

Responding to Unsolicited Orders

A Team Canada Inc
On-line Guide for Exporters



Canada⁺

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Responding to Unsolicited Orders

This tool will help the managers of small and medium-sized companies respond to unexpected inquiries from abroad. It is primarily intended for companies that already have some knowledge of international trade or are just starting out in exporting.

Many of the companies exporting today got started in international trade by responding to an unsolicited inquiry from a potential foreign buyer. Typically, the response takes the form of a quotation which provides details of what the seller is prepared to offer, at what price, and on what terms. The potential buyer can accept the quotation, negotiate to modify it, or walk away from the transaction.

Before drawing up a quotation, the seller must determine if the firm can fulfill the order, examine all of the factors involved in sending goods from Canada to the target country, estimate the costs involved and decide whether or not the proposed transaction is worth the effort. All of this has to be done soon after receiving the request, otherwise the potential buyer may lose interest. If a company has never exported, gathering all of this information represents a significant challenge.

It is also important to recognize that a quotation represents a legal commitment that should not be taken lightly. Companies that repudiate undertakings made in a quotation could find themselves liable for damages.

That is why firms preparing a quotation will want to develop a reasonably accurate estimate

of costs, regulations, logistical requirements, and anything else that will have a bearing on the terms of the transaction. This template offers a framework to guide them in that process. It will help them to:

- understand the process involved in responding to an unsolicited order from abroad;
- develop an estimate of what price and terms they need from the foreign buyer in order to make a deal worthwhile;
- prepare a quotation that can serve as the basis of negotiation with a potential foreign buyer;
- draw up the terms of a contract with the foreign buyer;

The tool will also identify and access sources of information that users will need in order to perform these tasks quickly and effectively.

Generally, the following steps are involved in responding to an unsolicited order.

Task 1: Internal Research

Task 2: External (Market) Research

Task 3: Landed Cost Calculation

Task 4: Quotation

Task 5: Feasibility Test (Diagnostic)

Task 6: Negotiation

Task 7: The Contract

Task 8: Order Fulfillment

Internal Research

Unsolicited requests from abroad can come as letters, faxes or telephone calls. If the request is verbal, the call should be logged and the caller asked for written confirmation of the request. Correspondence should be stamped with the date on which it is received. Special care should be taken with requests in a foreign language: they should be translated professionally to ensure they are properly understood.

The first task in developing a response to the request is to gather information from other parts of the company. The objective is to determine whether or not the firm is able to fulfill the order, and if so, at what time, at what price, and on what terms. Individuals responsible for different aspects of the company's operations have to be consulted to get a picture of how ready the firm is to proceed and what impact the order may have on other operations.

Below are a series of questions to determine the information you may need and the kinds of demands you may require from others in your company to structure your response to the unsolicited order.

AVAILABILITY

Inventory

- Is the item already in inventory?
If so, how many units?

Manufacturing

- When can the product be produced?
- Would additional inputs be required to satisfy the order?
- Are product modifications needed?
- What would be the impact on other parts of the operation?
- What would be the financial impact?

www.statcan.ca/english/reserch/other10.htm

PRICING

Marketing

- What pricing strategy should be adopted?
- Is this a market in which the company may want to do repeat business?

DELIVERY

Packaging and Transportation

- Has shipping any experience in preparing orders for this market?
- Can it handle any special labelling or packaging requirements?
- When can the item be prepared and shipped?

exportsource.ca/nonframe/engdoc/6e.html

TERMS OF PAYMENT

Financing Exports

- What financial instruments should be used?
- When should payment be made?

exportsource.ca/nonframe/engdoc/5.html

Canadian Commercial Corporation

- Progress Payment Program

- What currency?
- Are there any special conditions required?

www.ccc.ca/english/services_expfinance.cfm

Export Development Corporation

- Financing Services

www.edcsee.ca/prodserv/financing/index_e.hm

External Research

In responding to an unsolicited request, it is a good idea to establish early on just how complex the transaction is likely to be. International trade represents a higher level of complexity than does domestic commerce. In some cases, that complexity imposes the kind of additional time and costs that could turn a promising deal into a money-loser. Companies are well advised to know exactly what they are getting into before they commit time and resources to a transaction.

Above all, potential exporters need to understand the regulatory regime both in Canada and in the target market and how it affects their products or services. Regulations invariably bring with them a requirement for paper-work: applications, permits, approvals, certifications. Potential exporters will want to know just what documentation will be required and how much time its preparation will absorb.

Beyond rules and regulations, there are the logistics of physically moving goods (or people) from Canada into the target market. How can this be accomplished? What costs are or could be involved? Who will be responsible for making and monitoring these arrangements? Included in these estimates are the costs of insurance and any special risks that might be incurred in the target market.

Below is a listing that can help guide you to the information you will need in order to structure the deal, calculate costs and fill out a quotation.

MARKET INFORMATION

Click here exportsource.ca/ to access various sources of information about the market in question.

EXPORT REGULATIONS

In certain cases, Canada regulates the export of goods. Some countries are under embargo and Canadians cannot export there. Dangerous and hazardous substances are carefully regulated in terms of packing and transportation.

For more information on export regulations visit:

Canadian Automated Export Declaration
www.statcan.ca/english/exports/index.htm

Export/Import Controls Bureau
www.dfaitmaeci.gc.ca/~eicb/epd_home.htm

IMPORT REGULATIONS

Some countries keep out certain products or impose quotas. Many maintain technical standards, environmental regulations, or other legal requirements that could exclude a product that is not approved, delay its entry, or impose additional costs for inspections and certification.

PACKAGING, LABELLING OR PACKING REQUIREMENTS

Many countries have regulations governing how products are to be packaged, what information should be included on the label as well as the language on the label, and how shipments of the product are to be packed.

EXPORT LICENSES

There is a small group of products that require export permits. These include armaments and environmentally endangered species.

IMPORT LICENSES

Many countries require permits for the import of dangerous or controlled substances, or items that might pose a competitive threat to local producers.

TRANSPORT AVAILABLE

Four modes of transport are available: air, rail, truck and ship. Shipments combining two or more of these modes are called inter-modal. It is important to determine which mode or combination of modes represents the most cost-effective means of physically moving the product from its Canadian origin to its destination.

SHIPPING SCHEDULES

Once a transport mode has been determined, it is important to get some idea of shipping schedules since this will have an impact on delivery times. For example, seasonal variations will affect the availability of ocean-going transport.

INSURANCE REQUIREMENTS

Many buyers will require that goods are insured against loss or damage. Sellers will also want to insure a transaction against default by the buyer. Find more information on insurance requirements by visiting:

Export Development Corporation
www.edc-see.ca/index_e.htm

CREDIT CHECK OF CLIENT

If possible, it is a good idea to get some idea about the reliability of the potential buyer. Many developed countries have the equivalent of a better business bureau, ad credit bureau or a chamber of commerce that can provide business references.

RISK FACTORS

Are there special risks (political instability, economic conditions, climate, etc.) that need to be factored into the deal?

Landed Cost Calculation

A critical step in responding to an unsolicited order is to prepare a reasonable estimate of the costs your firm will incur in fulfilling the order. Obviously, quoting too low runs the risk of losing money on the transaction while quoting high risks losing the buyer's interest. Preparing an accurate estimate, however, requires juggling many additional factors above and beyond those involved in domestic production. The most important of these are the costs associated with:

- preparing the many documents required in an international transaction;
- labeling, packaging and packing the shipment for transport;
- moving the shipment from the point of origin to the destination;
- payment of any duties levied by the foreign government; and
- financing charges, insurance and the costs of issuing payment instruments.

Even familiar business cost items such as promotion and marketing take on additional complexity in the international arena since they might involve travel, translation, and long distance telecommunications.

The following is a worksheet that can help you include all of the relevant costs involved in completing the transaction you have in mind. Use the spreadsheets below as a tool to help you keep track of, and add up the relevant costs. (Note: Definitions of terminology used within the tables are given on the following worksheets.)

| Product | Cost |
|--|------|
| Materials | \$ |
| Labour | \$ |
| Plant overhead | \$ |
| Product modification | \$ |
| Administration | \$ |
| Domestic financing (e.g. bank charges) | \$ |
| Total Domestic Cost | \$ |

| Port and lading charges | Cost |
|-------------------------------------|------|
| Demurrage or storage | \$ |
| Wharfage | \$ |
| Special charges | \$ |
| Marking | \$ |
| Lading charges | \$ |
| Total, "Free on Board" (FOB) | \$ |

| Foreign marketing and costs of sale | Cost |
|--|------|
| Travel and accommodations | \$ |
| Promotional events (e.g. trade fairs) | \$ |
| Communications (e.g. telephone/fax, courier) | \$ |
| Translations | \$ |
| Negotiations, legal fees | \$ |
| Foreign agent's commissions and fees (if applicable) | \$ |
| Total "Ex Works" (EXW) | \$ |

| Physical preparation of shipment | Cost |
|---|------|
| Labelling | \$ |
| Packaging | \$ |
| Packing and crating | \$ |
| Marking | \$ |
| Strapping | \$ |
| Domestic financing (e.g. bank charges) | \$ |
| Other costs of preparation for transport | |
| Documentation (including consular invoices) | \$ |
| Freight forwarder's fees | \$ |
| Total, product ready for shipment | \$ |

| International carrier | Cost |
|---|------|
| Freight | \$ |
| Cargo insurance | \$ |
| Charges for special requirements | \$ |
| Total, "Cost, Insurance and Freight" (CIF) | \$ |

| Landing charges | Cost |
|---|------|
| Unlading | \$ |
| Special charges | \$ |
| Storage | \$ |
| Total, "Delivered Duty Unpaid" (DDU) | \$ |

| Inland freight | Cost |
|--|------|
| Loading charges | \$ |
| Transport | \$ |
| Unloading charges | \$ |
| Total, product ready for shipment | \$ |

| Customs clearance | Cost |
|--|------|
| Foreign duties | \$ |
| Broker's fees | \$ |
| Delivery to customer | \$ |
| Loading charges | \$ |
| Transportation | \$ |
| Total "Delivered Duty Paid" (DDP) | \$ |

| International financing charges | Cost |
|---|------|
| Costs of financial instruments (e.g. letters of credit) | \$ |
| Export credit insurance premium | \$ |
| Discounts on receivables | \$ |
| Costs associated with currency conversions | \$ |
| Total cost of transaction before profit | \$ |
| Margin (in %) | \$ |
| Export price | \$ |

DEFINITIONS OF LANDED COST CALCULATOR TERMS

Product cost: This section summarizes the costs of the physical inputs and administrative expenses involved in physically producing the goods.

Materials: What are the costs of the material inputs required to fulfill the order?

Labour: All costs related to the labour (direct and indirect) required.

Plant overhead: All costs related to the plant overhead. This should include utilities, rent, taxes etc.

Product modification: Any costs required to modify the product for the new market.

Administration: Any additional costs incurred in administering the transaction. This may include special charges such as the costs of hiring researchers or performing credit checks on the prospective customer

Domestic financing (e.g. bank charges): Any costs required to finance additional production to fulfill the order.

Total domestic cost: The total of all costs of production incurred in Canada.

Foreign marketing and costs of sales: This section summarizes all costs related to promoting, advertising and selling the product in the foreign market.

Travel and accommodations: Includes all travel expenses incurred by your company in visiting the target market for research, a mission or a trade show, and it may include the costs of bringing foreign partners (agents, distributors, etc.) from the target country back to Canada.

Promotional events (e.g. trade fairs): Include all costs associated with the event (promotional materials, registration fees, booths and displays, etc.) except those already counted as travel expenses.

Communications (e.g. telephone/fax, courier): Include all communication costs (telephone, couriers, faxes, e-mail etc.) incurred in completing the deal or likely to be incurred in fulfilling the order.

Translations: Costs of translating promotional materials, product specs, labels, correspondence, etc. into and from the language of the target country.

Negotiations, legal fees: Include all lawyer's and legal fees incurred in drawing up the contract.

Foreign agent's commissions and fees (if applicable): Are commissions, finder's fees, distribution fees etc. owed on the transaction? These should be converted from foreign into Canadian currency before being entered on this worksheet.

Total Ex Works (EXW)*: The total of all production and marketing costs before shipment. Ex Works is one of the INCOTerms used to define the terms of an international transaction. An Ex Works price includes all costs involved in producing something to the "factory gate." If a transaction were specified as "Ex Works", the buyer would assume responsibility for all costs incurred in moving the goods from the point of origin to the final destination.

Physical preparation for shipment: These are the costs incurred in labelling, packaging and packing goods in a suitable way for transport to the target market.

Labelling: Product labels usually must be in or at least include the official language(s) of the target market. There may also be specific regulations governing the content of the labels (e.g. country of origin, name and address of the manufacturer/producer, a description of the contents or ingredients, weight, conformity with technical standards or inspection requirements etc.) Failure to provide the proper labelling could result in goods being stopped at the border of the target market. Usually, the buyer will specify the type of labelling or marks required for the destination country, but a freight forwarder can give you the same information. Customs brokers in the foreign country will also be familiar with the specific labelling regulations required by customs inspectors.

Packaging: Distinguish between packaging (which pertains to individual products) and packing (which covers the way in which an entire shipment is assembled as cargo. Be careful to familiarize yourself with packaging requirements for your product in the target country. Regulations may call for a product type to be individually packaged, or packaged in specific quantities (e.g. by the dozen). Certain types of packaging (e.g. plastic bubble wrap) may be required. Other types of packaging may

be prohibited (e.g. packaging that does not show the contents of the product).

Packing: Individual packages have to be assembled into boxes, crates, onto skids, or into containers. The goods must be packed in such a way as to reduce the possibility of damage, theft or spoilage and the buyer may specify how they expect this to be done. The packing materials you select will depend on the size, shape, weight, fragility, and contents of the product; whether the product will ship by air or sea; and the time, climate, conditions, and inland transportation in the destination country. Follow these guidelines for packing your product:

Pack the shipment in a strong container. Fill the containers to capacity. Distribute weight evenly within the container

Quotation

A quotation is a legally binding document by which your firm can respond to an unsolicited order from a potential foreign buyer. It represents your commitment to delivering a particular product or service at a particular price and time, on the terms specified in the quotation. Going back on that commitment could damage your company's reputation and it could involve you in other difficulties. That is why it is important to be careful in how you prepare your quotation.

By common agreement among international traders, there are certain types of information that should go into a quotation. These include: a description of the goods or services being offered the price (and details of how it is calculated) details of how the offerings is to be packaged what insurance coverage will be provided how it will be shipped and by whom when and where will delivery be made what documents and invoices will be issued who will decide that the order has been fulfilled correctly how payment should be made.

A quotation that does not contain all of this information in sufficient detail will raise a lot of questions about the transaction and could delay the time it takes to come to an agreement. If certain issues are not spelled out clearly at the outset, there is a possibility that differing interpretations can cause disagreements later on. That, in turn, can delay payments or harm reputations.

Once you have filled out a quotation, take time to think about the deal you are proposing. Ask yourself the kinds of questions listed in Task 5 before you actually send the document to the prospective buyer.

Below is a template that can help you through the process of preparing a comprehensive response to the unsolicited order.

DESCRIPTION OF GOOD OR SERVICES

The description of the goods must be clear and specify the type of goods, make, quantity and how that quantity is expressed (i.e as units, by weight, by number, by set etc.). Specify if there is a specific quality standard such as an inspection grade, or product type (deluxe,

regular, economy etc.). If the product contains third-party components they should be specified.

Internationally accepted nomenclature should be used wherever possible and local jargon avoided.

| Details | Terms Offered |
|---------------------------------------|---------------|
| Name of Product | |
| Make Identifier (e.g. serial numbers) | |
| Quantity (and unit of measurement) | |
| Quality (grade, type) | |
| Components (if any) | |

PRICE

The seller should specify how a price is calculated (ie. by unit, by weight, by grade, etc.). This should then be combined with the amount to yield a price for the goods. Additional charges should be broken out and detailed. These can include costs associated

with special packaging, shipping, insurance, payment of customs, or any special fees for which the seller may be responsible. This should all be added together to yield the total cost for the order. The currency of the payment should be specified.

| Details | Terms Offered |
|---|---------------|
| Rate (price per unit) | |
| No. of units | |
| Price of units | |
| Additional charges (packing, shipping, insurance, customs, or fees, etc.) | |
| Total cost | |
| Currency | |

PACKING

If the goods carry labels, what language will the labels be in. What information is contained on the labels.

- How will the goods be packaged (Type of wrapping: boxes, shrink wrap, etc?)
- Packaged by wieght, by single units, by multiples?
- How will the goods be packed for shipping (crates, pallets, containers etc.)?
- Are the goods fragile?
- Do they need refrigeration, low humidity etc?
- Do they require special handling (ie. explosives, chemicals)?

| Details | Terms Offered |
|--|---------------|
| Language of labels | |
| Contents of labels | |
| How will goods be packaged | |
| How will goods be packed for shipping (pallets, containers etc)? | |
| Special handling (fragility, climate control, etc.) | |

INSURANCE

- Who will be responsible for insuring the shipment? (Can specify here what insurer is to be used and from which country).
- What type of insurance is required (to cover accidents, spoilage, confiscation, all perils etc.)
- How much insurance will be taken out? (How much of the transaction will be covered).

| Details | Terms Offered |
|--|---------------|
| Who will arrange for insurance? | |
| Type of insurance? | |
| Amount of insurance? | |
| How will goods be packed for shipping (pallets, containers etc)? | |
| Special handling (fragility, climate control, etc.) | |

SHIPPING

- How will the goods be shipped (ocean, air, rail, truck) and by what route?
- Who will choose the carrier? (Some governments will specify that their national carriers be used).
- Who will make arrangements for shipping (buyer or seller)?
- Where are the goods to be shipped from? To what destination (city) are they to be shipped.

| Details | Terms Offered |
|---|---------------|
| Mode of transport | |
| Carrier | |
| Shipping arrangements | |
| Who will cover shipping costs? | |
| Place from which shipment will be made? | |
| Destination of shipment? | |

DELIVERY

On what date will the seller ship the goods? On what date are they to be delivered to the intended destination. If the shipment is to be made in installments, the amounts in each

installment and the dates for each should be specified. To what place (address, name, other coordinates) are the goods to be delivered?

| Details | Terms Offered |
|---|---------------|
| Date goods shipped (specify if partial shipments and dates) | |
| Date to be delivered (specify if partial shipments and dates) | |
| Place of delivery | |

INVOICING

- When will the seller's invoice be sent (prior to shipment, with shipment, after)?
- How will it be sent (separately by air, cable, mail, fax, etc)?
- Will it be sent with the shipment?
- Will other document be required (consular invoice, inspection certificates, other licenses or permits?) and if so, will the seller provide them?

| Details | Terms Offered |
|---------------------------|---------------|
| Date of invoice | |
| How invoice is to be sent | |
| Other documentation | |

ACCEPTANCE AND VALIDATION

- Who accepts the order when it is delivered (the buyer, a customs broker (specify name), the seller's agent (specify name)?
- How will the order be inspected and verified?
- Who will decide that all the terms of the transaction have been fulfilled?

| Details | Terms Offered |
|---|---------------|
| Who will receive the order? | |
| How will quality be verified? | |
| How will other terms of the order be validated? | |

PAYMENT

- What financial instrument to be used by seller (letter of credit, bill of exchange, etc.).
- Is payment to be made in a lump sum or in installments?
- When is payment to be made (upon delivery to the destination, upon acceptance, or at some other specified time)?
- If in installments, when are they due? To what institution (usually the seller's bank) is payment to be made. Specify name, address and account number.

| Details | Terms Offered |
|---|---------------|
| Financial instrument to be used. | |
| When is payment to be made? (specify if in installments) | |
| To which bank? (details of seller's bank, account number) | |

Feasibility Test

Once you have completed the quotation, and before you send it, you should look closely at the deal you are proposing before you send the quote to the prospective buyer. Even though it may be profitable, it may still not make sense in terms of the time and effort involved in achieving that profit, or in terms of opportunities you may have to forgo in order to pursue this deal. Before you commit to the negotiation, ask yourself the following questions in order to evaluate the feasibility of the proposed transaction and get a sense of the terms you should be asking for.

- How much time will the deal take?
- Do you have the internal staff to take on this project?
- Would you have to get additional help to carry it out?
- What would be the impact of fulfilling the order on the firm's other operations?
- How much will the deal cost (in terms of staff time, material costs, financing, and other charges)?
- How much does the company stand to make on the transaction?
- Would the deal require financing, and if so, can the company get it?
- What would be the impact on other operations of securing additional financing for this deal?
- Would it preclude getting other types of financing that the company might need for other operations?
- What are the other potential benefits to your firm such as using up spare capacity, developing a foreign partnership, testing a market etc.?
- Are there significant impediments to the deal in the form of local trade barriers, distances, regulatory restrictions, logistics and the like?
- How risky is the deal? Do you have any information about the foreign buyer? What happens to the deal if there are fluctuations in exchange rates between Canada and the target country? How likely are such fluctuations?
- Are there any political risks involved?
- Are special inputs (materials, components, etc.) required for the deal?
- Are special skills required (language., cultural familiarity, expertise in logistics, etc.) to perform the transaction? [This can serve as a point to where to get these skills].

If the answers to these questions suggest that the deal is more complicated than at first thought, you may wish to adjust the price upward. If the deal looks extremely complex and time consuming, you may wish to cut your losses now and abandon the project altogether.

If, on the other hand, the potential benefits in terms of revenues, market position, use of spare capacity or other factors, tend to exceed the probable costs, then send your completed quotation form to the prospective buyer and move on to the next step in the process.

Negotiations

Do not assume that your initial quotation will be accepted in its entirety. With so many different factors affecting the shape of a deal, it is to be expected that the prospective buyer may wish to alter your terms. They may need the product delivered more quickly than you suggest. They may try to talk down the price. They may require a specific type of packing for the shipment, the use of a particular mode of transportation or a specific carrier. When you prepare a quotation, you are putting everything on the table for review and negotiation.

If the prospective buyer alters any of the terms of the proposal, think about what that does to

profits, costs and overall feasibility. Also, before agreeing to any changes, make sure you get the agreement of the divisions within your organization (manufacturing, inventory, shipping, finance etc.) that may be affected by the new terms. You may have to go through several iterations before both sides are satisfied with all of the terms of the proposed transaction.

You can use a negotiation template to help you in your discussions with the foreign buyer. The following is an example of how the negotiation template can be used to keep track of how various terms are changed as the quotation passes back and forth between the parties:

| Item | Our 1st Quote | Their Response | Our 2nd Quote | Their Response | Final Deal |
|------------------|---------------|------------------------------|--------------------------|--|--|
| Price | 100 | 50 | 90 | 75 | 80 |
| Shipping | They ship | We ship to final destination | We ship to coast. | We ship to customs shed. They ship to final destination. | We ship to customs shed, they ship to final destination. |
| Insurance | They arrange. | They approve, we arrange. | We arrange, they approve | We arrange, they approve | We arrange, they approve |

This negotiation worksheet is based on the quotation template you filled out to prepare your first offer to the foreign buyer. The first column of this template contains the terms specified in your quotation. Columns will then be added to this initial offer to chart the

progress of the negotiation. This template can help you keep track of the offers and counteroffers that may be involved in the negotiation process. Once both sides have agreed to all the terms, the final column can be used as the basis for drawing up a contract.

| DESCRIPTION OF GOOD OR SERVICES | |
|------------------------------------|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Name of Product | |
| Make | |
| Identifier (e.g. serial numbers) | |
| Quantity (and unit of measurement) | |
| Quality (grade, type) | |
| Components (if any) | |

| PRICE | |
|--|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Rate (price per unit) | |
| No. of units | |
| Price of units | |
| Additional charges (packing, shipping, insurance, customs, or fees, etc.) | |
| Total cost | |
| Currency | |

| PACKING | |
|---|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Language of labels | |
| Contents of labels | |
| How will goods be packaged | |
| How will goods be packed for shipping (pallets, containers etc)? | |
| Special handling (fragility, climate control, etc.) | |

| INSURANCE | |
|---------------------------------|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Who will arrange for insurance? | |
| Type of insurance? | |
| Amount of insurance? | |

| SHIPPING | |
|---|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Mode of transport | |
| Carrier | |
| Shipping arrangements | |
| Who will cover shipping costs? | |
| Special handling (fragility, climate control, etc.) | |
| Place from which shipment will be made? | |
| Destination of shipment? | |

| DELIVERY | |
|---|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Date goods shipped (specify if partial shipments and dates) | |
| Date to be delivered (specify if partial shipments and dates) | |
| Place of delivery | |

| INVOICING | |
|----------------------------|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Date of invoice | |
| How invoice is to be sent? | |
| Other documentation | |

| ACCEPTANCE AND VALIDATION | |
|---|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Who will receive the order? | |
| How will quality be verified? | |
| How will other terms of the order be validated? | |

| PAYMENT | |
|--|---|
| Item | Terms Offered / Counter Offer/ Acceptance |
| Financial instrument to be used. | |
| When is payment to be made (specify if in installments) | |
| To which bank (details of seller's bank, account number) | |

The Contract

Once both sides have agreed to all of the terms of the transaction, you are ready to proceed with drawing up a formal contract. The contract will require some additional pieces of information that were not part of the original quotation but that are necessary to provide an appropriate legal framework that protects both parties.

International trade transactions differ widely, so it is not possible to design one standard contract to cover all cases. It is advisable to get legal advice to make sure that the final agreement is

both comprehensive and legally binding. It is also important to specify what mechanism will be used to resolve any disputes between the parties, should these occur.

Below is a contract framework for your transaction, which you can use in your discussions with your legal advisor. The framework will include a record of the terms to which both sides agreed during the negotiations and it can be used to guide your lawyer in drawing up a legally binding agreement between your company and the foreign purchaser.

| DESCRIPTION OF GOOD OR SERVICES | |
|------------------------------------|-------|
| Details | Terms |
| Name of Product | |
| Make | |
| Identifier (e.g. serial numbers) | |
| Quantity (and unit of measurement) | |
| Quality (grade, type) | |
| Components (if any) | |

| PARTIES TO THE AGREEMENT | |
|--------------------------|-------|
| Details | Terms |
| Purchaser | |
| Sellers | |

| PRICE | |
|--|-------|
| Details | Terms |
| Rate (price per unit) | |
| No. of units | |
| Price of units | |
| Additional charges (packing, shipping, insurance, customs, or fees, etc.) | |
| Total cost | |
| Currency | |

| PACKING | |
|---|-------|
| Details | Terms |
| Language of labels | |
| Contents of labels | |
| How will goods be packaged? | |
| How will goods be packed for shipping (pallets, containers etc)? | |
| Special handling (fragility, climate control, etc.) | |

| INSURANCE | |
|---------------------------------|-------|
| Details | Terms |
| Who will arrange for insurance? | |
| Type of insurance? | |
| Amount of insurance? | |

| SHIPPING | |
|---|-------|
| Details | Terms |
| Mode of transportation | |
| Carrier | |
| Shipping arrangements | |
| Who will cover shipping costs? | |
| Place from which shipment will be made? | |
| Destination of shipment? | |

| DELIVERY | |
|---|-------|
| Details | Terms |
| Date goods shipped (specify if partial shipments and dates) | |
| Date to be delivered (specify if partial shipments and dates) | |
| Place of delivery | |

| INVOICING | |
|----------------------------|-------|
| Details | Terms |
| Date of invoice | |
| How invoice is to be sent? | |
| Other documentation | |

| ACCEPTANCE AND VALIDATION | |
|---|-------|
| Details | Terms |
| Who will receive the order? | |
| How will quality be verified? | |
| How will other terms of the order be validated? | |

| PAYMENT | |
|--|-------|
| Details | Terms |
| Financial instrument to be used. | |
| When is payment to be made? (specify installments) | |
| To which bank (details of seller's bank, account number) | |

| REGULATORY COMPLIANCE | |
|-----------------------|-------|
| Details | Terms |
| Inspections | |
| Standards | |
| Codes | |
| Licenses and permits | |

| LEGAL FRAMEWORK | |
|--|-------|
| Details | Terms |
| Which country's laws govern the transaction? | |

| ARBITRATION | |
|--|-------|
| Details | Terms |
| What institution or individual will arbitrate any dispute? | |
| Arbitration procedures? | |

Order Fulfillment

Once an agreement has been reached, your next task is to alert those in your firm who have a role to play in implementing it. Generally this will involve the same divisions that were contacted in Task 1 (Internal Research) to provide input in the preparation of the quotation.

At this point, you should go back to the same divisions to inform them that a deal has been reached, provide them with the terms of the agreement, and make sure that they understand and agree to the role that they are to play in implementation. Below is a list of items you may wish to include in your agreement with the foreign purchaser:

INVENTORY

- How many units are expected from inventory?
- When?

MANUFACTURING

- How many units are to be produced?
- When?

Specify any additional inputs required to satisfy the order. Specify any product modifications.

MARKETING

Inform marketing of the contract, size of order and pricing. Give them details about the buyer for follow-up.

SHIPPING

- How many units are to be shipped?
On what date. To what destination.
- What modes of transport are to be used?
- What labeling and packaging requirements are there?
- Any special requirements (e.g. refrigeration, fragile packing, etc.)?
- Who is providing documentation?
- What kind of insurance is to be purchased?
- For how much?
- Who will provide it?

FINANCE

Instruments being drawn up (invoices, bills of exchange, letters of credit, etc.). Details of purchaser's bank.

- Is any special financing needed (e.g. to cover seller's operations until payment is received)?
- If so, who is providing it?
- What needs to be done to secure it?
- Any other special arrangements?