

Section 6 Operations and Administration

Introduction

Every business, no matter how small, needs to be aware of the operations and administration issues involved in foreign trading. In this section we look at the following key topics:

Topic 1: Distribution

When you have worked through this topic you should be able to:

- describe the criteria you would use when choosing a method of transportation for goods being sent abroad
- select the most appropriate freight forwarder to meet your needs.

Topic 2: Insurances

When you have worked through this topic you should be able to:

- describe what is meant by 'credit protection insurance' and explain why it might be necessary
- decide whether or not you intend to use credit protection insurance and, where appropriate, identify a suitable provider
- explain the importance of cargo insurance and identify a suitable provider.

Topic 3: Documentation

When you have worked through this topic you should be able to:

- list examples of the kinds of documentation you might need to use when exporting from the UK
- choose and use the appropriate documentation to best suit your needs
- identify the most suitable source for your documentation
- explain why translation services might be necessary
- identify a suitable translation service provider.

Topic 4: Tracking

When you have worked through this topic you should be able to:

- explain why it is necessary to track what is happening within your overseas operation
- carry out a tracking exercise on a regular basis, within your business, to identify potential areas of concern.



Glossary of commonly used terms

Cargo insurance	An insurance policy which covers you in the event that your goods are lost or damaged in transit to your customer.
Credit protection insurance	An insurance policy which covers you in the event that your customer (here in the UK or abroad) is unable to pay you for goods ordered and received, for example, due to their bankruptcy or an outbreak of war in their country.
Export documentation	The numerous documents which you must complete to clear customs, provide proof of country of origin, provide proof of ownership or proof of insurance.
Freight forwarding company	A company which will transfer your goods from the UK to your designated target destination, using either rail, road, sea or air.
Tracking	The process of monitoring where your goods are, and how the business is doing in relation to the targets you have set for sales, income, profit and so on.
Translation service	A company which will translate your export documentation, contracts, stationery, business cards, web site etc. into the language(s) of your choice.

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Topic 1 Distribution

Once you have decided to expand your business overseas one of the key questions is 'How do I get my products from here to my customers?'

Although, at first sight, the notion of distributing your goods around the world may seem a daunting prospect, in reality, because there are so many companies involved in exporting goods abroad, overseas distribution is a fairly straightforward process.

Which option to choose?

There are four methods to choose from when exporting goods abroad. You can send goods by:

- Air
- Road
- Sea
- Rail

The method you choose will depend on:

- the type of goods you are sending
- the quantity of goods you are sending
- urgency
- destination.

Which freight forwarder to choose?

Again, the freight forwarder you choose will depend on type of goods, quantity of goods, urgency, destination and cost. Unless your customers are willing to pay freight costs (which is probably unlikely), your business will have to absorb freight costs and this will, in the long run, affect your profit margins. So, although you need to choose a forwarder that provides a reliable and secure service, you also need to ensure that the service is economical and cost-effective.

Costs will vary, not only from firm to firm, but also depending on the level of service you require. Thus, straightforward overland freight forwarding (where your goods are loaded onto a truck and driven to their destination) will be cheaper than a specialised service where your goods are tracked hour-by-hour of their journey. DHL Worldwide Express offer a service whereby your goods are monitored from start to finish of their journey and you can, using a specially provided PIN number, check where your goods are via the DHL Worldwide Express website. For more information about the many specialised services offered by this company, go to www.dhl.co.uk

Bear in mind that freight forwarding – by road, sea, air or rail – is now a highly competitive business. This means it is worth shopping around a number of different freight forwarding companies until you find the company that best suits the needs of your business.

Before you make your selection always:

- shop around to obtain quotes
- check that the freight forwarder you choose will be able to offer all of the services you require
- talk to other small business owner/managers and find out which freight forwarders they use, and the reasons for their choice.



Check Point

You may find it helpful to use this check point as an *aide memoir* for your notes regarding suitable (and unsuitable) freight forwarders.

Name: Telephone: Name of contact: Address: Website:	Notes:
Name: Telephone: Name of contact: Address: Website:	Notes:
Name: Telephone: Name of contact: Address: Website:	Notes:

If a window of opportunity appears don't pull down the shade
Tom Peters

Checklist of freight forwarding companies

Look4Logistics is a site which offers an A – Z directory of freight forwarders who can distribute goods around the world. Their website is at www.look4logistics.com

Additional directories of freight forwarders are available at www.forwarders.com/ and at www.international-trade.org.uk which is the Institute of Export's portal web site.

Trans-European is a UK company which specialises in freight forwarding throughout Europe, and their web site is at www.trans-european.co.uk/

ABX Logistics is a UK company which specialises in freight forwarding by land, air and sea, and their web site can be found at www.abxlogistics.co.uk

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Topic 2 Insurances

Business insurances, although expensive, are advisable if you are planning to do business overseas, and generally a *must* for business outside the EU. There are two main kinds of insurance that you will need to think about:

1. Credit protection insurance
2. Cargo insurance

Credit Protection Insurance

Credit protection insurance can be taken out to insure your business against loss if customers default on their payment to you. Although this kind of insurance can be taken out to cover your dealings with domestic (UK) customers, many businesses tend to use credit protection insurance solely to cover their transactions with foreign customers.

How does it work?

Like any other insurance policy, you specify the cover you want and the insurance company charges you accordingly. You can use this type of policy to protect you against loss arising out of:

- war
- civil war
- government action in your customer's country
- bankruptcy, liquidation, winding-up (or foreign equivalent) of your customer's company.

You can choose to insure:

- all of your turnover (in other words, all your dealings with all your foreign and/or domestic customers)
- some of your turnover (perhaps your dealings with, say, Russian or other Eastern European countries)
- just some, specific, customers (perhaps, say, XYZ Company in Taiwan, and ABC Company in Milan) which are key accounts and extremely important for the survival of your business
- a specific one-off deal (perhaps, say, supplying 5000 silk scarves to the Olympic Games organising committee).

How much does it cost?

The cost, to you, of a credit protection policy will depend on a number of factors including:

- your industry – e.g. toy manufacturing; interior design; hand- made furniture etc.
- your turnover
- your trading experience
- the amount of risk the policy covers – for example, 90% of your turnover; 50% of your turnover etc.
- the number and type of customers you have.

Generally, the cost of a credit protection policy is calculated at between 0.35% and 1% of your annual turnover. For more information about credit protection insurance:

- ask other small businesses who are involved in exporting what kind of credit protection insurance cover *they* use
- contact your local Chamber of Commerce or the Association of British Insurers
- visit www.ukcreditinsurance.com/index.html



Cargo Insurance

Whether you are importing or exporting goods, it may be part of the deal that you have agreed to be responsible for the cost of insuring the goods whilst they are in transit. It will all depend on the INCOTERMS which have been negotiated with either your customer, or your supplier. (Note: INCOTERMS are covered in detail in Section 4: Law, Topic 6 – INCOTERMS.)

When you are involved in moving goods across international borders, whether by road, rail, sea or air, it really is important that you invest in cargo insurance. Failure to pay an appropriate cargo insurance policy can mean that, at worst:

- goods are damaged or lost in transit
- your customer refuses to pay for the damaged or lost goods
- you are left to cover the losses.

How much does cargo insurance cost?

The cost of a cargo insurance policy will depend on whether you want the policy to cover a number of consignments or just one consignment and, of course, on the risk assessment which will be carried out by the company which is underwriting the policy. The price you will have to pay for a policy will take into account:

- the value of the consignment
- the type of goods involved – whether or not they represent any kind of danger or hazard
- the destination of the goods
- the countries through which the goods will pass
- the dangers involved in the method of transport used – rail, road, air or sea.

Who sells cargo insurance?

Your freight forwarder may be able to arrange cargo insurance as part of a freight forwarding package. Your bank may also be able to arrange cargo insurance for you, if they are helping you with an export finance package. Many insurance companies offer cargo insurance as part of their portfolio.

To find out more about cargo insurance:

- talk to other small businesses and find out where they buy their insurance
- go to the Export Credit Guarantee Department web site at www.ecgd.gov.uk
- contact your local Chamber of Commerce or the Association of British Insurers.

The best
armour is to
keep out
of range.
**Italian
proverb**

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Topic 3 Documentation

Regardless of the type of goods you are exporting, and irrespective of where you are sending them, you will almost certainly need some documents in order to:

- clear customs in the destination country
- provide proof of country of origin in order to claim preferential duty rates
- provide proof of ownership
- provide proof of insurance.

Checklist of export documentation

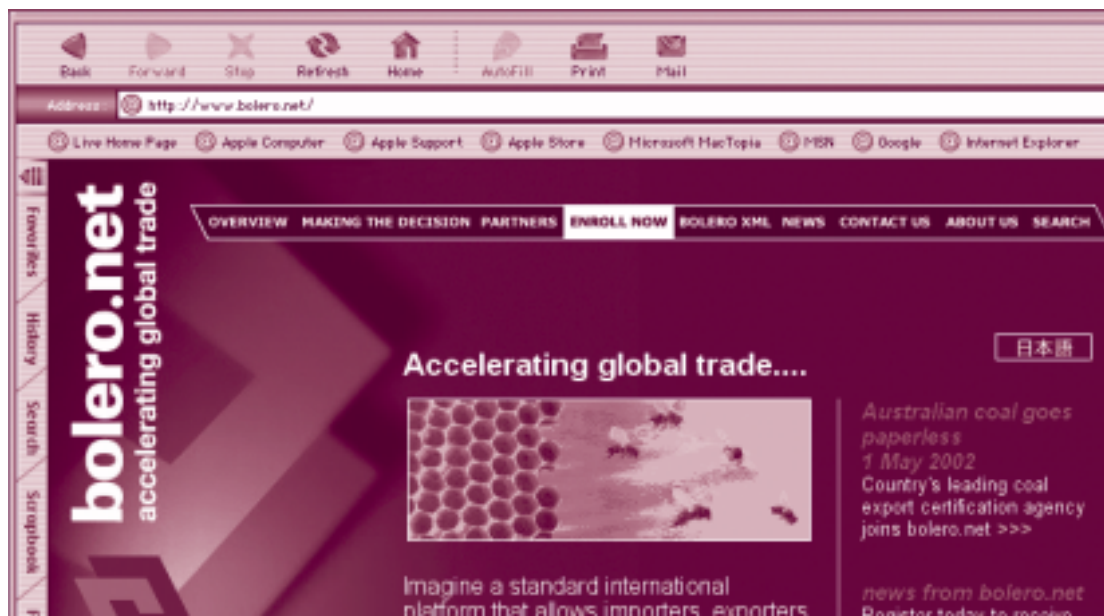
- Single Administrative Document (SAD) – in the UK referred to as C88
- Export Licence
- Import Licence
- Movement Certificate
- Certificate of Health
- Clean Report of Findings
- Bills of Lading
- Sea Waybills
- Air Waybills
- Dangerous Goods Note
- Standard Shipping Note
- ATA Carnet
- Insurance Policy and Insurance Certificate
- Letter of Credit
- Bill of Exchange
- Certificate of Origin

Fortunately, you will not need *all* of these documents every time you import or export goods, although you will certainly need *some* of them in Europe, possibly only *one*. Fife Chamber of Commerce (in partnership with Fife Council and Scottish Enterprise) have an excellent facility on their web site which will allow you to view samples of these documents. Also provided are a detailed explanation of the information each document should contain, notes on when a document should be used, and how the documents should be completed. This free service is available at www.fife-trade.org.uk

Thames Valley Chamber of Commerce is one of the largest issuers of export documentation in the UK, and details of the service they offer are available at www.thamesvalleychamber.co.uk

Some companies find that the most suitable approach for them is to create and print their own export documentation, using software they have purchased from a specialist firm. If you think that this might be of interest to you, take a look at the following web sites to find out about the software packages available.

www.exportmaster.co.uk
www.bolero.net
www.export-pro.com



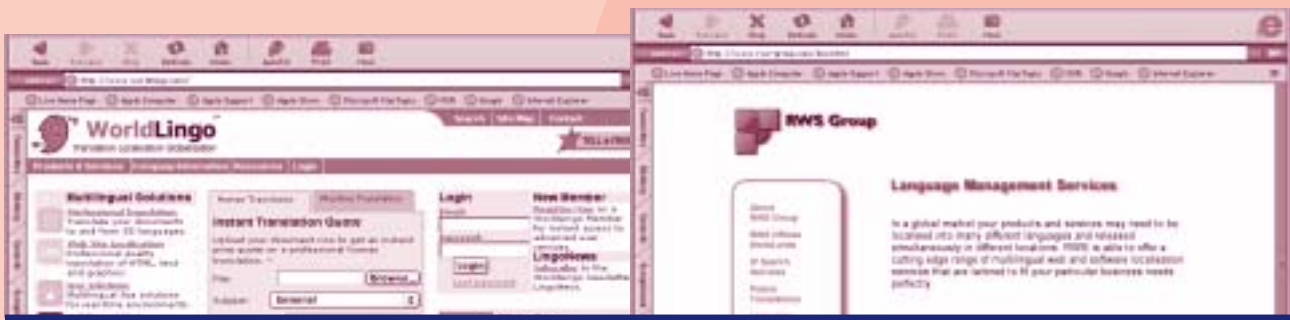
Translation

Once you start to do business with other countries, it will be necessary to ensure that everyone involved can understand and make sense of all the verbal and written communication involved in setting up and completing the agreed transactions. This means that you will almost certainly, at some time, need to make use of an efficient and effective translation service. You might need this service in order to:

- prepare or read contracts
- fill out export documentation
- prepare business cards
- produce sales literature, brochures, user manuals, guarantees
- prepare foreign language text for your business web site.

There are number of organisations which offer translation services, including:

- The ECIB – European Chamber of International Business, Paris, France – www.ecib.com
- Export Buyers Magazine, Kent, UK at www.exportbuyer.com
- World Lingo, a multinational translation organisation at www.worldlingo.com
- ATS, a company which offers translation in over eighty languages at www.ats-translations.com/
- RWS group, which offers a number of language management services at www.rws-group.com/lms.html
- Chambers of Commerce
- The European Information Centre



Check Point

Use this check point to note down details of the companies which may be of most use to you, and the charges they make for their services.

Name of company: Web site: Telephone: Contact name:	Services offered:	Charges:
Name of company: Web site: Telephone: Contact name:	Services offered:	Charges:
Name of company: Web site: Telephone: Contact name:	Services offered:	Charges:
Name of company: Web site: Telephone: Contact name:	Services offered:	Charges:

Big companies are small companies that succeeded.
Richard Townsend
 (boss of Avis Cars)

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Topic 4 Tracking

As you begin to expand your business outside the UK, you may want to start thinking about how you can keep track of your overseas operations. Below are some of the questions that you may need answers to.

Customers and profitability

- How many overseas customers do we have?
- How much does each customer, on average, spend annually with my business?
- How much profit am I making from our overseas customers?
- How many complaints do we receive, on average, from each customer?
- Which are the most profitable customers/countries, and which are the least profitable?

Orders and goods in transit

- How many orders do we currently have in our order book?
- How many orders are currently in transit, and what is the total value?
- Which is the most profitable way to transport goods?
- Which is the least profitable way to transport goods?

Time and quality

- Are we meeting our sales targets?
- Do we stick to our schedules and deliver on time?
- Do we consistently meet our quality targets?
- How can we save time?
- How can we improve the quality of our goods and services?

Resources

- What kind of team spirit do we have?
- How well are our people motivated?
- To what extent do our equipment, machinery, vehicles and premises meet our needs?

Profit and loss

- What are our most profitable lines/deals?
- What are our least profitable lines/deals?
- Which expenses are the ones which most erode our profit margins?
- Which expenses can we most usefully cut back on?
- Where could we most usefully invest money in the business?
- What invoices are owed to us?
- What invoices and other expenses does the business currently owe?
- How much profit is the business making?
- How can we increase the profit without sacrificing quality or customer service?

General

- In which areas of the business do we need to improve?
- How can we do better?

There are, of course, no right or wrong answers to these questions, but you need to ask and answer them on a regular basis so that you can keep track of what is happening within the business and make changes and adjustments as appropriate.

Check Point

This Check Point has been designed to help you keep track, on a regular basis, of what is happening within your business. You will probably find it most helpful if you photocopy the chart below and complete a fresh chart every month, on a regular basis.

Customers	Target	Actual
How many overseas customers do we have?		
How much does each customer, on average, spend annually?		
How much profit are we making from overseas customers?		
Which are our most profitable customers/countries?		

Orders and goods in transit	Target	Actual
How many orders do we currently have in our order book?		
How many orders do we currently have in transit, and what is the total value?		

Targets	Target	Actual
What are our current sales targets?		

Profit and loss	Target	Actual
What invoices are owed to us?		
What invoices and other bills does the business owe?		
How much profit is the business making this month?		

Improvements	Target	Actual
What do we need to do better?		

The important thing is not to stop questioning.
Albert Einstein