11 Talking business with visitors on the stand

This chapter emphasizes the importance of being well prepared for business negotiations at any trade fair. Subjects are presented in sequence following the lines of a possible inquiry.

Some visitors may be interested enough to arrange business deals while at the stand. This of course is very positive but means that the exhibitor has to be very well prepared for negotiations. He or she should have the latest information about production capacity, transport and insurance from the producer's workshop. Exhibitors should also understand common expressions and terms used in international trade.

Export prices

Ex-works (EXW). Not commonly used, this is the price of the product at the workplace gate.

Free on Board (FOB + named port of loading). One of the most commonly used prices is a unit product price FOB (usually in US dollars). This is the manufacturer's selling price, including the cost of getting the product from the workplace on to the air-or sea-freight vessel at a named port of shipment. The seller clears the goods for export and pays the export formalities. The buyer assumes the cost of insuring the consignment, transporting it to the importing country, the import duties and land freight to the destination warehouse. In some respects it would be best to have the price-list made out with prices FOB and CIF (see below), to cater for all needs.

Cost, insurance and freight (CIF). This is the price including all costs to a named port of destination.

Regularly update information on freight costs to keep prices correct.

In discussions with buyers it is always useful for manufacturers to learn the prices and systems that buyers use. Some buyers customarily talk in prices per container or crate. Craft enterprises have to work out how many of any particular type of their products fit into 10-metre containers, for example. They should be able to make such calculations very quickly, or have the information prepared well beforehand. As a general rule for rough calculation, the landed price of a product is between four to six times the price in the country of origin. The landed price is affected by the volume, size and weight of any product.

Pricing terms in the export market

Buyers do not readily disclose retail prices, but may be willing to discuss the calculation they make to arrive at their final retail price. The main pricing terms used by retailers are as follows.

Wholesale price. The landed price plus the margins imposed by wholesaler profit mark-up.

Retail price. The wholesale price plus the profit margin desired by the retailer.

Quantities and deliveries

Trade fairs are usually very busy. Customers frequently wish to complete their discussions quickly. Exhibitors should ensure that any commitments to quantities and delivery dates take account of the current workload of their enterprise. If they are uncertain of important dates and figures, they should advise customers that they will confirm these by a given date. It may be possible to negotiate a split delivery, or multiple small consignments for an order, so as to relieve pressure on production output. Most importers are well aware of the production situation of artisans and are more than willing to adjust if they wish to have good products to satisfy their customers.

Many buyers want quantity discounts, meaning lower prices for larger orders. Some manufacturers offer price discounts decreasing every thousand pieces after the first thousand. If all overhead costs are correct, then a manufacturer can shave profits finely and still be competitive.

Packaging requirements

Craft enterprises must make sure that they ask buyers what kind of packaging is required, and obtain clear written specifications for complex retail or consumer packaging. The costing and pricing of packaging cannot always be determined at a trade fair, but a quotation should be made and dispatched as soon as possible. If the manufacturer can fax or e-mail requirements to the home office, the quotation can be prepared and returned for the buyer's attention at very short notice.

Labelling

Customers should be asked to specify any labelling requirements at the time of placing an order. The manufacturer should ensure that labelling needs are clearly explained and noted down. Sample labels should be made and dispatched as soon as possible for approval. Much of this can be done by fax transmission or e-mail. Many importing countries have strict labelling requirements. The United States is one such country. Customs departments have information on the types of labels required for many products. Customers should be aware of the kinds of label required for their consignment. (See also labelling paragraphs in Chapter 6 above.)

Agreeing payment methods

Having agreed the price for the product, the manufacturer should then ask for details of payment method and dates.

Advance payment. Some buyers will make an advance of between 15 and 40 per cent of the total order value. This advance provides a capital float which enables the craft enterprise to purchase raw materials for the order. It also pays wages for production workers between the start of production and the final payment following delivery. One should not hesitate to ask about this possibility.

Letter of credit. Irrevocable letter of credit ((I)LC). Usually payable on fulfilment of the conditions set out in the letter of credit. The letter is issued by a bank, and authorizes the recipient to draw money up to a specific amount from a bank in the recipient's country. Because this LC cannot be revoked or cancelled, this method guarantees the manufacturer payment. On the other hand, it worries buyers, because of the risk of receiving a bad consignment of goods. However, the buyer has some control, which are the terms and conditions set out in the LC. The bank ensures that the terms and conditions are completed to satisfaction before releasing the payment.

'Sight' letter of credit (S)LC). This allows payment on sight of the shipping documents. It may well contain terms and conditions to be fulfilled prior to release of payment.

International money transfer. This method of payment can be made payable between banks, or to individuals without bank accounts on presentation of identity. This system is advantageous to the buyer, because otherwise payment might be held back until the consignment has been inspected in the buyer's warehouse. This gives cash-flow problems to manufacturers, particularly when no advance has been given.

Quality standards and rejects

All craft enterprises should have product quality standards. A target of zero per cent reject products is of course ideal. Experience shows that some buyers will accept between 1 and 10 per cent poor-quality products in any consignment without compensation. Others will insist on replacement of poor-quality goods at the manufacturer's expense. It would be wise to ask about buyers' terms and conditions for reject goods before confirming an order.

Penalty clauses. Some customers may insist that penalty clauses be written into an order agreement. Such clauses usually insist on payment of a fee in the event of late arrival of goods, or other special circumstances dictated by the customer. Not all are necessarily legal requirements, and some may be an attempt by customers to control the supplier's situation. A manufacturer should be very cautious about accepting such clauses.

Demurrage charges

All shipping papers should be in perfect order before the consignment is loaded at the port of origin. This is not as simple as may appear. For example, customs and excise in some countries require as many as seven documents for clearance of goods by the importer. Some of these documents are the responsibility of the importer. The remainder are the responsibility of either the manufacturer or the shipping agent. If the shipping documents for a consignment are not correct, this will delay the consignment in the airport or harbour on arrival. In this case the goods cannot be cleared through customs and excise, and the consignment is kept in a warehouse at the harbour or airport. There are heavy daily charges (demurrage charges) for storage in such warehouses payable until the goods are finally cleared and transported to their final destination.

Exporters should be clear about their responsibilities for customs documents.

Legal and customs regulations

Almost every country has regulations on imported goods and their quality.

Some countries have restrictions on the import of certain types of products. Ignorance of the regulations may cost an enterprise a great deal of money. Both the manufacturer and the customer should be clear about these before agreeing an order. Penalties for breach of customs regulations include: confiscation of consignment, a steep fine or even destruction of consignment.

For example, under common customs regulations, banned goods relating specifically to artisan products include those with false-origin statements, those infringing a trade mark and those infringing copyright.

It is therefore essential to check the latest amendments and any new regulations in force at the time of the exhibition. The *Journal of EU Communities* is one source of important information about import regulations to the member countries.

Craft exporters should check for changes in current import regulations in the target market to avoid delays in consignment delivery.

Generalized System of Preferences (GSP). Under GSP, tariffs charged on imports of manufactured or semi-manufactured products from developing countries are granted preferential tariff reductions. An open policy of graduation establishes criteria for country-sector graduation, and a tariff-modulation scheme reduces the rates of duty according to four product sensitivity categories. Additional incentive arrangements may be obtained by countries that respect international labour standards and environmental concerns.

Tariff quotas. This refers to EU regulations under which limited amounts of certain goods may be admitted to free circulation at reduced or nil rates of customs duty. Certain hand-made goods of various tariff classifications originating in specified countries are eligible for duty-free admission. Eligible goods must be accepted as hand-made by customs and excise and be covered by certificates described in the legislation. It is important to check whether products are allowable under any such schemes. Further information sources for this section are given in Annex 2.

Quotas and tariff barriers. This aspect of trading concerns barriers on import and export between countries. Embassy trade attachés and customs and excise departments in supplying countries have information concerning the current legal requirements. Some agencies, too, specialize in providing this information. TSIs have their own data collection systems for most target export markets. Many of these are negotiated through international agreement, e.g. trading restrictions, quota systems and tariff barriers.

Failure to meet delivery deadlines and agreed quality standards may mean the loss of a customer and damage to the reputation of the exporting enterprise.

Any craft exporter intending to trade abroad should seek guidance concerning the regulations on the import of their particular material or product.

ch Checklist for talking business with visitors on the stand

1. Identifying the visitor (see Chapter 10)

- Obtain visitor's business card
- Complete trade fair contact form
- Enter trade fair details of visitor's badge (electronic scanning process)

2. Recording inquiries (see Chapter 10)

- Note details of queries or items of inquiry
- Classify inquiry in priority of importance for follow-up (new customer, catalogue request, product sample request, confirmed trial order, repeat order)

3. Talking about detailed business deals on the stand

- Products being ordered (product name or code number)
- Agreed export price per piece (FOB/CIF)
- Quantities required
- Total value of order per product
- Delivery dates and addresses
- Packaging/labelling requirements
- Payment methods (bank details, letters of credit, money orders, advance payments)
- Special terms and conditions (customs regulations in customer's country)

4. Agreement of confirmation dates

- Copy of confirmed order handed over on stand
- Copy of confirmed order to be sent by an agreed date