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BACKING
BRITAIN'S
MAKERS

EXPORTING A HOW-TO GUIDE

SET-UP

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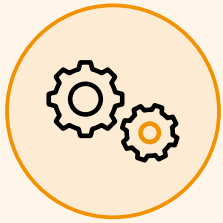


MAIN STEPS ON THE EXPORT JOURNEY

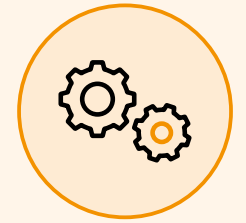


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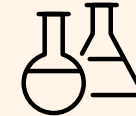
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STEP TWO SET-UP



Take advice...



GET HELP & TRAINING

- Identify training and learning needs
- Take advantage of resources and funding programmes

LEARN FROM OTHERS

- Join exporting networks
- Learn from experienced exporters
- Find a benchmark company

START SMALL

- Test your systems and processes
- Build an improvement plan

EXPERIMENT & DEVELOP

- Incentivise the development of new opportunities
- Develop an all-business approach

RE-ASSESS & MOVE ON

- Be ready to re-assess and if necessary pivot
- If it doesn't work; move on

SET-UP

While the prospect of exporting may be challenging initially, even if you have assessed the leadership requirements, with experience and knowledge the requirements to export successfully will become “business as usual”. Preparation, agility and accepting “trial and error” are all part of an export strategy.



GET HELP & TRAINING

Once you have established your export team and appointed a project leader (or export manager), it is time to assess what training and learning would be useful. There is plenty of free advice available from UK Government and UK Nations as well as from private sector providers. However, training courses and continuous learning can provide deeper understanding of what is needed to succeed with exporting.

In addition, the Government often provides export support in the form of funding, from grants to loans – it is worth exploring what support is on offer.

Carry out initial research on likely markets and their demand for your products or services. Make use of expert help, such as HSBC’s [country guides](#) and UK Government [advice](#). You might not master the minutiae of tariffs at this stage, but you need the confidence to be able to inspire your team about exporting.

- Identify training and learning needs and allocate budget for training courses
 - Take advantage of free resources and funding programmes



LEARN FROM OTHERS

One thing businesses with successful export strategies always highlight is the need for research, research, research.

Finding peers with experience in exporting will be invaluable. There are many exporting networks where companies share their experience, learn from one another and help each other.

Try to find a company of similar size and situation who might be interested in benchmarking, shared learning, knowing best practice and possible collaboration. While it is useful to know what good looks like, always remember that every company’s export strategy and journey will be different, and as much as you learn you can also share.

- Join a network such as DIT’s [Export Champions Advocates](#)
 - Learn from experienced exporters
 - Find a benchmark company

SET-UP



START SMALL

Manage expectations. Make a good start, within the resources and capability you have agreed. Consider starting with a pilot project to gain experience and capability. Understand and prepare for the relevant export documentation and the processes concerned with international trade. Understand and select your country market, identify your prospective buyer(s), seek relevant assistance such as UK Government and other sources for local intelligence, define in-market trade promotion activity and other relevant assistance. Testing your processes, analysing your information and intelligence sources, and understanding the local in-market trade processes and obligations (e.g. regulatory/statutory in-market access arrangements) will deliver a positive feedback loop into your strategy.

Use this learning to build an improvement plan, which can overcome challenges and streamline processes.

- **Test your systems and processes**
- **Build an improvement plan**



EXPERIMENT & DEVELOP

As much as it is true that there is no “one size fits all” solution to exporting from one company to the next, this is also true of different markets and customers and often for different products. It is important to develop a funnel of ideas and to experiment with different products, markets and processes. Create a culture that fosters innovation and fresh ideas from across the business.

Start with the top few, give each idea a runway period, and learn to experiment.

- **Incentivise the development of new opportunities**
- **Develop an all-business approach**



RE-ASSESS & MOVE ON

Exporting can be a question of ‘trial and error’; some things will work and some will not. If something isn’t working, be brave; re-assess, pivot, and try a different target or approach. With a pipeline of ideas and opportunities developed earlier, there could be plenty of other options.

- **Be ready to re-assess and if necessary pivot**
- **If it doesn’t work; move on**

SET-UP

CASE STUDY

Exports drive growth for Xtrutech

Quality engineering services, a network of contacts, and a wealth of experience has seen high demand for Staffordshire-based Xtrutech's machines and services. Meeting that demand whilst managing the company's cashflow proved challenging, but the right funding has supported the company's ongoing growth.

Xtrutech launched in 2002, seizing the opportunity to provide spare parts and service support to machines located around the world. "Exports were a fundamental part of our business from day one," says Managing Director Graham Edwards. "My partner and I had both worked in the industry and had a deep understanding of the global customer base potential and, most importantly, links with those customers."

Starting out providing spares and support to customers, Xtrutech broadened its territorial reach by using agents, and the company's reputation for service excellence and quality, soon resulted in customers asking whether Xtrutech would supply machines alongside spares & services.

"That was a step change for us," explains Graham. "When you're offering spare parts and service, the return is quite quick, but when it comes to machinery, the initial outlay is significantly higher – around a quarter to a half a million pounds, which on a turnover that was £2-3m at that point, is a big ask. The combination of high values and trading further afield, which extends payment terms meant cashflow was stretched. In addition, many of these customers require guarantees and, as a small business, we were seen as a risk."

Funding export growth

The dilemma meant that Xtrutech could initially only accept orders for two or three machines a year, which effectively put a brake on the company's growth. "It was at that point that HSBC approached us and provided a trade loan that fitted the bill," says Graham. "Access to funding to support our working capital was a turning point for the business, allowing us to treble in size over the next few years."

In the face of a global slowdown, Xtrutech again faced a challenge. "Many of the multi-national companies we supply have centralised their purchasing operations,

which has led to purchasing agreements pushing payment terms beyond what we previously had," says Graham. "Some of these terms are now 60-days from receipt of goods. As a small player in a much bigger market we can't absorb that in the same way, so HSBC's support has been vital."

Building relationships

Despite these challenges, Graham notes some advantages of being a smaller business. "We're more flexible and can respond to customer needs more easily," he says. "Being able to develop personal relationships is also important and more direct. When you're selling capital equipment, getting in front of customers and visiting their sites is very important. Nothing can replace that face to face contact. In the early days, attending exhibitions was an important way of us being seen as worthwhile and providing customers with confidence in our ability to service their needs."

Being agile

Thinking back to when the outcomes of EU/UK trade negotiations was uncertain and the end of the transition period was approaching, Graham says the key to any response was to be agile. "We tried to stay light on our feet, so we could respond to any changes," he says. "By keeping a close eye on the volume and value of business that comes in, playing out different scenarios and protecting ourselves as much as possible from currency volatility, we were confident we were as prepared as possible."

One of the main benefits of overseas trade is its ability to spread risk and broaden opportunity base. "If you export and aim to take as much market as you can, it increases the potential volume of business available," says Graham. "The obstacles you then face are relatively minor when compared to the advantages that volume can give you."



GLOSSARY

Term	Meaning
Advance Payment	Advance Payment – paying for a good or service before it is received.
Authorised Economic Operator status (AEO)	<p>A compliance certification signifying secure and reliable exporter status and offering smoother customs flows and deferred payment of duties. Predominantly used across the EU but with WTO links.</p> <p>Your freight forwarder will likely be AEO approved and a known consignor.</p>
AWB	Air Waybill - a receipt issued by an international airline for goods and an evidence of the contract of carriage. This document sets out the routing of an exporter's cargo while it is in the hands of the air carrier.
BL	Bill of Lading - document of title, a receipt for shipped goods, and a contract between a carrier and shipper. This document must accompany the shipped goods
BoE	Bill of Exchange - is used in international trade to help importers and exporters fulfil transactions. While a bill of exchange is not a contract itself, the involved parties can use it to specify the terms of a transaction, such as the credit terms and the rate of accrued interest
Border Operating Model	Post Brexit, this is the UK Government's new border control system that will be introduced in three stages up until 1 July 2021.
Carnet	A document permitting the holder to temporarily send goods to certain foreign countries for display or demonstration purposes without having to pay duties
CHIEF/CDS	CHIEF (Customs Handling of Import and Export Freight) is the HMRC computer system used to make customs declarations. Mostly used by freight forwarders, it will be replaced by a new system called CDS (Customs Declaration System) in 2021.
Certificate of Origin (CO)	An international trade document that certifies that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country.
COD / OA	Cash on Delivery / Open Account - The sale of goods or services in which payment is made upon delivery rather than in advance
Commodity Code	A number allocated to goods to classify exports/imports. It dictates your duty rating, and alerts you to any import or export regulations. Department for International Trade UK Global Tariff Look Up
Consignor, consignee and declarant	Customs terminology referencing the person/organisation exporting, the person/organisation receiving the goods (taking ownership) and the person responsible for the import respectively.
Country of Origin (COO)	Countries use rules of origin to define the COO of goods – the COO determines how tariffs might apply. For example, to be 'made in the UK' a certain percentage of the ex-works value must be of UK origin.

Customs procedure code (CPC)	Tells customs what will happen to the goods.
Customs simplified procedures	Customs special and simplified procedures deal with customs treatment of goods transiting a country or held in storage – also known as bonded storage or warehouses.
Customs declaration	An electronic export declaration.
Customs union	Members apply a common external tariff (e.g. the European Union)
DIT	The Department for International Trade (DIT) is the UK Government department tasked with promoting and financing international trade and investment, as well as championing free trade.
Documentary Collection	Documentary Collection - A simple alternative payment method to Export Letters of Credit that protects the sellers interests over documents and payment collections via banks.
Duty	A duty or tariff is a tax imposed on goods when transported across international borders. The term duty could include import tariffs, VAT (or equivalent) and/or an excise duty.
Economic Operators Registration and Identification (EORI) number	A UK EORI number is issued by HMRC to identify an organisation for the purposes of customs and import/export.
EU Common External Tariff	The EU's external tariff regime, or MFN tariffs. See MFN Tariff
Free circulation	Free circulation refers to goods entering the European Union and, once cleared by customs, are free to circulate within the EU.
Freight forwarder	An agent who organises shipments and transport and can manage certain related customs procedures on behalf of the exporter. British International Freight Association
Generalized System of Preferences	The Generalized System of Preferences (GSP), is required to validate claims for preferential duty treatment (a reduced or duty-free entry). This form is granted by certain developed countries for certain manufactured goods exported by least developed countries to boost exports.
Incoterms®	Created by the International Chamber of Commerce (ICC) and used universally Incoterms are a set of internationally recognised three-letter trade terms that describe the practical arrangements for the delivery of goods from sellers to buyers and allocate the obligations, costs and risks between the two parties. Link to ICC

LC / DC	Letter of Credit (Documentary Credit) - A letter of credit, also known as a documentary credit is a commitment given by the buyer's bank that they will make payment when a pre-agreed, specified set of documents are presented to a nominated bank by the seller (video link)
MFN (Most Favoured Nation) tariff	Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
Open Account	Shipping goods to your buyer before you get paid.
Rules of origin	Rules of Origin (ROO) allow an importing country to identify and classify the origin of a product and therefore whether it should be subject to preferential treatment, such as tariff reductions. See also Country of Origin.
SWOT Analysis	SWOT is an acronym for a method of analysis looking at Strengths, Weaknesses, Opportunities, and Threats
Tariffs	A duty or tariff is a tax imposed on goods when transported across international borders. Often an import tax applied at a rate specific to the product. These can be applied at either MFN or at preferential rate through trade agreements.
TCI	Trade Credit Insurance (TCI) provides cover for businesses if customers who owe money for products or services do not pay their debts, or pay them later than the payment terms dictate.
UK Export Finance	UKEF is the UK's export credit agency
UK Global Tariff (UKGT)	The UK's external tariff regime, or MFN tariffs. The tariff or duty that applies to all goods imported into the UK unless the country you're importing from has a trade agreement with the UK or another exception applies.





Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK’s economic engine and the world’s workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world’s biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

www.makeuk.org

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HSBC is one of the world's largest banks. We support around 1 million UK businesses, among 37 million customers worldwide. Our international banking network covers 64 international markets and territories and gives us access to around 90% of world trade flows.

Our aim is be acknowledged as the UK's leading bank for national and international trade, and in Euromoney's Trade Finance Survey 2021 we were recognised as the UK's best bank in trade finance for the fifth consecutive year. Globally, we were voted the world's #1 Global Trade Finance bank for the fourth year running, demonstrating our delivery of safe, fast and simple trade transactions.

These awards reflect our commitment to British businesses and our support in helping them realise their growth ambitions. With trade solutions ranging from paper-based documentary credits to sophisticated upstream supply chain financing we can help companies of all sizes trade with confidence.

For businesses with international ambitions, our global network provides unique access to global trade flows and means we can connect businesses to opportunities worldwide.

A strong balance sheet, advanced technology and an extensive network of dedicated trade and supply chain teams worldwide – including 800 specialist UK trade staff – puts us in an excellent position to support UK businesses as they expand overseas.

We understand that growing businesses want more than finance and products from their bank, they want a partner and expert guidance. To this end, we run a series of initiatives to meet the needs of companies across the country at every stage of their growth journey.

We also recognise the value of access to up-to-date information and insight on building a successful business. Our recently launched Tomorrow Ready hub contains a wide range tools and resources to help businesses prepare for the future and there is a section on the hub dedicated to exporting and Brexit preparedness.

To find out more, visit:

www.business.hsbc.uk/en-gb/tomorrow-ready-programme/prepare-for-exporting-and-brexit



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