of the order from your freight forwarder if you export a full container load (FCL)
- If your goods are going LCL or groupage, the cargo consolidator keeps the document and invoices you a flat fee per 1000 kg/1m^3.

◆ **Bill of lading** is a transport document used only if your goods are transported by sea:

- It is a document of title to the goods and can be made negotiable, thus allowing either you or your buyer to sell the goods to another party while they are in transit
- It is usually issued in a set of three originals of equal validity; any one original must be presented to the shipping line to take delivery of the goods, at which stage the other originals become void
- A marine or ocean bill of lading is issued if your goods are shipped port-to-port
- A combined transport bill of lading allows for an inland transport leg in South Africa and/or in your foreign market to be included in the sea transport leg
- Bills of lading are "received for shipment" bills issued when the carrier receives your goods either at a point inland or at the loading port. Such bills are not usually acceptable especially for L/C payment; therefore shipping lines endorse the face of such bills with the annotation "shipped on board" with the name of the ship and the port and date of loading.
- If the freight forwarder offers carriage, he keeps the master bill of lading and issues you with a house bill of lading. This is acceptable for L/C payment providing it is the FIATA (International Federation of Freight Forwarders Associations) combined transport bill of lading.

◆ **Air waybill** is a standard document used if your goods travel internationally by air:

- It is not a document of title and therefore cannot be made negotiable
- It accompanies your goods on the flight in the captain's bag, together with the documents needed for customs clearing and releasing your goods at the airport of destination

    - A single air waybill covers the complete journey of your goods by air regardless of how many airlines are involved
    - When an air consolidator offers you carriage, he keeps the master air waybill and issues you with a house air waybill.
- **Road consignment note** or waybill is used if your goods go by road to neighbouring countries, or if you appoint a road haulier to carry your goods to a port. Road hauliers design their own document but they all follow a similar format.
- **Marine insurance policy/certificate** is documentary proof that your goods are covered by marine insurance:
    - A policy may be issued for a single shipment. Where all your shipments during a year are covered by an open policy, a certificate is issued for each individual shipment.
    - When you sell goods on CIF or CIP delivery terms you must take out marine insurance and supply your buyer with the relevant document.
- **Certificate of origin** may be required by the importing country to monitor certain import products or to grant preferential duties. There are different types:
    - Certificate of origin supplied and certified by a chamber of commerce, such as the Cape Town Regional Chamber of Commerce and Industry
    - The EUR.1 if your product is covered by the SA-EU trade agreement; it is usually prepared by your freight forwarder and must be presented to the South African Customs for certification at the time of clearance for export
    - Form A if your product qualifies for the Generalised System of Preferences (GSP) granted by several countries. You or your freight forwarder completes it and it must be certified by either Customs or by a chamber of commerce, depending on the country of import.
    - A textile certificate of origin applies to a range of clothing (apparel) and handmade or folklore articles covered by the African Growth and Opportunity Act (AGOA) of the United States. You must complete this form and it must be submitted to South African Customs for certification at the time of clearance for export.

- **Packing list** gives details of the type and number of packs, the marks, numbers and contents of each pack, as well as the individual weights and volumes. It is always one of the documents stipulated when payment is by L/C. Because of the nature of the information it carries, you have to complete this document.
- **Other documents** may be required to comply with statutory regulations in your foreign market. Depending on your product, such documents might be a health or phytosanitary certificate. If you are exporting to the Middle East region, your commercial invoice and often the chamber of commerce certificate of origin must be legalised by the relevant consulate; normally there is a substantial fee to pay.

Sample set of basic export documents

- For your guidance, we have included a sample set of documents completed for the shipment described in the case study that runs alongside the text in this book. We included the Quotation document followed by the letter of credit, which then dictates most of the other documents required.

LETTER OF CREDIT – SWIFT LAYOUT		
FROM		BANK OF BRITIAN PLC
TO		BANK OF SOUTH ENGLAND PTY LTD
MESSAGE TYPE		700 ISSUE OF DOCUMENTARY CREDIT
PRIORITY		NORMAL
SEQUENCE OF PAGES	27	1/1
FORM OF DOCUMENTARY CREDIT	40A	IRREVOCABLE
DOCUMENTARY CREDIT NUMBER	20	492387/03/256
DATE OF ISSUE	31C	11/10/2014
DATE AND PLACE OF EXPIRY	31D	14/12/2014
APPLICANT (BUYER)	50	HOUSE DÉCOR, 12 WELBECK STREET, LONDON W1G 0AA, UNITED KINGDOM
BENEFICIARY (EXPORTER)	59	WESTERN CAPE LIGHTS CC 9 ANGUS ROAD – WOODSTOCK, CAPE TOWN 7925, SOUTH AFRICA
CURRENCY CODE, AMOUNT	32B	GBP 3375.68
AVAILABLE WITH	41D	BANK OF SOUTH ENGLAND PTY LTD
BY		NEGOTIATION
DRAFTS (BILL OF EXCHANGE) AT	42C	SIGHT
DRAWEE	42A	BANK OF BRITIAN PLC
PARTSHIPMENT	43P	NOT ALLOWED
TRANSHIPMENT	43T	NOT ALLOWED
LOADING ON BOARD AT	44A	CAPE TOWN
FOR TRANSPORTATION TO	44B	FELIXSTOWE
LATEST DATE OF SHIPMENT	44C	12/11/2014
DESCRIPTION OF GOODS	45A	224 SMALL WOODEN ELECTRIC LAMPS –CIP FELIXSTOWE
DOCUMENTS REQUIRED	46A	+COMMERCIAL INVOICE IN TRIPLICATE SHOWING SEPERATELY FREIGHT AND MARINE INSURANCE VALUES
		+FULL SET OF CLEAN ON BOARD BILLS OF LADING MARKED FREIGHT PREPAID AND MADE OUT TO ORDER OF APPLI-CANT. HOUSE BILL OF LADING ACCEPTED
		+MARINE INSURANCE CERTIFICATE IN DUPLICATE COVERING FULL CIP VALUE + 10% FOR CLAUSES A (ALL RISK) AND STRIKES
		+CERTIFICATE OF ORIGIN (EUR 1) DULY TESTED AND AUTHORISED
		+PACKING LIST IN TRIPLICATE
ADDITIONAL CONDITIONS	47A	ALL DOCUMENTS MUST EVIDENCE L/C NUMBER
		+TRANSPORT DOCUMENTS DATED PRIOR TO THE DATE OF CREDIT ARE NOT ACCEPTABLE.
CHARGES	71B	ALL BANK CHARGES AND COMMISIONS INCLUDED REIMBURSEMENT CHARGES OUTSIDE THE UNITED KINGDOM ARE FOR THE ACCOUNT OF THE BENEFICIARY
CONFIRMATION	49	WITHOUT
REIMBURSING BANK	53A	BANK OF BRITIAN PLC
'ADVICE THROUGH' BANK	57A	BANK OF SOUTH AND SOUTHERN AFRICA LTD
INSTRUCTIONS TO PAYING, AC-CEPTING OR NEGOTIATING BANK	78	+THE NUMBER AND DATE OF THIS CREDIT SHOULD BE QUOTED ON ALL DRAFTS AND EACH PRESENTATION MUST BE NOTED ON THE REVERSE OF THIS ADVICE BY THE BANK WHERE THE CREDIT IS AVAILABLE
		+NEGOTIATING BANK TO FORWARD ALL DOCUMENTS TO US IN 2 CONSECUTIVE SETS BY COURIER TO THE FOLLOWING ADDRESS: 33 LOMBARD STREET, LONDON EC3V 9BS
SENDER TO RECEIVER INFORMA-TION	72	UPON OUR ACCEPTANCE, YOU MAY CLAIM REIMBURSEMENT BY DRAWING ON OUR ACCOUNT
THIS CREDIT IS SUBJECT TO THE UNIFORM RULES AND PRACTICE FOR DOCUMETARY CREDITS (2007) REVISION, INTERNATIONAL CHAMBER OF COMMERCE PUB-LICATION NO. UCP 600		

COMMERCIAL INVOICE

Exporter	Invoice No. and Date		Exporter's Reference
WESTERN CAPE LIGHTS CC 9 ANGUS ROAD – WOODSTOCK CAPE TOWN 7925 SOUTH AFRICA	WCL0153/14	07.11.2014	HD-UK 001/14
	Buyer's Reference		
	109/14SA/WCL		

Consignee	
HOUSE DÉCOR 12 WELBECK STREET LONDON W1G 0AA UNITED KINGDOM	**WESTERN CAPE LIGHTS CC**

Notify Party	Exporter's Tel	Exporter's Fax
ALLFREIGHT CARGO SERVICES LTD FELIXSTOWE SUFFOLK IP11 8RR	+27 21 448 0012	+27 21 448 0011
	Country of Origin	**Country of Final Destination**
	SOUTH AFRICA (ZA)	UNITED KINGDOM (UK)

Vessel & Voyage No.	Place of Loading	Terms of Delivery and Payment
SL FISHEAGLE 15R	CAPE TOWN	CIP FELIXSTOWE PORT, UNITED KINGDOM (INCOTERMS®2010)
Place of Discharge	**Place of Delivery**	IRREVOCABLE LETTER OF CREDIT AT SIGHT
FELIXSTOWE		

Marks. No's Container No.	No and kind of Packages; Description of Goods	Quantity	Unit Price	Amount
			GBP	GBP
	224 SMALL WOODEN ELECTRIC LAMPS - CIP FELIXSTOWE			
HOUSE DÉCOR LONDON VIA FELIXSTOWE 1/2 UP	2 X PALLETS EACH PALLET: 112 LAMPS PACKED IN INDIVIDUAL CARTONS	224	13,25	2 968,00
	FREIGHT			396,37
	MARINE INSURANCE			11,31
TOTAL NET MASS: 392KG TOTAL GROSS MASS: 420KG VOLUME: 4,56M^3				
Total CIP FELXSTOWE PORT, U.K. (Incoterms® 2010)		224		3 375,68

		Name of Authorised Signatory	
L/C NUMBER	492387/03/256	R. HENDRICKS	
		Place and date of issue	
		WOODSTOCK, CAPE TOWN	07.11.2014
		Signature	

PACKING LIST

Exporter		
WESTERN CAPE LIGHTS CC 9 ANGUS ROAD – WOODSTOCK CAPE TOWN 7925 SOUTH AFRICA	**Invoice No. and Date**: WCL0153/14, 07.11.2014	**Exporter's Reference**: HD-UK 001/14
	Buyer's Reference: 109/14SA/WCL	
Consignee		
HOUSE DÉCOR 12 WELBECK STREET LONDON W1G 0AA UNITED KINGDOM	**WESTERN CAPE LIGHTS CC**	

Marks. No's Container No. No and kind of Packages; Description of Goods		Quantity	Gross Mass (kg)	Gross Measurement (cbm)
224 SMALL WOODEN ELECTRIC LAMPS - CIP FELIXSTOWE				
HOUSE DÉCOR LONDON VIA FELIXSTOWE 1/2 UP	PALLET 1/2: 112 LAMPS PACKED IN INDIVIDUAL CARTONS	112	210,00	2,28
	PALLET 2/2: 112 LAMPS PACKED IN INDIVIDUAL CARTONS	112	210,00	2,28
L/C NUMBER	492387/03/256			
Total		224	420	4,56

CONTAINER NO.	TPHU 5131800	**Name of Authorised Signatory**: R. HENDRICKS
SEAL: 1367789		**Place and date of issue**: WOODSTOCK, CAPE TOWN, 07.11.2014
		Signature

HOUSE BILL OF LADING

B/L No. 426563

Shipper's Ref.

PANWORLD
EXPRESS LINE

FIATA COMBINED TRANSPORT BILL OF LADING

Shipper

WESTERN CAPE LIGHTS CC
9 ANGUS ROAD – WOODSTOCK
CAPE TOWN 7925
SOUTH AFRICA

Consignee or Order

HOUSE DÉCOR
12 WELBECK STREET
LONDON W1G 0AA
UNITED KINGDOM

Notify Party/Address

HOUSE DÉCOR
12 WELBECK STREET
LONDON W1G 0AA
UNITED KINGDOM

Carrier:
Panworld Ltd
24 Marshalsea Road
London SE1 1He
United Kingdom

Pre-carriage by	Place of receipt
Ocean Vessel SL FISHEAGLE 15R	Port of loading CAPE TOWN
Port of discharge FELIXSTOWE	Place of delivery

For delivery please appy to:

ALLFREIGHT CARGO SERVICES LTD
FELIXSTOWE
SUFFOLK IP11 8RR

Marks & Numbers/Container No.(s)	No. And kind of packages, Description of goods	Gross Mass (kg)	Measurement
HOUSE DÉCOR LONDON VIA FELIXSTOWE 1/2 UP CONTAINER NO. TPHU 5131800 SEAL: 1367789	224 SMALL WOODEN ELECTRIC LAMPS - CIP FELIXSTOWE 2 X PALLETS SAID TO CONTAIN AS DECLARED BY SHIPPER: 2 X PALLETS EACH PALLET: 112 LAMPS PACKED IN INDIVIDUAL CARTONS FREIGHT PREPAID L/C NUMBER 492387/03/256	420 KG	4,56 CBM

Freight and Charges

SHIPPED ON BOARD SL FISHEAGLE 15R
CAPE TOWN 10 NOVEMBER 2014

Received by PANWORLD EXPRESS LINE for shipment by ocean vessel, between port of loading and port of discharge, and from place of acceptance to place of final delivery as indicated above; the goods as specified in apparent good order and condition unless otherwise stated. The goods to be delivered at the above mentioned port of discharge or place of final delivery, whichever applies, subject to terms contained on the reverse side hereof, to which shipper agrees by accepting this combined transport Bill of lading. In whitness whereof three (3) original combined transport Bills of lading have been signed if not otherwise stated above, one of which being accomplished the other(s) to be void.

Declared value from Merchant (see Clause 7)

Prepaid At ORIGIN	Payable At
Total no. of containers or other packages or units received by the carrier 2	Number of original B(s)L THREE (3)
Place of B(s)L CAPE TOWN	Date 10/11/2014

ONE WORLD FREIGHT FORWARDERS LTD

SIGNATURE

CIC
INSURANCE

Cargo Insurance Company Limited

(Reg. No. 66/10637/06)

Head Office : International Insurance House, 108, Anderson Street, Johannesburg, 2001.

CERTIFICATE NO. CIC14/087/138/ **11578**

This is to certify that CARGO INSURANCE COMPANY LIMITED has insured under an Open Policy the goods specified below, valued at sum insured, for the insured transit and on the conditions stated in this certificate.

Conveyance **SEA FREIGHT**	From **CAPE TOWN**	**SIGNATURE** Authorised signature for and on behalf of CIC
Via / To **FELIXSTOWE**	To **LONDON**	INSURED VALUE/Currency **GBP 3713.25**

Marks. Nos. And Container No. No. And Kind of Packages/Description of Goods

224 SMALL WOODEN ELECTRIC LAMPS - CIP FELIXSTOWE

HOUSE DÉCOR	**2 X PALLETS**
LONDON	**EACH PALLET: 112 LAMPS PACKED IN**
VIA FELIXSTOWE	**INDIVIDUAL CARTONS**
1/2 UP	

L/C NUMBER 492387/03/256

Amount in words: **Three Thousand Seven Hundred and Thirteen 25/100 Pounds**

Claims Procedure

In the event of loss or damage for which the Company may be liable under this certificate immediate notice must be given to :-

Claims payable at:-

by:-

Claims to be adjusted according to the conditions of the Policy which contains, inter alia, the following clauses :-

INSTITUTE CARGO CLAUSES:

CLAUSES A (ALL RISK) AND STRIKES

Notwithstanding anything contained herein to the contrary the liability under this policy in respect of any destruction of or damage to the subject matter of this policy shall not exceed its rateable proportion having regard to other insurances whether Marine or Fire and whether or not such other insurances are exempted from contributing either by the existence of this policy or any other

Signed on behalf of the Company

Examined

Date : **07 November 2014**

This Certificate represents and takes the place of the original Policy and conveys, subject to the terms of that Policy, all the rights of the original Policy-Holder (for the purpose of collecting claims) as of the property insured was conveyed by a Special Policy direct to the holder of this Certificate

Original - White | Insured's Copy - Blue | Broker's Copy - Yellow | Freight Forwarder's Copy - Pink | Company's Copy – Green

BILLS OF EXCHANGE (DRAFTS)

No.	No. SLO 153/14	Date:	07.11.2014
At	SIGHT	pay this FIRST of Exchange	
SECOND of same tenor and date being unpaid			
To the order of	Western Cape Lights CC		
The sum of	Three thousand three hundred seventy five		
	68/100 pounds	for value received	GBP 3375.68
TO:	Bank of Britian Plc 33 Lombard Street London EC3V 9BS	Western Cape Lights CC 9 Angus Road - Woodstock Cape Town 7925 South Africa	
		SIGNATURE:	
Drawn under	BANK OF BRITIAN PLC		Financial Manager
Letter of Credit No.	492387/03/256 dated 11.10.2014		

No.	No. SLO 153/14	Date:	07.11.2014
At	SIGHT	pay this SECOND of Exchange	
FIRST of same tenor and date being unpaid			
To the order of	Western Cape Lights CC		
The sum of	Three thousand three hundred seventy five		
	68/100 pounds	for value received	GBP 3375.68
TO:	Bank of Britian Plc 33 Lombard Street London EC3V 9BS	Western Cape Lights CC 9 Angus Road - Woodstock Cape Town 7925 South Africa	
		SIGNATURE:	
Drawn under	BANK OF BRITIAN PLC		Financial Manager
Letter of Credit No.	492387/03/256 dated 11.10.2014		

Importing machinery, materials and parts

Why import?

- An advantage of South Africa's open trading relations with the rest of the world and one of the benefits of globalisation for the small and medium-sized company is that you now quite literally can search the globe for the most competitive supplier:
  - Of raw materials and components
  - Of production equipment and spares
- You are not limited to local suppliers but can seek competitive suppliers in any part of the world.
- Because South Africa's market is being liberalised and import duties are being reduced across a broad range of goods, imported items often offer excellent value.

Where to find information

- **Foreign consulates and embassies based in South Africa**
  - Foreign consulates and embassies based in South Africa may not be of great assistance when you want to export your product to their countries. However, if you are looking for suppliers, this is the first place you should start. The foreign consulates and embassies have the promotion of their countries' exports to South Africa as a major function.
  - If you have a good idea of the countries that might be potential sources of goods you could use, then you will approach the representatives of those countries first.
  - If you have no idea which countries might be suitable sources, then contact all the likely foreign representatives in Cape Town giving a clear explanation of what you are looking for and the quantities you are likely to be ordering.
- **Bilateral chambers of commerce**
  - These are private sector organisations established to foster trade development between South Africa and specific countries.
  - Member companies usually represent both exporters to and importers from the country concerned.
  - There are usually excellent networking opportunities in the partner country.

- There are a number of bilateral chambers in South Africa, most based in Johannesburg, although some have offices in Cape Town.

- **Business directories**
  - In the same way that we suggest that you should use business directories to identify possible distributors and buyers of your product in the foreign market, you can use the same sources to identify potential suppliers.
  - Having identified the names, you could either telephone or write explaining the type of goods you are seeking and giving the size and frequency of the orders you are likely to place.

- **Internet**
  - You can use the Internet to access supplier information
  - You can search online business directories: www.kompass.com is one site, but there are others
  - You can use any of the Internet search engines

Avoiding unnecessary risks

- **Evaluate offers fully**
  - Ask potential suppliers for full details of their companies, how long they have been in business and to what extent they have been supplying foreign buyers.
  - Check if they have supplied to other companies in South Africa, as this could be a reference for you to check.
  - You will naturally want to obtain full details of the materials and/or components they supply, including any required specifications or standards that are essential for you.
  - If appropriate, ask for samples.
  - Make sure that you understand fully the quotations they submit and that they are quoting on the basis of a recognised Incoterm.

- **Pre-shipment inspection**
  - You might find that potential suppliers in many developing countries offer highly competitive prices, but you might be concerned at the quality of the goods produced.
  - In such a situation you should consider asking for a pre-shipment inspection certificate. However, you must be sure to spell out in

precise detail the specifications of the materials or components that you are purchasing so that the inspection company can do a satisfactory job.

- You have the right to specify an international inspection company such as Société Générale de Surveillance (SGS) (as mentioned in the context of pre-shipment inspection prior to export from South Africa), Bureau Veritas, Contegna or Intertek. If they do not have facilities in the country concerned, ask for the names of inspection companies who are represented there and check these with your freight forwarder.

- **Trial order**
  - If you are uncertain as to the suitability of the goods for your purpose, consider placing initially a trial order for testing.
  - If the goods are suitable, you can then consider switching part of your supplies to the new source.
  - However, even in this case, it might be wise to make use of pre-shipment inspection services until you feel that sufficient trust has been built up with your new supplier.
- **Maintain a selection of suppliers**
  - There is a good argument to be made for you to maintain at least two suppliers of essential materials or components.
  - Whether it is feasible for you to do this will depend on the quantities you order and the extent to which your inputs are tailor-made to your needs.

Import procedure

- Importing is the reverse side of the export coin. What you have learned so far about exporting, especially the logistics, is what happens in reverse when you import goods.
- In evaluating the information provided by your potential supplier include the calculation of the landed costs. Depending upon the delivery term quoted, the landed cost might comprise:
  - Freight costs (sea or air)
  - Marine insurance
  - Import duties and VAT
  - Import cargo dues if your goods come by seafreight.

- Terminal handling charges if your cargo comes by seafreight
- Documentation fee
- Transport delivery charges
- Freight forwarder's fees

◆ Your foreign supplier would probably stipulate payment by an L/C (depending on the value) and you would have to arrange this with your bank when your supplier acknowledges the order you have placed:
  - Your bank issues the L/C and sends it to its correspondent bank in your supplier's country
  - You will instruct the bank to include in the terms of the L/C any specific details that are important to you before payment is settled, such as a pre-shipment inspection certificate
  - Your foreign supplier will accept the order when he has received the L/C and can comply with its terms and conditions
  - Your supplier processes your order, ships the goods and submits all the documents required by the L/C to the correspondent bank in his country
  - The correspondent bank checks and sends the documents to your bank in South Africa (the issuing bank), which checks them for accuracy before remitting payment to your supplier via its correspondent bank
  - The issuing bank releases the documents to you against payment as agreed

◆ You pass the documents to your freight forwarder who then prepares the necessary documents for clearing the goods through Customs and having them released.

◆ The freight forwarder pays on your behalf any applicable import duties, VAT, port charges and the cost of transporting your goods to your premises.

◆ The freight forwarder will invoice you all the charges incurred on your behalf and the fees for supplying his service.

◆ All the documents relevant to this import will be attached to this invoice and you should check them before paying. These documents include:
  - Bill of entry import (SAD500): required by South African Customs
  - Commercial invoice: stipulated by the L/C; required by South African Customs

- Bill of lading: stipulated by the L/C; required by South African Customs
- Import cargo dues order (for FCL seafreight): required by NPA
- Marine insurance policy/certificate (if delivery term is CIF or CIP): stipulated by the L/C
- Packing list: stipulated by the L/C
- Pre-shipment inspection certificate: stipulated by the L/C if you have requested this

Import process for payment by letter of credit

Your Factory Export Price Checklist

- ☐ Include all product costs
- ☐ Include all the product and packaging modifications required by your foreign buyer
- ☐ Add a margin for export marketing costs
- ☐ Add your profit margin
- ☐ Exclude VAT, except possibly where you sell Ex Works AND goods are transported by road to a neighbouring country

important

Exported goods are zero-rated for VAT. This means that you do not charge VAT to your foreign buyer and that you can claim the VAT paid on your inputs. However, you must meet all the requirements of SA Revenue Service.

Cost Checklists For Export Delivery

The checklists we have given you in this section are comprehensive and may contain costs that do not apply to your export consignments. On the other hand, if your product requires special handling or facilities, there may be additional costs not listed here.

- ☐ The starting point for costing for export delivery is the factory price, which we have referred to earlier.
- ☐ All costs calculated into your export price should exclude VAT. Export sales are zero-rated for VAT purposes, providing you meet the requirements of SA Revenue Service.

checklist

Cost Checklist For Containerised Shipments By Sea: FCL, LCL and Groupage

- **Packing** is the outer material that protects your consignment during transport:
  - Carton boxes, wooden cases or crates, pallets, strapping, shrink-wrapping, polystyrene chips for dunnage, and so forth.
  - You should use strong cartons if you are not using pallets.
  - If your product is an unusual shape or very fragile, seek help from packing experts
  - Packing can be a relatively high cost

Cost Checklist For Containerised Shipments By Sea: FCL, LCL and Groupage

- **Marking** is the term given to the words and symbols you put onto the outside of your packages so that your consignment and its destination can be identified:
  - You would usually need to mark only LCL and groupage consignments, although your buyer may ask for individual packs in an FCL consignment to be marked
  - Marking is usually a relatively low cost
- **Cross haulage/cartage** refers to the cost of transporting your export consignment from your premises to the port terminal or to the first carrier's premises:
  - For an FCL, delivering an empty container to your premises and collecting the full container for transport to Cape Town port terminal.
  - For an LCL, transporting your export consignment to the shipping line's consolidating agent.
  - For groupage, the cost of transporting your export consignment to the groupage operator's premises.
- **Terminal handling costs** are charged by Transnet Port Terminals.
  - They are called the terminal handling charge (THC) in the case of FCLs.
  - They are called the LCL service charge if your consignment is an LCL.
  - They are incorporated into the groupage operator's charges if your consignment is a groupage consignment.
- **Export cargo dues** are charged by the National Ports Authority (NPA) for the general use of the infrastructure of South African ports.
- **Ocean freight** covers the cost of transporting your export consignment by sea from Cape Town port to the port in the foreign country:
  - Ocean freight rates are payable in US dollars but a freight forwarder will charge you the equivalent amount in rands according to a set exchange rate.

checklist

Cost Checklist For Containerised Shipments By Sea: FCL, LCL and Groupage

- Freight rates are usually 'full liner terms', which include the costs of loading the container on board the ship in Cape Town and off-loading it at the port of destination.
- Freight rates are often adjusted – usually upwards – by bunker and/or currency adjustment factors (BAF/CAF), designed to compensate shipping lines for fluctuations in oil prices and exchange rates.
- Freight rates are further adjusted by an International Security Port Surcharge (ISPS).

- **Port congestion surcharge** is a levy imposed by shipping lines from time to time when excessive congestion in South African ports causes loading and offloading delays. The levy is in US dollars e.g. a flat charge per container, and your freight forwarder will charge you the rand equivalent.
- **Bill of Lading issue fee** is charged in US dollars by the shipping line. Your freight forwarder will charge you the rand equivalent.
- **Carrier release fee** is a flat fee charged by the shipping line to stamp and release the Bill of Lading after the ship has sailed.
- **Freight forwarder's fees** vary according to the value of your export consignment and the services you need. These are typical fee-bearing services that you might use:
  - Preparing documents and submitting them to Customs and the NPA.
  - If your export consignment is an FCL, the appointed shipping line's pre-advice will be issued through your freight forwarder who will handle the movement of the container.
  - Preparing special documents such as the EUR.1, which is a certificate of origin required if your consignment to a European Union (EU) country is to benefit from the SA-EU trade agreement.
  - Payment of various costs incurred by the freight forwarder on your behalf:

checklist

Cost Checklist For Containerised Shipments By Sea: FCL, LCL and Groupage

    - These are known as disbursements; the forwarder's agency fee is usually a percentage of the amount of the disbursements.
    - Your freight forwarder might also charge you a financing fee.
  - Submitting computerised documentation to the various authorities/parties via the Internet, for which you will pay an EDI (electronic data interchange) charge.

☐ **Cost Checklist For Consignments By Air**

- **Packing materials:**
  - If your export consignment travels by air, packing materials would tend to be lighter than when goods are transported by other modes.
  - It is still a relatively high-cost item.
- **Marking** for airfreight has the same purpose as marking for seafreight. It is a relatively low-cost item.
- **Collection charges** cover the transport of your goods by road from your factory to the air freight forwarder's premises.
- **Airfreight rates** are quoted in South African rands or in US dollars:
  - If quoted in US dollars your freight forwarder will charge you the equivalent amount in rands.
  - A fuel surcharge (similar to the BAF in seafreight) and a security surcharge are added.
- **Freight forwarder's fees** charged for the services you require are similar to those charged for containerised goods by sea, but will exclude any that relate specifically to seafreight.

☐ **Additional Cost Checklist For All Consignments**

- **Inspection:** Your goods may be subject to inspection before they are shipped:
  - For example, all perishables must be inspected by the Perishable Products Export Control Board (PPECB) and you have to pay the levy.

Cost Checklist For Containerised Shipments By Sea: FCL, LCL and Groupage

  - If the country to which your products are being shipped imposes a pre-shipment inspection requirement, for example, by Société Générale de Surveillance (SGS), the government of that country bears the costs.

- **Transit insurance:**
  - As mentioned in the transport section, you must ensure that you are covered against the risk of loss of, or damage to, the goods while they are being transported from your premises to the point of delivery in South Africa.
  - This may happen when your delivery term is FOB, FCA, CFR or CPT.
- **Marine insurance:**
  - You are responsible for taking out marine insurance under the CIF and CIP terms (see previous section on Incoterms).
  - You can obtain marine insurance from your insurance broker, direct from the underwriter (insurance company) or through your freight forwarder.
- **Credit insurance**:
  - This can cover you against the risk of non-payment by your buyer.
  - You should consider it if the agreed method of payment is neither confirmed irrevocable letter of credit nor cash in advance (information on credit insurance is given on page XX).
- **Financing charge:** if you are giving your buyer any extended payment terms, e.g. 30, 60 or 90 days, you may need to borrow bridging finance from your bank and therefore you need to recover the interest paid on this loan.
- **Bank charges:** Banks charge you fees for such services as:
  - Advising you of a letter of credit.
  - Establishing a forward exchange contract, and so on.
  - You will also be charged a commission when the bank converts your foreign currency receipts into rands.

Cost Checklist For Containerised Shipments By Sea: FCL, LCL and Groupage

- **Agent's commission:**
  - If you receive orders through your foreign market agent, you will need to pay the agreed amount of commission.
  - Commission is usually calculated as a percentage of the FOB/FCA price of the export consignment.

☐ **Quoting in a foreign currency**

- When you have calculated your export price in rands, whether it is on EXW, FOB/FCA, CFR/CPT CIF/CIP or any other Incoterm®, you will probably need to convert your export price into a foreign currency.
- You ask your bank to give you the exchange rate for the foreign currency at the bank's buying rate.

You may feel the need to take out forward cover (information is given on page XX) to eliminate the exchange risk should the rand strengthen against the currency concerned.

where to find help

Note that the information or help you request should be relevant to the organisation's field of activity.

- Wesgro
- Banks
- Bi-lateral chambers of commerce
- Cargo insurers
- Carriers (shipping line, etc.)
- Chambers of Commerce
- Container depots
- Container terminals
- Credit insurers
- Customs clearance specialists
- Export councils
- Finance houses
- Freight forwarders/logistics specialists
- Government departments
- Industry associations
- Inspection and/or certification authorities
- Packing companies
- Trade or business consultants (logistics)
- Cold storage facilities

Additional sources of information

- Incoterms® 2010

ICC Publishing SA, an affiliate of the International Chamber of Commerce

38, Cours Albert 1er, 75008 Paris, France

Tel. 0933 1 4953-2923; Fax 0933 1 4953-2902

Web site: www.iccbooks.com; E-mail: pub@iccwbo.org

- UCP 600 and URC 522

ICC Publishing SA, an affiliate of the International Chamber of Commerce

38, Cours Albert 1er, 75008 Paris, France

Tel. 0933 1 4953-2923; Fax 0933 1 4953-2902

Web site: www.iccbooks.com; E-mail: pub@iccwbo.org

Glossary of export trade and marketing terms

The following list is not a comprehensive dictionary of export trade and marketing terms, but covers most of those that are in general, everyday use and includes terms specific to the South African environment.

ad valorem duty	Import duty calculated as a percentage of the cargo value. This is the FOB/FCA value in South Africa and the USA and the CIF/CIP value in the European Union (EU).
agent	See export agent.
AGOA	Africa Growth and Opportunity Act, which allows a wide range of goods from African countries, including South Africa, duty free entry into the United States.
at sight	Usually used in reference to L/Cs and Bills of Exchange and means payable on demand with no credit period.
ATA Carnet	An international Customs document to cover the temporary export and re-import of certain goods (commercial samples, exhibition goods and professional equipment) to countries that are parties to the A.T.A. Convention. In SA the Carnet is issued by SACOB.
AU	African Union.
AWB	Air waybill.
B/E	See Bill of Entry and Bill of Exchange.
BEE	Black Empowerment Enterprise
B/L	See Bill of Lading.
BAF	Bunker adjustment factor, a surcharge applied by shipping lines to basic freight rates because rising oil prices increase their fuel costs.
berth	Area allocated at quayside for the vessels of a particular shipping service or company.
Bill of Entry	The South African Customs declaration required to clear goods through Customs, either into or out of the country.
Bill of Exchange	Another word is draft. A Bill of Exchange is a payment instrument used with L/Cs and bank collections.
Bill of Lading	A transport document relating to seafreight only, it is a receipt for goods received and loaded on board a ship. It is signed by the shipping line (or its agent) that has contracted to carry the goods and states the terms on which the goods are carried.
bond store	See bonded warehouse.
bonded goods	Goods imported into or in transit within a country, e.g. South Africa, without having been cleared by Customs.

bonded warehouse	A warehouse under customs surveillance housing dutiable goods which may be stored on importation and removed on payment of the relevant duty and/or taxes.
breakbulk cargo	Goods packed and shipped in boxes, crates, cases, drums, bags, etc., but not stowed into containers.
bulk cargo	Unpacked goods, such as ore, grain and coal, usually making up complete ship-loads.
bunkers	A nautical term referring to the marine and diesel fuels used by ships.
C.A.D.	See cash against documents.
CAF	Currency adjustment factor, a surcharge raised by shipping lines on basic freight rates because of fluctuations in currency exchange rates.
cargo	Merchandise carried on a ship, aircraft, train or road vehicle.
cargo dues	Charges raised by a port authority on cargo passing over the quay based on tonnage or a specified unit, e.g. per container.
Carriage and insurance paid to	See CIP.
Carriage paid to	See CPT.
carrier	The operator who contracts to provide the transport service which may be by sea, rail, road or air.
cash against documents	A form of export payment in which the buyer agrees to pay upon receipt of the shipping documents that give him access to the goods.
CCT	Common Customs Tariff; the tariff that all members of the European Union apply to goods coming from non-member countries.
CE mark	Marking showing that a product conforms to EU regulations concerning safety, health, environment and consumer protection; required for products covered by the New Approach Directives.
cellular vessel	A ship designed to carry only containers.
certificate of origin	A document to prove the place of growth, production or manufacture of goods.
CFC account	Customer Foreign Currency account. A facility of offsetting payables against receivables in the same currency within 180 days on a “first-in/first-out” basis offered by banks.
CFR	Cost and freight; one of the Incoterms®.
CIF	Cost, insurance and freight; one of the Incoterms®.
CIP	Carriage and insurance paid to; one of the Incoterms®.
CKD	Completely knocked down; consignments of articles (e.g. machinery, automobiles) that are assembled at destination and not transported as complete units.

CMA	Common monetary area comprising South Africa, Namibia, Lesotho and Swaziland; Botswana is not a member.
combined transport	This involves the combination of more than one mode of transport offered by one party, the combined transport operator.
consignee	Company or person receiving a consignment.
consignment	Goods being shipped or dispatched.
consignor	Company or person sending a consignment.
container	A standard box or frame used to carry goods on ships, railways, barges and road haulage vehicles. Aircraft containers are of a different volume, construction and shape.
container depot	A Customs-licensed place where containers and their contents are stored, detained, packed, unpacked and examined by Customs. They are located near container terminals.
container operator	Defined by Customs as "any person providing international transportation of containerised goods and approved for operating containers in he Republic".
container terminal	A Customs-approved location where full containers are landed for transit, delivery to a container depot or where the containers are shipped for export. Container terminals in South Africa are controlled by Transnet.
containerisation	The carrying of cargo from the inland place of despatch to the final inland place of arrival in one article of transport – the container.
Cost and freight	See CFR.
Cost, insurance and freight	See CIF.
CPT	Carriage paid to; one of the Incoterms® 2010.
C.T.O.	Combined transport operator; see combined transport.
C/VO or C.V.O.	Certificate of value and origin.
D/A	Documents against acceptance; a documentary bank collection whereby the importer is allowed to have the documents enabling him to take possession of the goods on accepting the obligation to pay at a stated future date. He signals his acceptance by signing the Bill of Exchange.
DAP	Delivered at place; this is one of the Incoterms® 2010.
DAT	Delivered at terminal; this is one of the Incoterms® 2010.
DDP	Delivered duty paid; this is one of the Incoterms® 2010.
Delivered at place	See DAP.
Delivered at terminal	See DAT.

Delivered duty paid	See DDP.
demurrage	Money paid by the exporter for occupying space at a port beyond a specified time; money paid to the shipowner for a delay in loading/discharging cargo beyond the agreed time.
disbursements	A variety of expenses incurred by a freight forwarder on behalf of an exporter.
distribution channel	The process within the market by which goods reach the end user. A typical distribution channel is from importer to distributor to wholesaler to retailer to consumer.
documentary credit	See letter of credit.
Documents against acceptance	See D/A.
Documents against payment	See D/P.
D/P	Documents against payment; a documentary bank collection whereby the importer is allowed to have the documents enabling him to take possession of the goods on payment of the Bill of Exchange.
draft	See Bill of Exchange.
drawback	A refund of import duties paid on imported inputs used in the manufacture or processing of finished goods for export.
drawee	The party on whom a Bill of Exchange is drawn.
drawer	The party who writes out the Bill of Exchange, i.e. who draws the draft.
DTI	Department of Trade and Industry
dunnage	Loose materials or padding used to prevent damage to cargo.
EDI	Electronic data interchange – transferring documented information electronically.
EMIA	Export Marketing & Investment Assistance; incentives schemes offered by the SA government and administered by DTI.
ETA	Estimated time of arrival of a vessel or aircraft.
ETD	Estimated time of departure of a vessel or aircraft.
ETL	Estimated time of loading of cargo on board a vessel.
ETS	Estimated time of sailing of a vessel
EU	European Union, comprising Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain, Sweden, United Kingdom.

Euro	The European currency unit and applicable in Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, The Netherlands, Portugal, Slovakia, Slovenia and Spain. Lithuania is adopting the euro on 1 January 2015.
Ex works	From the factory or warehouse; see EXW.
export agent	An agent responsible for promoting and negotiating the sale of the principal's goods in a foreign market usually in return for a commission based on the FOB/FCA value of the goods sold.
export market	A group of buyers or potential buyers of a specific product or service in a foreign market.
EXW	Ex works; one of the Incoterms® 2010.
factoring	A contractual agreement with a factoring company whereby the exporter cedes the sales ledger to the factor in return for payment when the goods have been shipped.
FAK	Freight all kinds; term used to show that the freight rate charge is not based on the individual goods but on freight of all kinds.
FAS	Free alongside ship; one of the Incoterms® 2010.
FCA	Free carrier; one of the Incoterms® 2010.
FCL	Full container load.
FDA	Food & Drug Administration in the USA; government body regulating imports of all kinds of food and beverage products and drugs.
FEC	See forward exchange contract.
FOB	Free on board; one of the Incoterms® 2010.
force majeure	A clause in a quotation or contractual agreement limiting the responsibilities of an exporter or importer.
foreign market agent	An agent based in the foreign market responsible for promoting and negotiating the sale of the principal's goods in that market usually in return for a commission based on the FOB/FCA value of the goods sold..
forward exchange contract	A contract between a customer and his bank whereby a rate of exchange is fixed immediately for the purchase or sale of one currency for another to be delivered on an agreed future date or within a certain period.
Free alongside ship	See FAS.
Free carrier	See FCA.

Free on board	See FOB.
Freight ton	1000 kg or $1m^3$.
GATT	General Agreement on Tariffs and Trade, the implementation of which has been taken over by the World Trade Organisation.
GMT	Greenwich Mean Time, i.e. the standard time at Greenwich, England, which is taken as the base time of the world. International times are expressed as + or – GMT. South Africa is +2 hours.
gross weight	The weight of the consignment including all packing materials and items such as pallets.
groupage	The dispatch by a groupage operator of numerous consignments for various consignees under one grouped shipment of one or more containers to a common destination.
GSP	General System of Preferences, which is the system of preferential rates of duty extended by several developed countries to many developing countries, including South Africa.
HACCP	Hazard Analysis and Critical Control Points, a control system to ensure the safety of food products during processing and distribution.
Harmonised System	International customs tariff classification and coding system accepted by most countries.
HDI	Historically disadvantaged individual/business, in the context of EMIA; such a business must be an SMME, owned 51% by black person(s), women or disabled person(s) of South African nationality.
HS	See Harmonised System.
IATA	International Air Transport Association.
ICC	International Chamber of Commerce (located in Paris), responsible, among other things, for compiling the Incoterms®.
IMF	International Monetary Fund.
Incoterms®	International rules for the interpretation of a set of delivery terms used in foreign trade drawn up by the International Chamber of Commerce. The latest version is Incoterms® 2010.
irrevocable letter of credit	A letter of credit that cannot be cancelled or amended without agreement of the beneficiary (exporter) and all other parties.
ISO	International Standards Organisation.

ISPM 15	International Standard on Phytosanitary Measures "Guidelines for Regulating Wood Packaging Material in International Trade". All wood packaging material, including dunnage, made of raw wood exported from or imported into South Africa must have been treated in a manner outlined in ISPM 15 and marked as such in accordance with Annex II of this regulation.
ISPS	International Security Port Surcharge. A freight component like BAF and CAF and charged as a flat fee in USD.
L/C	See Letter of Credit.
LCL	Less than a full container load – a consignment of goods too small to fill a container, which is grouped by the shipping line at a container depot with other compatible cargo for the same area, country or region.
letter of credit	A legally binding written undertaking by a bank to pay a beneficiary (for example, the exporter) provided the exporter presents certain stipulated documents and strictly complies with the terms and conditions of the letter of credit.
marine insurance policy/certificate	A document confirming the cargo value as declared by the exporter or importer has been insured for the duration of the transit.
market entry channel	The process by which a product or service reaches the market. A typical market entry channel is producer to buyer (e.g. importer, distributor or wholesaler) in the foreign market.
market research	The gathering of information about the characteristics of a specific market.
marketing	The management process, by which customers' needs are identified, anticipated and satisfied at a profit.
marketing mix	The combining of the four Ps of marketing (product, price, distribution and promotion) in a way that achieves marketing objectives.
Montreal Protocol	This convention on substances that deplete the ozone layer dates from 1991 and is the first international environmental treaty to protect the atmosphere from human impact.
Mercosur	The common market agreement between Brazil, Argentina, Paraguay, Uruguay and Venezuela, with Chile, Bolivia Colombia, Ecuador and Peru as associate members.
multi modal transport service	A scheduled co-ordinated transport service involving two or more transport modes.
n.e.s.	Not elsewhere specified.
NAFTA	North American Free Trade Agreement, linking United States, Mexico and Canada.

NCV	No commercial value or no customs value.
niche market	A group of end-users with special distinguishing features setting them apart from other consumers or users; the group is large enough to be profitable but small enough to be served efficiently by a small company.
NVD	No value declared.
NVOCC	Non vessel owner common carrier – usually a freight forwarder acting as a groupage operator and issuing a house Bill of Lading.
OPEC	Organisation of petroleum exporting countries.
packing list	A document prepared by the supplier to identify the contents and give the gross and net mass and external dimensions of each package.
pallet	A mounted steel or wooden platform of about one metre square designed to unitise homogenous loose parcels.
part shipment	A consignment which is not transported in one lot but in two or more separate shipments.
POD	Paid on delivery or place of delivery.
PPECB	Perishable Products Export Control Board. A local organisation, appointed by government, in charge of inspecting at source all perishables exported from South Africa. It also will administer the soon to be introduced "The official export food safety control system for regulated products of plant origin" legislation regarding traceability – this is in line with EU requirements.
pro-forma invoice	A specimen invoice sent in advance of an export shipment often required by the importer to obtain an import license and/or to have an L/C issued.
quay	A landing place built of solid materials for loading or unloading ships.
quotation	A legal offer which, when accepted by the buyer, is binding on the exporter.
R&D	Research and development.
rebates	A Customs facility granting non-payment of duties on imported products/inputs to be used for certain specific purposes, such as manufacturing goods for export.
reefer	A refrigerated ISO container – suitable for transport of perishable cargo such as fruit, frozen fish, meat, etc.
rules of origin	The regulations governing a product's eligibility for preferential import duty when entering a foreign market.
SACCI	South African Chamber of Commerce and Industry (formerly SACOB)

SACD	South African Container Depots, a private company responsible for running container depots in South Africa.
SACU	Southern African Customs Union, comprising South Africa, Botswana, Lesotho, Namibia and Swaziland.
shrink wrapping	A form of packing in which the goods are placed on a base, such as a pallet, and covered with a film of plastic, which is then by heat treatment 'shrunk' to enclose the items.
SMME	Small, medium and micro enterprise; in the context of EMIA, this means a privately or co-operatively owned/managed business complying with any two of: total annual turnover less than R40 million; total assets excluding fixed property less than R15 million; less than 200 full-time employees. .
spot rate	A currency exchange rate applicable within two working days from the date of the deal.
stacking dates	The number of days required for containers to be in the terminal prior to loading onto a vessel.
stuffing	The process of packing a container.
SWIFT	Society for Worldwide Interbank Financial Telecommunications – a kind of closed-loop internet facility (intranet) whereby banks can quickly exchange messages and payment instructions amongst each other. The system is co-operatively owned by banks around the world and all the SA big four commercial banks have been a member from the beginning of introducing SWIFT many years ago.
tare	The weight of packing in a consignment or the weight of a vehicle/container without contents.
target market	A particular market that the marketer has chosen to develop.
tariff	List of duties payable on imported goods; list of freight rates.
TEU	Twenty foot equivalent unit – technique of quantifying ISO containers, i.e. 1x40ft (12m) = 2 TEU; 1x20ft (6m) = 1 TEU.
trader	See trading house.
trading house (export)	A company that purchases products from the producer and sells them in the foreign market.
TT	Telegraphic transfer – a bank term for transferring money by telex.
UN	United Nations.
UNCTAD	United Nations Conference on Trade and Development.

UNHCR	United Nations High Commission for Refugees.
UNICEF	United Nations International Children Emergency Fund.
VAT	Value added tax.
wharf	A landing place by the waterside in a harbour or river for loading or unloading goods.
WHO	World Health Organisation – based in Geneva.
WTO	World Trade Organisation.