

# Plying our trade

How the Institute of Export is helping businesses discover and embrace international trade opportunities.

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**W**ITH so many UK businesses being encouraged to export, we are working harder than ever to ensure our support is useful and accessible.

At the Institute of Export & International Trade our motto is that 'exporting is great' when you know how. There are myriad pitfalls a business can fall into when they don't have a proper understanding of some of the key aspects of international trade. Businesses need to learn more and gain or recruit certain skills and capabilities for exporting.

As ever, the most important processes that businesses need to be on top of are those involved in getting paid.

## THE RISKS INVOLVED

Ensuring payment is received from overseas buyers carries a greater level of risk than domestic business. Further, the culture and processes around payment can differ per country, with some markets more efficient than others in terms of payment times.

There are multiple things that exporters can't ever fully control and therefore need to mitigate risk around. Currencies can fluctuate between the time you quote a price and the time you get paid, your goods can get delayed when being delivered across the planet, and there's the aforementioned risks around buyers not paying in a timely manner.

New exporters need to have plans and solutions in place for anticipating cashflow hits when, for whatever reason, you aren't paid as quickly as you'd planned for.

## PRICING AND LEAD TIMES

Of course, mitigating these risks can cost a business money, whether that's through gaining knowledge from experts like the Institute of Export & International Trade, using credit risk insurance or talking to your local UKEF adviser.

Wherever you look there might be hidden costs involved in generating a sales abroad. Obviously, businesses will usually factor various new costs into their export price including product modifications, translated marketing materials and packaging, different import duties, delivery costs, shipping insurance, and more.

This may lead to the exporter selling stock in larger bulks per transaction than they would domestically, as a way of minimising the cost per shipment. This will of course mean that each transaction will be worth more and therefore require larger payments from the buyer. The risk of not getting paid in time therefore takes an even greater precedence.

## ON BOTH SIDES

Businesses cannot leave themselves in a situation where they've shipped a significant bulk of goods to a buyer, at great expense, and then find themselves with a hole in their budget because payment has not been received as quickly as they'd have liked.

Unfortunately, research shows that new and inexperienced international trading businesses rely on trading on an 'Open Account' basis – whereby the overseas payer receives the goods and then pays for them (though often with a credit period attached). Depending on your product for example, a unique product like a folding bike, you may be able to receive payment in advance. However, less unique products – say component parts – cannot demand

payment in advance – it simply represents a significant risk for the importer.

Businesses need to know how the mechanisms provided by banks and the trade finance industry, such as bank collections and letters of credit, can divert some of the risk away from the importer and the exporter to ensure that the payment process is more secure and controllable. Further, exporters need to know about how to get the necessary working capital to bridge cashflow gaps when they do arise, whether it's through receivable finance or import/export financing.

## LEARNING THE PROCESSES

There is therefore a significant market for trade finance specialists and a need for businesses to get their support, or to learn about the financial workings of international trade themselves.

Whether you're looking to help businesses get to grip with their finances, or you're a business owner looking to export securely, our Finance of International Trade qualification could be the key to future profitability and greater international business acumen.

The course equips individuals with three key tools to improve a business' financial planning: a greater understanding of how international trade changes a business' lead times; knowledge of the range of options available for bridging cashflow gaps; and a greater awareness of the main financial risks attached to trading internationally.

The course as a whole gives businesses a comprehensive understanding of how to plan and manage their finances when entering international trade. Priced at just £975, this is an immensely valuable investment – [export.org.uk/page/Finance\\_Int\\_Trade](http://export.org.uk/page/Finance_Int_Trade)

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