



THE TOP 8



BEST PRACTICES



OF



IMPORTING



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EXECUTIVE SUMMARY



The fundamental concepts of importing can be tricky. Poor decision-making and planning can be costly not to mention the worst-case scenario of choosing the wrong supplier and having to start all over. That is why we created the following list of best practices to share with you:

1. **Know and understand importing basics**
2. **Get familiar with the market**
3. **Outline the (dis)advantages**
4. **Select the proper supplier**
5. **Learn a valuable lesson: a case study**
6. **Ensure due diligence through a cost analysis**
7. **Avoid tariffs via alternative low-cost regions**
8. **Work with a versatile importer**

The purpose of this white paper is to provide a solid base for entering the importing market. Importing is a complex technical skill that comes from years of experience.

That is where we come in. As proven leaders in the importing business, my team could be a valuable resource for importing your custom engineered components from low-cost regions around the world.

Let's get started...

**WE HELP SCALE IT
TO THE NEXT LEVEL.**

KNOW AND UNDERSTAND IMPORTING BASICS

To be effective, **establishing a basic understanding of the importing industry is necessary.** We will do this by discussing some commonly used terms within the industry.

Agent – an independent “middle man” who negotiates deals, but does not take ownership.

Import Agent – an individual that represents the buyer in a foreign market.

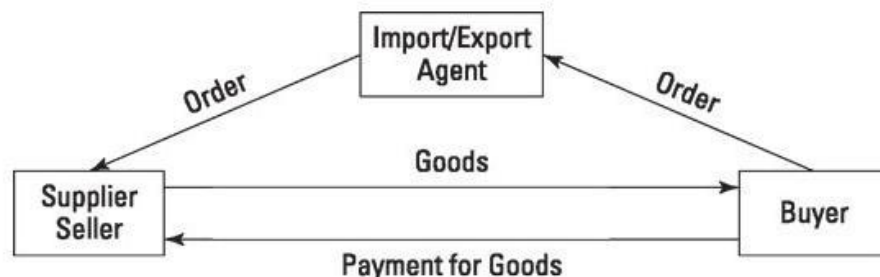
Export Agent – this is a representative that works in the country where the product originates.

Broker – neither represents the buyer nor the seller; rather, facilitates non-reoccurring deals.

Trading Company – an entity that imports products and delivers to consumers.

Importer/Global Sourcing Company – an organization that brings in products from a foreign country for a B2B customer.

The more familiar you become with these roles, the better. Your core focus should to be finding your tactical advantage as this is what will drive your success in the long run. **The image below emphasizes the importing relationship between Buyer-Supplier-Agent.**



For more bonus content, refer to the “Trade Terms” section of [export.gov](https://www.export.gov/article?id=Glossary-of-Trade-Terms).¹ This source highlights a document from the U.S. Commercial Service, “A Basic Guide to Exporting.” <https://www.export.gov/article?id=Glossary-of-Trade-Terms>

THE BASICS (CONT.)

After learning common roles and their respective objectives, we can now introduce you to the International Chamber of Commerce, or the ICC. Back in 1936, the ICC developed a series of International Commercial Terms, or commonly known as Incoterms®, which are rules for any mode of transport related to international business. **The Incoterms® 2010 are “the rules of the game,”** so to speak. To elaborate further, these parameters establish the tasks, costs, and risks associated with the global or international transportation and delivery of goods.²

Some of the most important items defined in Incoterms® include delivery, arrival, free carrier, freight forwarder, terminal, and to clear for export. **Be wary of organizations that want to deal with variations of Incoterms®.** This could be a red flag and should cause concern. Instead, sticking to the “rules of the game” is always recommended.

Furthermore, **the terms for any transport mode must specify the port or destination.** The list below highlights the eleven standardized definitions of Incoterms®.

CIP – Carriage and Insurance Paid To (named place of destination)

CPT – Carriage Paid To (named place of destination)

DAP – Delivered At Place (named place of destination)

DAT – Delivered At Terminal (named place of destination)

DDP – Delivered Duty Paid (named place of destination)

EXW – Ex Works (named place)

FCA – Free Carrier (named places)

CFR – Cost and Freight (named port of destination)

CIF – Cost, Insurance and Freight (named port of destination)

FAS – Free Alongside Ship (named port of shipment)

FOB – Free on Board (named port of shipment)

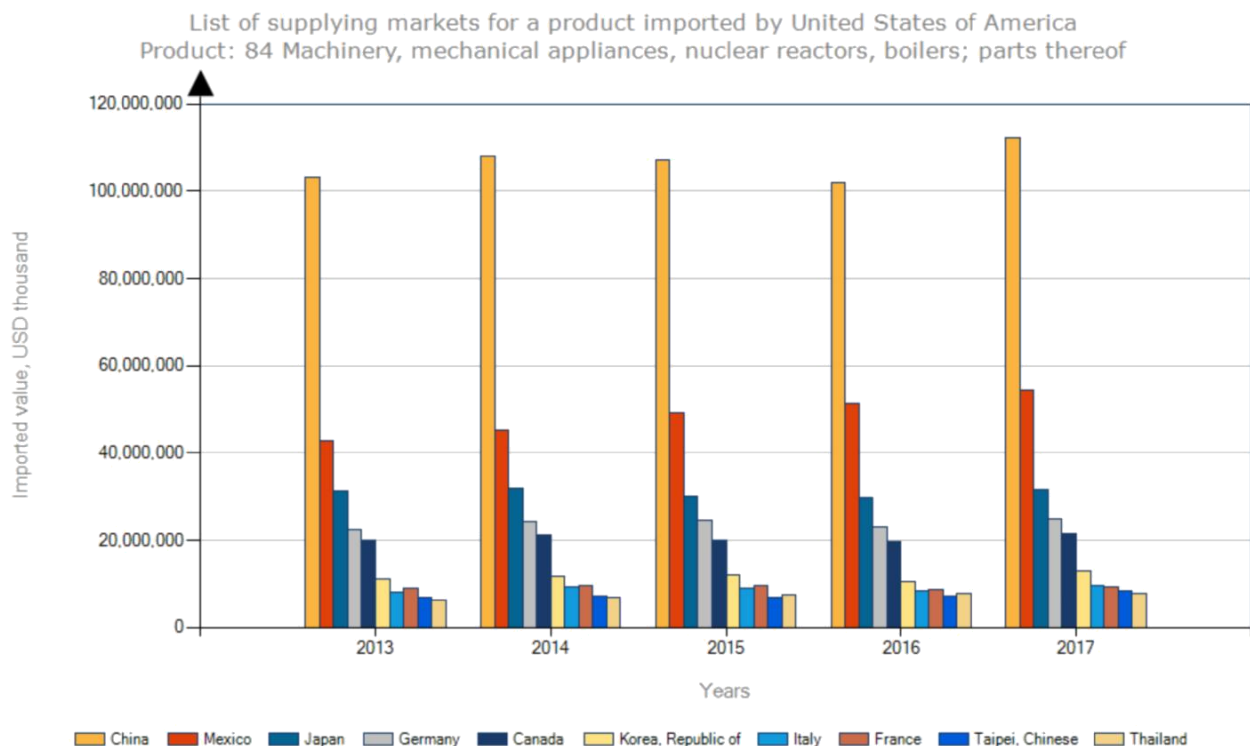
**For Ocean Freight
and Inland Waterway
Transportation**

² <https://en.wikipedia.org/wiki/Incoterms>

³ <http://www.image-sa.com/es/herramientas/faq/los-incoterms-en-detalle/>

GET FAMILIAR WITH THE MARKET

While it seems obvious, **market awareness is crucial**. You need know logistics, raw material availability, and what types of products ship better from certain regions. Consider the following chart that highlights top countries supplying machinery to the United States.⁴ China has been the clear leader of importing, shipping over \$100B worth each year. This immense market emphasizes the business opportunities that exist in today's global market.



“A high level of imports indicates robust domestic demand and a growing economy. It’s even better if these imports are mainly of productive assets like machinery and equipment since they will improve productivity over the long run. A healthy economy, then, is one where both exports and imports are growing, since this typically indicates economic strength and a sustainable trade surplus or deficit.”⁵ Again, **know the market and how your business can be successful**.

⁴ <https://www.trademap.org/tradestat/index.aspx>

⁵ <https://www.investopedia.com/articles/investing/100813/interesting-facts-about-imports-and-exports.asp>

OUTLINE THE (DIS)ADVANTAGES

The list below provides a closer look at some importing pros and cons, as well as some potential risks and rewards.⁶

Advantages

- Goods often have higher quality
- Costs of (producing) goods are lower
- Labor costs are also less expensive
- Ability for large-scale operations
- Provide products that aren't available locally
- Government involvement reduces risks

Disadvantages

- Longer lead times can be burdensome
- Dealing with fluctuating economy
- Potential shipping disruptions
- Larger order quantities
- Communication or language barrier issues
- Not made in the United States of America

Risks

- Paying for products that do not arrive
- Buying products that do not function
- Receiving the products late

Rewards

- Sustaining a core business advantage
- Achieving larger order quantities
- Accomplishing premium product quality

Demonstrating your ability to effectively analyze advantages, disadvantages, risks, and rewards of the importing market is the first step. Next, we need to fully understanding the buyer's needs. Customers will tell you exactly what they want. **Just ask and listen.**

⁶ <https://www.ukessays.com/essays/economics/advantages-and-disadvantages-of-both-import-and-export-economics-essay.php>



SELECT THE PROPER SUPPLIER

Now that you have an understanding of importing basics and market considerations, you are now ready to select the proper supplier. Partnering with the right supplier is of utmost importance. In fact, **selecting the proper supplier can make or break a deal.**

There are many criteria to consider when evaluating potential suppliers (see listed to the right). Since all of these are significant to varying degrees, the evaluation process should not be glanced over. Take time to **verify the supplier is the right fit for a business relationship.**

My team has a thorough source selection process, one that is much greater than a simple quality assessment. Rather, our methodology includes a **full business assessment that evaluates all relevant details.** This includes investigating tactics and approach, execution and delivery. A major consideration often overlooked is whether the supplier is familiar with Western business expectations. Selecting a source is much more than getting a cheap price.

Go the extra mile to confirm you are working with the right supplier.

Supplier Evaluation CRITERIA

- > Delivery
- > Efficiency
- > Facilities
- > Financial Stability
- > Pricing
- > Philosophy
- > Quality
- > Reputation

LEARN A VALUABLE LESSON: A CASE STUDY

When a business venture considers competing on an international basis, there is no greater risk than “the proverbial head-nod.” Meaning, when asking whether or not a potential supplier can handle a project, do not simply take their word (and their corresponding head-nod) that they can actually perform. **Trust but verify.**

Consider a real-life example where two suppliers were being considered for sourcing a project. At the surface level, both companies seemed viable. Both had superb websites, marketing materials, and facilities (from the exterior), and also a well-organized parts display for potential clients.

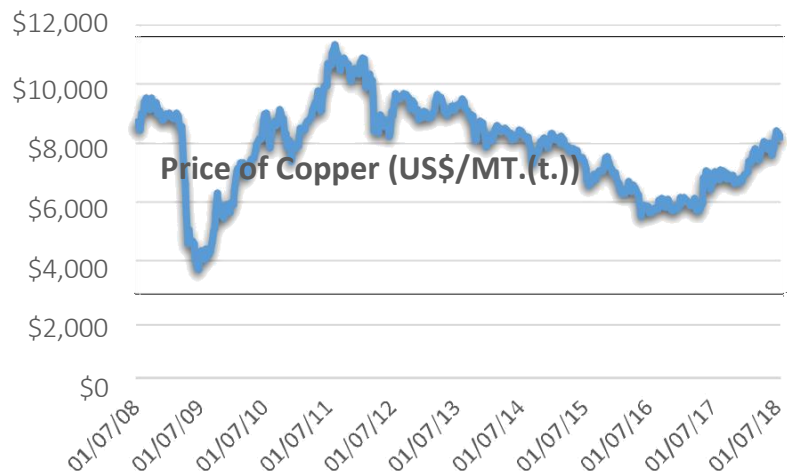
However, once getting past the façade and looking deeper into business operations, there was a clear difference between the two companies.

Through our detailed onsite assessment, we were able to identify Supplier A was capable of meeting expectations while Supplier B was a not. Don't fall for the head-not, **be sure to avoid false claims and follow-through on what's most important.**

| | Supplier A | Supplier B |
|----------------------|---|---|
| Company Website |  |  |
| Marketing Brochure |  |  |
| Facility Exterior |  |  |
| Parts Display |  |  |
| Facilities Tour |  |  |
| Machining Capability |  |  |
| Processing Equipment |  |  |
| Quality Control |  |  |

ENSURE DUE DILIGENCE THROUGH A COST ANALYSIS

There are many things to consider when costing out a project. Two important things to are **exchange rates and commodity prices**. As an example, the graph shows the change in cost of copper over a ten-year period.⁷ Since price fluctuations affect everyday business, we track them monthly as part of our ongoing assessment process.



Also, **be aware of tariffs**. On July 6, 2018, the U.S. started collecting additional duties that President Trump enforced.⁸ The ongoing “trade war” between the U.S. and China is having real effects on business decisions. For example, a heavy-duty accumulator shell produced in China (shown to the right) saw an increase in cost by 25% due to the import tariffs. As a result, this has sparked dialogue about whether to relocate production to another country or to redesign the product entirely.



We work with our customers to find the best option.

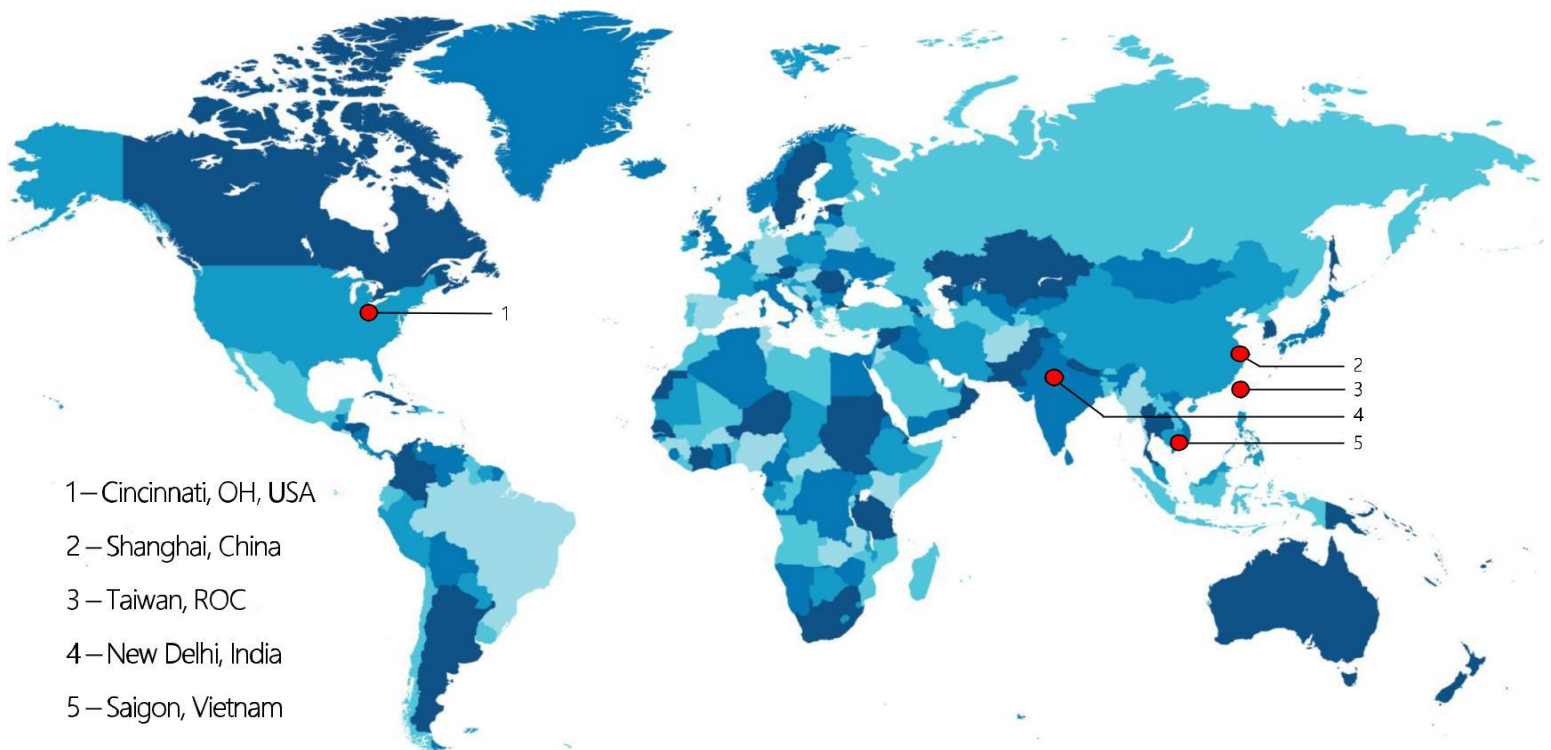
⁷ <http://www.ometal.com/>

⁸ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/june/ustr-issues-tariffs-chinese-products>

AVOID TARIFFS VIA ALTERNATIVE LOW-COST REGIONS

The recent trade war with China has forced businesses to place an urgency on understanding the effects of tariffs. The new tariffs can cost a company significantly, and **capitalizing on importing from other low-cost regions could be the best solution**. It is worthwhile to consider other regions that may not be affected by tariffs in order to gain a strategic advantage. We are staying on top of the fluctuating tariff situation and are helping our clients navigate complex business decisions.

Partnering with us affords buyers a world-class team that fully understands the benefits of various low-cost regions. Our company is structured in a manner that has the best of both worlds. Meaning, our headquarters are located in the United States of America, our company follows U.S. law and is not considered a foreign entity. Sales, engineering, logistics, and warehousing are all available in Cincinnati, Ohio. As a result, we maintain the advantages of a domestic footprint, all while realizing lower costs by utilizing a foreign workforce and spending less on the cost of manufactured goods.



WORK WITH A VERSATILE IMPORTER

What are the benefits of working with a **global sourcing company**? Global sourcing companies are resourceful and experienced importers that will be well-aware of the challenges at hand and protect for inevitable shipping obstacles, foreign holidays, ever changing tariff and duty regulations. **Global sourcing companies apply all of the importing best practices.**

We provide quotations that are all-inclusive (taxes, duties, fees, tariffs, and shipping), unless otherwise requested. Our system for selecting suppliers is exceptional and we only deal with manufacturers, not distributors or trading companies. Our suppliers go through a rigorous business audit process to determine if they are the right fit for the project. Once a supplier is selected our Country Manager and engineering staff, all of which are bilingual, will ensure expectations are met. We firmly believe experience and local presence makes the difference. **Boots on the ground ensures thorough communication every step of the way.**

**NO MATTER THE CIRCUMSTANCES,
WE STAND BEHIND OUR PRODUCTS AND
GUARANTEE YOUR
SATISFACTION.**

CONTACT JAY

YOUR SUCCESS AWAITS

To learn more about importing, feel free to contact me. I offer the benefit of working with a North American manufacturing expert and I'll bring importing experts to the table. **Together, we'll ask the right questions and determine whether importing is a good fit for your business.** As your primary point of contact, you can count on me to match your business needs with practical solutions.



[Jay's Schermond's Full Bio](#)



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LET US HELP SCALE YOUR BUSINESS TO THE NEXT LEVEL.