

EVERYTHING ABOUT IMPORTING



So, I selected my supplier...
...NOW WHAT?

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Go Global Trade Services

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DEALING WITH THE SUPPLIER

By now you should already have an idea of how much product you are purchasing for your first order and you should have a price quote from the foreign supplier at your desired quantity. Once your supplier has quoted you a fixed price for a fixed quantity of merchandise, you must determine the “terms of sale” that apply to the transaction and understand how that will impact your overall landed cost.



What are my terms of sale?

Your terms of sale are all the transaction details (other than the price of the product) that ultimately determine who pays for which part of the shipping process, how you pay the supplier, and whether you pay everything up front or if you make partial payments at various points in the process. Remember, everything is negotiable, and each of these areas has its own inherent value outside the product cost.

*****TIP***** A supplier may offer you one term and you may want another, so don't be afraid to fight for your best deal. Keep in mind the Golden Rule: he who has the gold makes the rules. You are the buyer; you are spending money, so you have the gold! Don't be afraid to negotiate with the supplier... one negotiating trick you can try is to say: “Well Mr. Supplier, I have a better offer from another supplier (this is even stronger when you actually get a quote from another supplier and mention them by name), but I would really like to do business with YOU... can you match their offer?” – You will be surprised at how often the answer is YES!

We divide the subject of the terms of sale into two categories: the shipping terms (commonly referred to INCO terms) and the payment terms (how and when you pay the supplier).

*****TIP***** While we are on the subject of “door delivery” keep in mind that when a shipping company quotes delivery to the door, they are assuming you are located at a commercial building with a “loading dock.” If you do not have a loading dock or you want the goods delivered to a residential address there are often additional charges that will apply, so make sure you point this out when getting a quote... better to know the cost up front than to be blind-sided with a bill after delivery!

- **Port to port** is used mostly by experienced shippers who have their own internal logistics departments that will internally arrange the shipping, file their own U.S. Customs clearance and pickup the goods with their own trucks directly from the port. This only includes the cost of shipping the goods from the foreign port (under FOB terms from the supplier) to the USA port, and does not include the cost of U.S. Customs clearance or delivery.

What are my payment terms?

The payment terms from your supplier determine what percentage of their total invoice you pay, and at which point in the process that amount is due. Some suppliers will require payment in full before they ship anything. Others require half up front and the other half after they ship. And if you find a supplier with very flexible payment terms, you may be able to pay some or all of the total costs after your shipment arrives and you already have the product in hand! Just like the INCO terms, the payment terms are also negotiable.

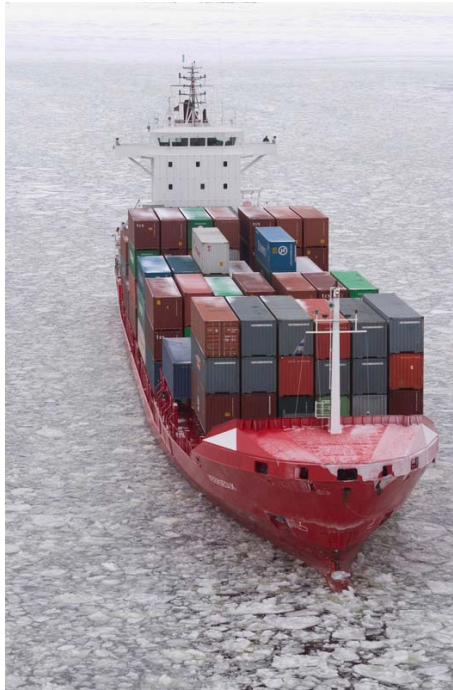
The terms you are able to secure will depend on your negotiating skills, your influence with the particular supplier, and how desperate the supplier is to make the sale! Getting better payment terms is easier when you are placing larger orders or when you have established business credit with the supplier... but it never hurts to try anyway!

*****WARNING***** If your supplier requires payment in full up front, always make sure you are dealing with a credible supplier before you send money overseas... and if you are not sure of their credibility, make sure you read below on using letters of credit to protect yourself.

*****TIP***** If you can get terms that are very favorable, “NET 30” terms which allow you to pay for the product 30 days after it arrives, you may be able to sell the goods before you have to pay the supplier, and as a result you never have to lay out your money to buy the goods!

Here are some of the most common payment terms, as well as some of the more favorable terms that you may want to try and negotiate for. Keep in mind there are infinite variations,

SHIPPING & TRANSPORTATION



Once you have worked out all the above terms, you want to start nailing down all your shipping costs.

The first thing you will need to do this is to get the packaged dimensions and weight of your product from your supplier. Your supplier will be able to tell you how the goods are packaged, what the measurements are, and how much the shipment weighs. You will need this information to estimate shipping charges or to get a shipping quote, and ultimately to determine your landed product cost. Most suppliers can provide this information even before the product is manufactured since they usually ship in standard sized packaging.

What are the available shipping options?

For the majority of imports from foreign suppliers, you have the choice to ship via air or ocean. If you are importing from Canada or Mexico there is a possibility that you will have the option to ship via truck, but this is far less common and we will not be covering it in this guide.

The two main variables to consider when selecting a shipping method are **time** and **cost**.

Do you need your goods here as fast as possible?

or

Do you want to pay the lowest possible price?

As a general rule of thumb: air is faster – ocean is cheaper.

*****TIP***** At certain small quantities (less than 1 pallet or 1 cubic meter) air and ocean can be comparable, and we call this the “shipping tipping point.” Make sure you compare both options to see if you are above or below the shipping tipping point, because in some cases air can be cheaper!

CALCULATING LANDED COST PER UNIT

Once you have gone through each of the above steps, choosing a shipping method, estimating shipping costs, and gathering all the customs clearance and delivery costs, you are now ready to put it all together to come up with your landed cost per unit. This is the end-game, the “Holy Grail” of the planning process. Once you know this number, you know the true cost for each product, and you can quickly compare that to your intended selling price to see how much real profit you can expect.

It is highly advisable to add an additional safety buffer just to account for unforeseen costs and the possibility of any unforeseen COST KILLERS (described in the previous chapter). Something between 10-30% of the total non-product costs is a good buffer to add, depending on how conservative you want to be. Sometimes, like when the government decides to stop and inspect your shipment, these added costs can be unavoidable, so the only way you can protect yourself is to plan for them. By using a safety buffer during your planning process, you can ensure your product will be profitable in a worst case scenario, and when things go your way you make even more profit than expected!

You can also decrease the likelihood of getting whacked with unforeseen costs by using a reliable full service provider like Go Global Logistics to handle the entire process from end to end. They can provide you with a complete picture of all costs before you ship, and because the shipment changes hands less, your cost are better controlled.

It goes without saying why determining this information in advance is so important. You need to know your real cost to get your merchandise to the point where it can be sold so that you know what your profit will be based on your selling price. The below worksheets will help you take the information you have been compiling throughout the planning process and combine it all together to get a total picture.



IMPORTANT DOCUMENTS

There are several important documents used in the shipping process, and you should teach yourself to recognize them so you know what you are looking at when you start dealing with the real thing. We have provided some examples, but keep in mind, the way these documents look can vary slightly (or sometimes widely) based on the shipping company and the software they use.



The important thing to note is which pieces of information go on each document. While the layout may change, the information required will always be the same. Certain incidental pieces will be added, removed or changed like shipping notes, purchase order numbers, etc., depending on the details of the shipment.

Please note that these documents were generously supplied by Go Global Logistics for the purposes of this guide. They are actual shipping documents and as such certain information has been changed or removed to protect the confidentiality of the parties involved, but it should still give you a great idea of what to expect when you are dealing with these documents and will help you recognize them like a pro!