

EXPORT GUIDELINES

How to prepare for market prospection

How to use the guidelines


IN ORDER TO FACILITATE THE READING AND THE USE OF THESE GUIDELINES, WE DESIGNED THEM ALONG THE SAME LINES.

The guidelines are classified in 6 categories:


- **NUMBER OF THE GUIDELINES + HASHTAGS** indicates the number of the guideline and 4 hashtags specify main key-words.
- **OBJECTIVES** defines the goal of the guideline.
- **DESCRIPTION** presents the main subjects that will be developed in the "content" section.

GUIDELINE 

#hashtag

OBJECTIVES 

Goal of the guideline.

DESCRIPTION 



• Main subjects

- **CONTENT** develops the topics written in "description".
- **TIPS & TRICKS** gives you general advice following the topic of the guideline.


TIPS AND TRICKS

Advice following the guideline.

- **FURTHER INFO** helps you to go further by following the useful links to find more by yourself or gives you experts' contacts.

FURTHER INFO  

Useful links:
Contact person:
 Name Surname - function
Email: name@agency.com | **Mobile :** + 32 0 000 000

 We hope that you will enjoy the reading and that they will be helpful for your exporting projects. We wish you good luck and lots of achievements.

#1 Make sure your company is ready for foreign markets

GUIDELINE #1	OBJECTIVES ★	DESCRIPTION 👉
#company #diagnosis #preparation #export	Export diagnosis: understand whether the company is ready to sell abroad and what to do in order to be prepared.	5 steps: <ul style="list-style-type: none"> • Know yourself • Comply with the rules • Various VAT statuses • Intra-communautary delivery • Export: outside the European Union

CONTENT

1. KNOW YOURSELF

a) Your story: the very first step is an introspection of your company.

Where do you come from? Where do you go? (what do you want to achieve?) What are the mission, vision and the values of your company?

b) Your financial independence: money availability, is your treasury able to absorb the costs related to the foreign market?

Ratio calculation: equity (accounts 10 to 15) / total liabilities * 100

The higher the ratio, the easier the company can finance itself.

Belgian average : 40%

Critical threshold: 20 to 30%

Debt ratio:

Ratio calculation: total debt / total liabilities * 100

The total debt of the company shouldn't exceed 70% of total liabilities.

c) Your activity: what are you specialized in? Which client is interested with which product?

c.1 Your production capacity:

- Describe your product: type, size, weight, what it is made of, how you do it, is it easily exportable, does it need adaptations...
- Determine if it's possible to increase you production capacity: office/factory, machines/ IT infrastructures, tools...

c.2 Your R&D capacity:

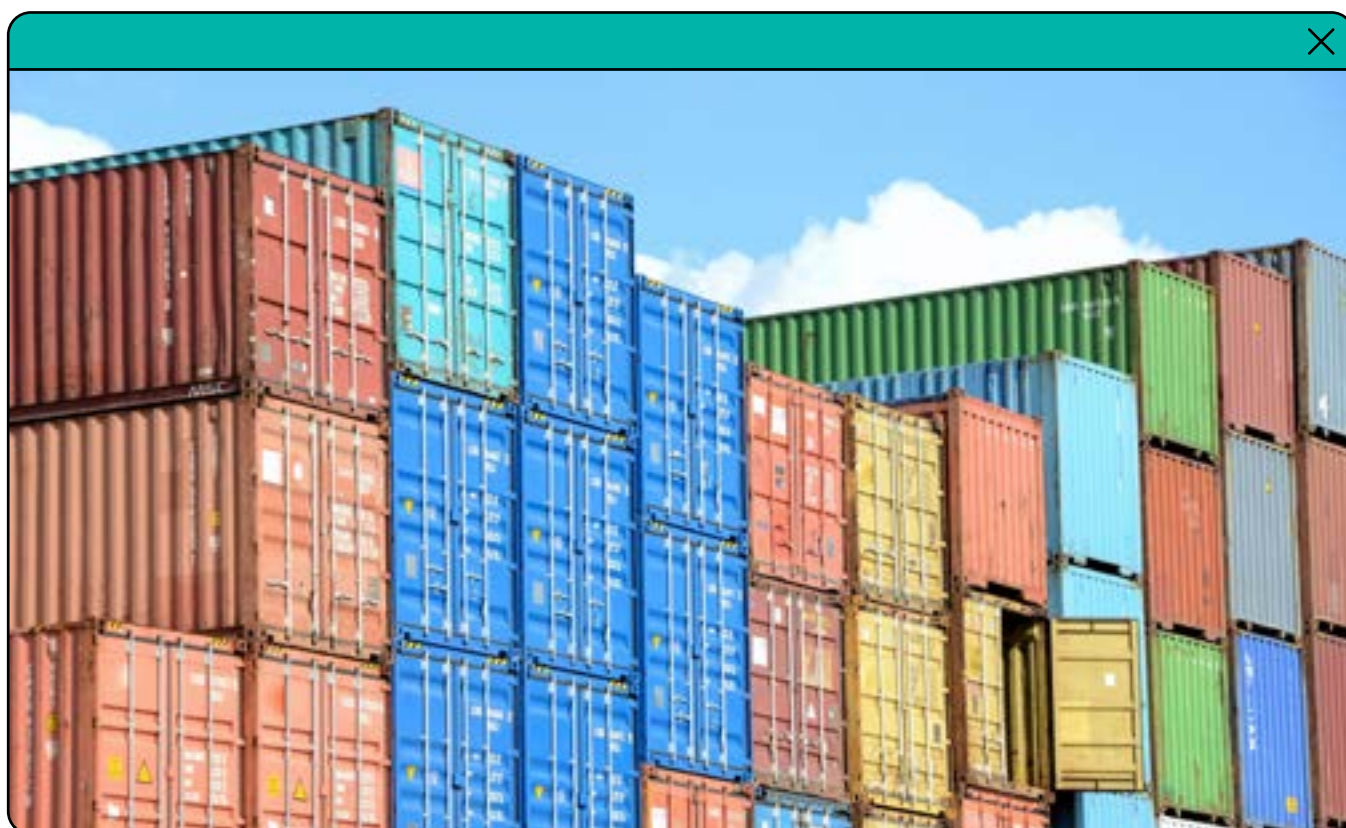
- Requirement(s) of the product for the foreign markets: certification, labelling, rethinking the product, (adapt it to the new market).

c.3 Your R&H capacity:

- Do you speak your client's language?
- Do you understand the cultural environment of your targeted market?
- Can you manage international operations with your own personnel/ Can you find third parties who can help you ?

c.4 Your financial capacity: if your financial independence is critical,

- Are you able to mobilize external resources? (support from hub.brussels, credit line from your bank...)
- If your activity linked you with the foreign Public Client, are you able to provide Bank Guarantees to secure your commitments?
- Do you have financial partners that can help you to validate political and commercial risks? Through credit insurer: for example CREDENDO, or securing Payment method: for example: Factor, Bank in case of lettre of credit...



2. COMPLY WITH THE RULES

a) European Union

The EU is a single customs territory. It grants:

- **Free movement of Persons:** possibility to travel in the 27 member states with national ID; possibility to become a resident of another EU member state and keep one's own rights equal to the ones of the citizens of the new country of residence; possibility to freely work in another EU member state, always complying with this country's national rules.
- **Free movement of Goods:** each good or service can be freely delivered in another EU member state, provided it respects EU rules and national rules of the good's destination country. In the case of "e-commerce" towards private customers, the selling company must apply VAT from the customer's country.

- **Free movement of Services:** both intellectual and non-intellectual ones. The first kind refers to services performed by a consultant, an adviser or experts. In this case the supplier can invoice from its Belgian company in exemption of Belgian VAT. The latter implies that the supplier is present in the country of the client with its employees/workers or equipment to perform a contract. In this case, the supplier must be registered in the country of the client and invoice from a VAT number granted to him upon request by the Fiscal Authorities of the client's country. The supplier can be subject to comply with all national rules imposed by authorities in the country of the client.
- **Free movement of Capital:** Every Enterprise and/or Private Person of a EU member state can freely receive and send payment (as well as having accounts) in another member state, provided that they comply with rules from EU, residency state and country where account(s) are opened.

Note: "Free Movement" doesn't mean "no obligations" or "no constraints" in fiscal, social and, more generally legal rules.

EU is an **Economic and Monetary Union** and a **Single Customs Market**, meaning all members are considered as "Interior Market".

Vocabulary:

Buying and Selling **within the EU** is considered as **Intra-community trade**.

Buying and Selling **outside the EU** is considered as **External trade**.

A sale of goods within the EU is called **intra-community delivery**.

A purchase of good inside the EU is called **intra-community acquisition**.



b) Outside the territory of the European Union

EXPORT is: selling goods outside the territory of the EU.

To enable this, company willing to export goods must first:

- convert its local VAT to a EORI number. It will allow a EU member state company to do EXPORT but also IMPORT.
- comply with customs rules from the country of export and fill customs paperwork.

3. VARIOUS VAT STATUSES

It varies depending on to whom the goods are sold.

a) Billing VAT of supplier's country (Belgium) if goods are sold to:

- another company in Belgium. Except if a customs document has been done in the name of supplier if goods are sent by a Belgian client to a foreign country.
- a foreign EU company if there is no proof from a transport document that goods left Belgium for another EU member state.
- a foreign company located outside the EU if there is no proof that the export customs were cleared in the name of supplier by Belgian customs authorities.

b) Exoneration of VAT of the supplier's country (Belgium) if goods are sold to:

- a foreign EU company with proof of transportation outside Belgium inside the territory of EU
=> INTRA-COMMUNAUTARY DELIVERY.
- a foreign company outside the EU with export customs documents delivered in the name of the supplier by customs
=> EXPORT.

4. INTRA-COMMUNAUTARY DELIVERY

Intra communautary delivery requires:

1. Define INTRASTAT code of goods delivered
2. Issue a Packing List of the goods delivered
3. Obtain a transport document at its name as sender consignor with destination outside Belgium inside European Union
4. Fill INTRASTAT declaration
 - if intra-communautary deliveries exceed 1.000.000 EUR during a fiscal year.
 - if intra-communautary acquisitions exceed 1.500.000 EUR during a fiscal year.

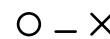
5. TO EXPORT OUTSIDE THE EUROPEAN UNION, YOU HAVE TO:

1. Have an EORI number
2. Be in contact with a Custom Agent in the area of the goods
3. Issue a Packing list (with package number, type of package, dimensions, quantity and goods delivered...)
4. Issue a commercial invoice with mention of the value of goods at contractual incoterm.
5. If possible, do a "Agreed place of loading": meaning that company through his customs agent/broker can do export customs declaration /clearance when goods are still in its warehouse.
6. Be sure to have all the necessary documents (license, sanitary certifications...)
7. Proof EU origin of goods if destination country has a FTA (Free Trade Agreement) with EU
8. EUR1/ATR documents for entering in a FTA with reduced or no custom duties.

TIPS AND TRICKS

- Employees/workers working abroad in the client's country, (ex: turnkey project: such contracts cover mostly construction and delivery of producing or infrastructure equipment.)
 - Travel document required: ex business visa...
 - If they stay abroad more than 6 months, they could be subject to income taxes and social security in the host country.
- If goods are sold and taken outside the UE = foreign taxes
- If goods are sold and taken within the UE = the Belgian company must be registered with a VAT number in the country of the trade.

FURTHER INFO



Useful links: /

Contact person:

Vincent REPAY- International Business Adviser BELA SARL

Email: vincent.repay@bela.lu | **Mobile :** + 352 621 296 628



#2 How to select your target markets

<p>GUIDELINE #2</p> <p>#foreign #culture #risks #insurance</p>	<p>OBJECTIVES ★</p> <p>How to choose the potential market fitting with your company?</p>	<p>DESCRIPTION 👉</p> <ul style="list-style-type: none"> • Selection of your foreign target market • Ability to be paid: <ol style="list-style-type: none"> a) Political risk b) Average commercial risk • Conclusion
--	--	--

CONTENT

The «*Selection of a Target Market*» must be carefully studied by the company according to its level of readiness to go international, which was determined by the «EXPORT DIAGNOSIS».

It is therefore in a position to determine the type of market that is accessible to it in terms of:

- The size of the market and your production capacities
- The level of market coverage intensity. Do you want to sell your product/service everywhere or in some dedicated places (niche)? This can change over the life of your company/product, but it's important to know that it has an influence on your market choice.
- The cultural affinity (communication barriers: language, openness of mind, cultural differences... For example in some areas, the busiest working day is Sunday. The question is do you get in and dedicate your Sunday to your foreign market or you prefer to skip it enjoy your Sunday?)

These are the main highlights but not the most important ones. We know the size of the Belgian market is limited, (and as a small market, you can be immediately affected by a non-payment.) In this situation, the most important thing for a Belgian company is to be paid as contractually agreed.

So, before going international, pay attention to these 2 elements:

1) ABILITY TO BE PAID: POLITICAL RISK

If the political situation of a country is bad, normally you have no reason to go on this market. It includes:

- Political and assimilated events (war, riot...)
- Foreign exchange shortage. This is the most important point in the political risk: does the country have enough currency?
- Public companies and State solvability
- Natural disasters
- Risks of embargoes (ex: a few years ago, Russia had an embargo on Belgian products – apples and pears. Even if you had a

contract with a client in the country, and you have sent your products, it never entered in Russia and you never got paid.

- The duration of a contract can also influence the political risk.

All countries are evaluated in Credendo through a rating from 1 (best) to 7 (worst). Check the link of the website below, in the useful links. Its datas are provided from figures, experiences, but also from other Public Credit Insurers through Berne Union, a leading global association for the export credit and investment insurance industry. When a country have a bad experience with another country, they notify the other Credit Insurers. As Credendo is also a Credit Insurer, you can secure the political risk by an insurance premium.

2) ABILITY TO BE PAID: AVERAGE COMMERCIAL RISK (THE RISK OF YOUR CLIENT)

Credendo has also information about the trend of all the companies inside a country and sometimes inside a sector in a country. They establish a rating from the average commercial risk by taking into account:

- Economic and financial indicators affecting all private companies on a market, like foreign exchange variation on businesses, inflation... (for example, in Algeria, they have to pay their suppliers in dollars and if its value doubles, it means that they need more dinars to have the same amount of dollars. This situation can be a problem for you.)
- Payment experience of debtors. Companies in some countries pay faster but they have different terms and conditions of payment.
- Institutional context. The quality of the legal system to claim unpaid invoices.

The level of the commercial risk is rated in Credendo as:

A: low = payment on time.

B: normal = payment within acceptable conditions.

C: high = important risk of non-payment.

To sum up, if the political and the commercial risks are bad, you should really consider the situation or have a good purpose to go in. Or, eventually, ask to be paid before you send the delivery.

CONCLUSION

Selecting a foreign market to develop and extend the activity of a company must be done according to the size and the experience of the company and its members.

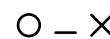
It is mandatory to be able to secure the payments to receive from a new market in order not to jeopardize the future and the financial strength of the company.

The level of accessibility to a market as well as the possible margin are also elements to be considered

TIPS AND TRICKS

Tools like “Market Finder” on Google are not the best way to go international. Indeed, it doesn't give you all the necessary information and considers the world as one country. As a consequence, it does not take into account formalities as customs, controls, rules...

FURTHER INFO



Useful links:

- Credendo analysis of political risks for any country:
<https://credendo.com/en/country-risk>
- Basic indicators or informations on a targeted market:
 - AWEX:
<https://www.awex-export.be/fr/marches-et-secteurs>
 - Chambre of Commerce of Luxembourg
<https://www.cc.lu/toute-linformation/publications/detail/international-affairs-your-partner-to-go-international-3>
- Does the product fit the requirements to be sold on a foreign market:
<https://trade.ec.europa.eu/access-to-markets/en/home>
- The network of CEC (conseillers économiques et commerciaux) partners of hub.brussels:
<https://hub.brussels/en/services/export-assistance-from-our-international-network/>
- Websites such as:
 - a) Market finder from Google
https://marketfinder.thinkwithgoogle.com/intl/en_ssa
 - b) TRADE4U from Belgian Foreign Trade Agency enable you to receive tenders according the products/services you are interested in on a foreign market:
<https://www.abh-ace.be/en/trade4u> (English but also available in French & Dutch)
 - c) COMPANIES EUROPE NETWORK for a development mostly on EU markets (an initiative from European Union) to connect mostly SME's
<https://een.ec.europa.eu/>

Contact person:

Vincent REPAY- International Business Adviser BELA SARL

Email: vincent.repay@bela.lu | **Mobile:** + 352 621 296 628



#3 How to succeed in international prospecting

#3

GUIDELINE

#prospection
#database
#meeting
#target

OBJECTIVES

How to target potential prospects and turn them into loyal clients according to your product/ service.

DESCRIPTION

- Why to export & common errors
- Which market(s) to target first?
- What customers in priority?
- How to make a prospect database?
- How to prepare your meetings?
- How much does the prospection cost?

CONTENT

WHY TO EXPORT AND COMMON ERRORS:

- To increase your turnover
- To extend your market and being less dependent on your domestic customers
- To respond to needs abroad which do not exist in your domestic market
- To extend the life cycle of your product and create economies of scale

And the most common errors are:

- Moving too fast and attacking multiple markets simultaneously
- Responding urgently to a request without planning an efficient strategy
- Making a “copy&past” approach in each country
- Prospect prematurely

Definition

Prospect: is a potential customer, a client you don't have yet

Customer: is your client in B2B or B2C

WHICH MARKET(S) TO TARGET FIRST?

The selection of your export market will depend on:

- The importance of demand and opportunities abroad.
- **Competition**: favour niches where competition is less aggressive for you.
- **Barriers**: regulation, customs duties, adaptation of the product...
- Your means, capacity and strengths but also the purchasing power of your customers abroad.

WHAT CUSTOMERS IN PRIORITY

Prioritize your prospects/ personae based on:

- Chances of converting them into clients in short – medium – long term.
- The revenue and profitability they will generate.
- Their financial situation and their solvency.
- Their geographic location and proximity.
- Their propensity to not create after-sale problems (abuse of rights, neglects, eternal dissatisfaction...)

HOW TO MAKE A PROSPECT DATABASE?

- There are some websites which provide limited information for free. You can find all the links in the “useful links” section.
- Make an appointment with the economic and commercial attachés or adviser of hub, FIT or AWEX.
- Find information in the Foreign Chambers of commerce in Brussels or the Belgian-Luxembourg Chambers of commerce abroad.
- Use available professional social media, such as LinkedIn.
- Go to trade fairs, exhibitions, congresses.
- Exchange information with your intermediaries, or companies offering products/services complementary to yours.

HOW TO PREPARE YOUR MEETINGS – LET YOUR PROSPECTS SPEAK 80% OF THE TIME.

Find out info in advance about:

- The prospect himself (company, client, environment...)
- The attendees (name, title, function, decision-making power...)
- His needs and problems
- Your competitors

Anticipate objections and critics.

Prepare: go straight to the point.

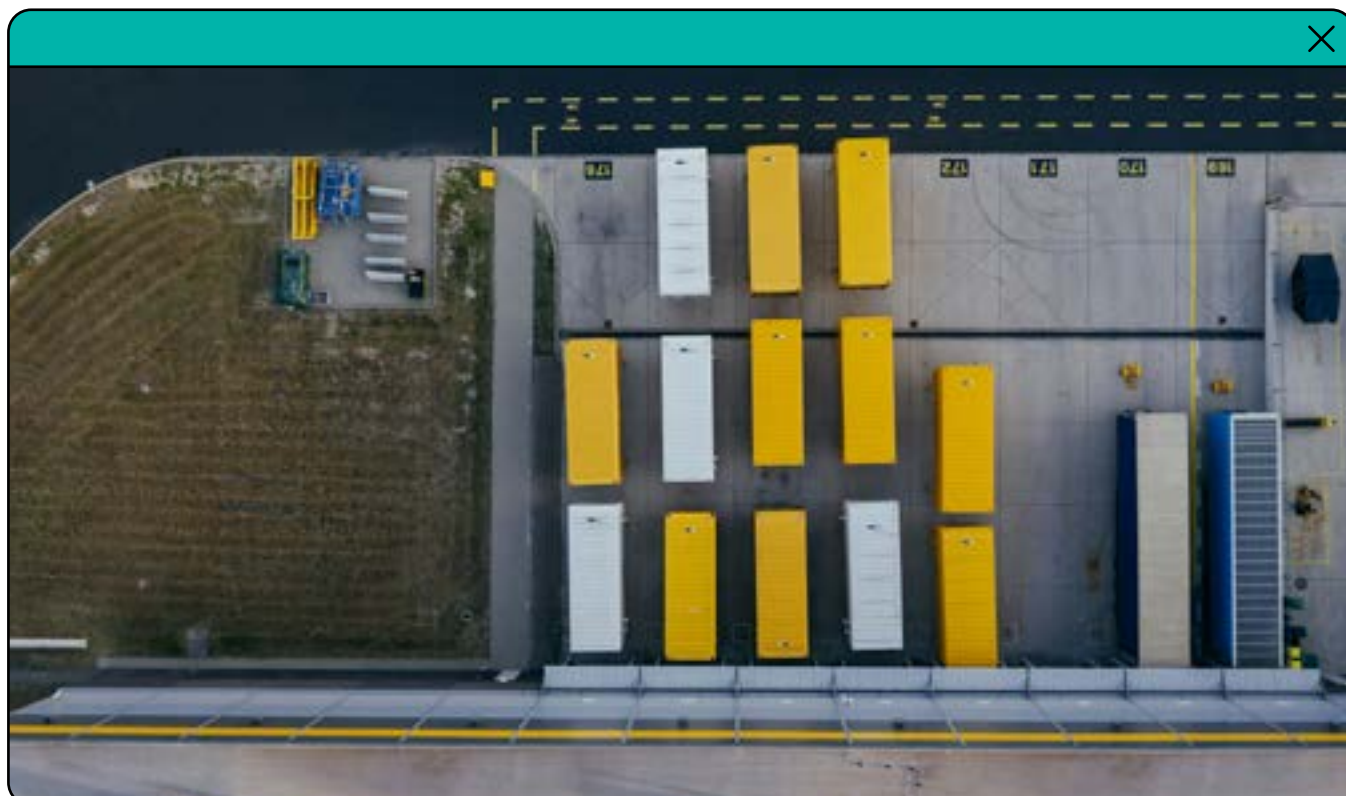
- Relevant questions
- Personalized arguments

PROSPECTION COSTS

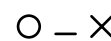
- Sales staff (contact & meet prospects)
- Service fees (consultants...)
- Agent's commission
- Samples & commercial documents to be sent to your customers.
- Exhibitions, trade fair & travel costs.

TIPS AND TRICKS

- Target one market at a time and don't go halfway.
- Personalized contact is key : adapt your behaviour to their culture, speak their language if possible...
- A phone call is always better than an impersonal email.
- Push your prospect to make up their mind and execute quickly what you promised.



FURTHER INFO



Useful links:

- Kompass: info over 5 million businesses in 66 countries around the world.
[Kompass: info over 5 million businesses in 66 countries around the world.](https://www.kompass.com/)
- Europage: info over 3 million businesses in Europe.
<https://www.europages.co.uk/>
- Companies Europe Network: a network of 600 organizations over 60 countries.
<https://een.ec.europa.eu/>

Contact person: /



#4 Are your products/services ready for sale

<div data-bbox="303 481 391 548">#4</div> GUIDELINE #expansion #compliance #adaptation #products	<div data-bbox="813 481 893 548">★</div> OBJECTIVES Understand the requirements in order to adapt a good or a service to the market abroad.	<div data-bbox="1308 481 1388 571">👉</div> DESCRIPTION • General view • Within the EU • Outside the EU • Conclusion
---	---	--

CONTENT

GENERAL VIEW

A company that has a product or service marketed in Belgium cannot consider expanding internationally without being able to adapt it to the requirements of a given market.

Marketing, consumer's trends... are of course important, but they are not the only matter to take into account:

If goods and/or services are for other countries of European Union, it is a wellknown advantage because there are some common rules generated by European Union and applied by each country but with national specificities (ex: adaptation of the national language(s) on the products).

If goods and/or services are for countries outside the European Union, it is then mandatory to take care of the rules of Belgian customs toward a specific country (for goods) but also the rules of authorities (not only customs as it can also apply to services) in the country of destination.

Specificities of the product/service have also to be taken into account to match with the targeted market: this involve product compositions but also service compliance with the local practice.

WITHIN THE EU

Products

If a company delivers products, it might have to comply with:

- return of empties for packed products: plastic bottles are consigned in the Netherlands
- packaging waste: obligation to be registered to «Grüne Punkt» system in Germany. See the link below "useful links".
- norms: cars have not the same specificities nor equipment all around the European Union (it is mandatory for a car commercialized in Belgium to have an extinguisher complying with BENOR norm but most of the countries inside and within the EU do not impose it)
- national Health standards for food and medicine for example. (Medicines are only sold in pharmacies in Belgium, it's not the case in the Netherlands: The distribution logic is not the same in pharmacies than in supermarkets.) The social security system is also to be taken into account.
- labelling (contents and language imposed in a country: in Brussels, it is mandatory to label the products in French and Dutch.)
If not respected, you can face big fines.

- with «bio/organic» rules if it is the case, certificates need to be translated.

→ ACCES2MARKET website can be of help. See the link below “useful links”.

Services

Delivering or Performing services is a more difficult reality to approach.

Two kinds of services can be performed by a company

1. **Intellectual services** which can be done from Company Belgian VAT registration without specific requirements in the country of the buyer : consultancy, advising feasibility study, ... on Business to Business basis.
2. **Non-intellectual services** (installation, maintenance, construction, etc.) pose legal constraints in the customer’s country (whether B2B or B2C) in terms of taxation (invoicing of VAT in the customer’s country) but also in terms of social security (sending staff abroad) and sometimes even authorization to carry out this type of activity.

OUTSIDE THE EU

Products

If a company delivers products, it might have to comply with:

- customs classification (in the country of export which is different of the country of import).
- conditions imposed by Belgian Customs to let product being exported. And documentation to be provided: invoice, packing list, and sanitary phytosanitary certificated or other for some products. See the link below “useful links”.
- packing requirements of the products: some countries forbid to use some materials : plastic in Saudi Arabia or Rwanda for example.
- norms : every finished or semi-finished products must comply with Russian standards and a certificate for this is required.
- national authorization obtained locally for products and having to comply with Health standards for food and medicine or safety standards for example.
- labelling (contents and language imposed in a country).
- «bio/ organic» rules if it is the case.

→ ACCES2MARKET website can be of help. See the link below “useful links”.

Services

Two kinds of services can be performed by a company.

1. **Intellectual services** which can be done from Company Belgian VAT registration without specific requirements in the country of the buyer : consultancy, advising feasibility study, ... on Business to Business basis (no change toward what is usually done in European Union) but ... some countries imposed withholding taxes (meaning that a tax on the amount of the invoice will be paid by client to its fiscal authorities and deducted from the payment to the supplier !!!!)
2. **Non intellectual services** which require Belgian company to be registered in the country of the clients for invoicing local VAT but also to comply with local rules : this activities involved Belgian company to do installation, maintenance, repair, building, ... according the rules imposed by authorities to local companies (if a foreign company perform this kind of services in Belgium it is required to have a Belgian VAT number, autorisation linked with some kinds of business, declaration of foreign workers active in Belgium being LIMOSA in Belgium), some kinds of online services (sale of goods but also softwares for example).

Notice: In some countries, foreign companies cannot enter in some kinds of businesses, they are only allowed to local actors (public market, sensitive sectors, ...)

CONCLUSION

Concerning products:

- Know customs classification in 6 digits (valid worldwide).
- Product composition: Are your components/ ingredients fitting targeted market in terms of authorization? Electrical appliances require CE conformity labelling in EU while pork and alcohol traces are forbidden in food products in Saudi Arabia. Are your products and/or packing abiding by transport and storage rules during transit and in the destination country?
- Uses of consumers in the destination countries: families are less numerous in Belgium than in some other European countries or Asian markets (for example, washing machines are twice as big in some Asian countries than in Belgium. Considering that, is your product adapted to the market?) where consumers do their shopping for the kind of products sold in the destination market? What is the impact on your distribution channel?
- Packaging compliance with labelling requirements: for example in Bulgaria, people trust the quality of the product when they see the sticker labelled in Bulgarian on it. If your product is simply labelled in Bulgarian – without sticker, they think the quality is not the same.)
- Image of the product to be adapted according local realities: pralines are sold by box in Belgium but by piece in Vietnam (because of the price, people give a bigger value to the product, product cannot be kept for so long).

Concerning services:

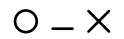
- Always respect fiscal rules otherwise supplier risks not to be paid by client.
- Always respect social rules/obligations when sending workers abroad to avoid border problems on arrival or departure... A worker is not a tourist and is required to have a Business Visa to perform services in most of the countries outside the European Union.
- Try to find good local partners in the targeted market, who will be able to reduce your legal exposure as they will act as sellers locally and will have a distribution agreement with your company.

Selling abroad requires the supplier to have the ability to understand the uses and the rules of the targeted markets to offer products and services that are not only meeting consumers' needs but also distribution channel rules and obligations imposed by authorities.

TIPS AND TRICKS

Import requirements on Access2markets: If you deal with 2 European countries, you have no access to import requirements. Change the country of origin by a non European country to have all the necessary details.

FURTHER INFO

**Useful links:**

- License your packaging in order to sell in Germany:
<https://www.gruener-punkt.de/en/>
- Access-to-markets:
<https://trade.ec.europa.eu/access-to-markets/en/home>
- Legal Export customs clearance from Belgium: Full info only available in French and Dutch.
<https://eservices.minfin.fgov.be/extTariffBrowser/Home?date=20230704&lang=FR&page=1>
- How to be sure that you use the right customs classification code for your product:
https://finances.belgium.be/fr/douanes_accises/entreprises/nomenclature-tarif/renseignements-tarifaires-contraignants-rtc

Contact person:

Vincent REPAY- International Business Adviser BELA SARL

Email: Mail : vincent.repay@bela.lu | **Mobile:** + 352 621 296 628



#5 Fixed and variable costs to incorporate to your sales price abroad

GUIDELINE #5	OBJECTIVES ★	DESCRIPTION 👉
#production #finance #transport #customs	Costs you need to think about when you fix your sales price abroad.	<ul style="list-style-type: none"> • Fixed costs • Variable costs • Conclusion

CONTENT

FIXED COSTS

Definition: Costs the company will have to bear wherever it will be successful or not on a targeted foreign market.

9 points to keep in mind:

1. PRODUCTION CAPACITY needs to be evaluated according the sales target on the selected market toward objectives of the company: saturate or increase the production capacity.

You do have to be careful, because if you have fixed cost for:

- 1 line of production for 100 and sales of 80 pieces = average cost per piece is 1,25
- 2 lines of production for 200 and sales of 120 pieces = average cost per piece is 1,66, which means you would be happy to register 50% in sales but not be able to produce on 1 line and as the second is only busy for 20 pieces your average cost per produced piece rises with 32%. Production capacity involves building (in property or renting), machine, tools, IT (including licenses).

Notice: If you hire more people to produce one line of production in 2 shifts, it can be cheaper than to invest in a second line production. (The salary of the employees is a variable cost and not a fixed one.)

2. R&D is needed to adapt products or services to targeted market meaning that before proposing to clients, company will face costs without knowing if new opportunities will come.
3. ADAPTATION TO NORMS OF TARGETED COUNTRY is mandatory therefore costs will be faced to know and understand these new rules and implemented into your dedicated products and services (included but not limited to accreditation, conformity registration to be done from Belgium but also eventually locally packing method and other changes) and their hidden costs such as translation.
4. HUMAN RESOURCES are needed to communicate in the language of the clients taking into account the specific vocabulary of the business as well as to manage deliveries abroad, knowledge of logistics including customs, export, finance...

Notice: It is not when you get an order that you have to bear these costs as clients want to be sure that company they intend to work with is a reliable supplier !!!!

5. FINANCIAL CAPACITY means that to sell abroad the company will need some credit or commitment lines from its banker(s) that will generate costs to prepare files (done by a chartered accountant and/or company auditor in addition of the company itself). These procedure will enable the company to obtain:
 - short term (usable through Overdraft and/or Straight loans to finance suppliers, salaries, taxes in awaiting payments from clients),
 - medium term (to finance machines, tools...),
 - long term (to finance buildings such as offices/ warehouses) credit lines.
6. PROSPECTION involves some limited costs until the company is able to do it from its offices during « Desk Research » but it will increase once the company has to go on the targeted market. Most companies are thinking about looking for clients but do not forget the visit of distribution intermediaries that will be of help for market access.
7. SELECTING DISTRIBUTION CHANNEL
8. COMPLY WITH RULES:
 - required by the State in the targeted countries (customs procedure, sales authorizations... for goods and VAT registration for non-intellectual services for example).
 - required by an industrial sector: oil, aeronautical, food...
 - not legally mandatory but required by some type of clients (ISO9000, environmental impact...)
 - recommended such as Product / Service liability in US
9. MARKETING available market survey or tailor-made market survey.

Keep in mind that not estimating clearly your FIXED COSTS necessary to develop activities on foreign markets could lead to treasury troubles to sustain your present activities: extending abroad requires additional financial resources, except if the company enjoys lots of financial reserves due to profit not being distributed on its current business.

VARIABLE COSTS

Definition: Costs the company will bear according and proportionately to its sales on a targeted foreign market.

5 points to keep in mind.

1. PRODUCTS
 - specific raw materials ingredients to substitute compared to your current production for the targeted market. (Inbev didn't have a range of product without alcohol, his foreign market in Germany urged him to develop because he has big competitors.)
 - additional manpower required for order preparation, packing and paperwork, warehousing, internal logistic including outsourced packing and/or storage.
2. EXPORT CUSTOMS CLEARANCE IN BELGIUM (for goods sent outside the EU): specific inspection/license for some products such as agricultural/ food chemicals /dual use fees from customs agents/brokers to do customs clearance (except if company do it itself with its own personnel).

3. TRANSPORT done through carriers and/or forwarders require company to know its products and the way of packing and delivering them in order for clients to receive them in good condition.

- Road transportation is easy if done by full trucks as loading is done at supplier and unloading at clients without intermediary handling. But usually SME's do 'groupage' which will required stronger packaging and care (it is mandatory to have a transport document attesting goods delivered from Belgian supplier to foreign EU clients outside Belgium or an export customs declaration for non-EU clients to be able to prove Belgian VAT exemption). The price is a lump sum for door-to-door transportation.
- Airway transportation is done through forwarders and the price is given accordingly:
 - a) for air freight amount in EUR for a ratio of 1 CBM (cubic meter) equal to 166 kg
 - b) fuel supplement
 - c) handling
 - d) security fees
 - e) road transportation from pick up at supplier to airport and airport to client's warehouse.
- Sea transportation is mostly done in containers (fully loaded or in groupage) through forwarder and is given accordingly for :
 - a) sea freight amount in USD for one container for ship journey (port to port)
 - b) BAF: supplement applicable for the current month of transportation per TEU
 - c) CAF adjustment according USD variation applicable for the current month of transportation being a percentage of sea freight
 - d) THC Terminal Handling Charges are the costs to load and unload container on ship at ports
 - e) Various surcharges: such as ISPS (security), low sulfur (ecological)... can be imposed at any time by shipping line

Companies must be able to issue a packing list / invoice / give instructions for the transport document to the forwarder, except for road transportation where transport documents have to be filled by the Consignor and the trucker at the point of loading to give instructions for export declaration to a customs agent (if goods are sent outside the EU).

- INSURANCE is needed in the form of a « ALL RISKS » cargo insurance to be subscribed by company to specialized transport insurance brokers who will study the risks in terms of goods, transport mode, and destination, and will provide a tailor-made policy.

Notice: It is not good to insure the goods through forwarder/carrier because their policy is not specific for the products of the company (tailor-made)

Many are thinking that carriers are covered by an insurance but it only covers their Civil Liability, which means that a fault from the carrier is mandatory to claim compensation.

4. FISCAL ISSUES Delivering goods foreign means that client (outside EU) will have to pay:

- Import Customs clearance formalities to a customs broker.
- CUSTOMS DUTIES (import tax according to HS code of the product and the value of the products including transport to the import country (they could be reduced if the country has a Free Trade Agreement with the EU).
- Excises on certain types of products according to rules of the importing country.
- VAT on value of the products including transport to the import country and customs duties + excises if applicable.

- Notice: If goods are delivered on DDP incoterm basis, then the supplier will have to bear all these costs.
- In case of delivery abroad without proof (transport document) attesting goods are delivered outside Belgium for EU clients and/or export customs declaration for non-EU clients, Belgian VAT cannot be exempted from invoice.
- E-commerce to consumers (requires Belgian company to have a VAT number and apply local VAT in the country of the clients).
- Intellectual Services (B2B) could suffer « withholding taxes » deducted by professional clients of amount due from invoices in some countries.
- Non-Intellectual Services (B2B and B2C) and Intellectual Services (require that the Belgian company be registered for VAT purpose in the country of its clients and bill them with local VAT.) If the duration of the activities is more than 6 months in a fiscal year, then profit taxes are also due in the country of the clients. If withholding taxes are retained, foreign and/or profit taxes are paid abroad, and the Belgian company can deduct them from its Belgian profit taxes if: a double taxation treaty has been signed between Belgium and the foreign country and if the company has at least the same amount of profit taxes to pay in Belgium. Otherwise, withholding/profit taxes become costs to add to sales price.

5. FINANCIAL COSTS

- In some cases, to respect its obligations toward its clients, the Belgian supplier has to provide bank guarantees (bid bond, advance payment bond, performance bond and warranty bonds) that require the company to have commitment lines with its banker(s) for which fees to issue guarantee are to be paid as well as commission according to the duration of the bond.
- If Letters of Credit are received from clients to secure payment, then the clients' banker will bill notification, confirmation (if applicable) and payment commissions.
- Payment from outside EURO zone are subject to payment commission and change fees from bank.
- Credit insurance is based on Political Risk of the country of the client and Commercial Risk of the client.

CONCLUSION

Setting a Sales Price requires time to understand your company specificities and abilities that will lead you to find good partners able to provide appropriate services at affordable prices taking into account the requirement of the targeted country.

Experiences obtained from a country cannot be transferred automatically to others : each country and ... each customer is different.

TIPS ANS TRICKS

Definition:

Carrier: A company that takes care of transportation with its own transport method. (Has only trucks, no planes, nor ships.)

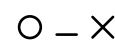
Forwarder: A company that is active in logistic activities, bears the goods from the point of departure to the point of arrival. It transfers the goods from different carriers.

Forwarders are for goods what travel agencies are for people.

Groupage: Goods from different companies are loaded in a truck. It is used by most of the SME's in all transportation modes because they don't have big quantities of goods to be delivered, which are handled by specialized forwarders. They will give a price door-to-door according requirements of their clients.

Express courier: is largely used for small parcels and is very easy because specialized companies provide complete tools to manage documentations and deliveries according standardized options.

FURTHER INFO



Useful links: /

Contact person:

Vincent REPAY- International Business Adviser BELA SARL

Email: vincent.repay@bela.lu | Mobile : + 352 621 296 628



#6 How do cultural differences affect your negotiations

GUIDELINE #6	OBJECTIVES ★	DESCRIPTION 👉
#culture #knowledge #difference #negotiation	Know the cultural differences of your targeted market in order to smooth the negotiations and avoid an inappropriate behavior.	<ul style="list-style-type: none"> • The culture fields • What are the different cultural dimensions • The impact of culture on negotiation

CONTENT

THE CULTURE FIELDS:

It refers to: beliefs, values, behaviors, interpretations, languages of a specific group of people. We separate them in 4 fields:

- Culture of a country or region
- Generational culture
- Profession culture
- Corporate culture: values, norms, unwritten rules... shared by all workers of a company.

Knowing this will help you to gather all the information you need to know in relation to your counterpart as a person: their country's culture, their profession's jargon, their personality...

WHAT ARE THE DIFFERENT CULTURAL DIMENSIONS

Geert Hofstede defined 6 factors that differentiate cultures:

- Power distance index PDI: acceptance level of power inequality by the subordinated people.
- Individualism versus collectivism IDV: level of freedom, autonomy or power of each individual.
- Uncertainty avoidance index UAI: tolerance in accepting future risks and uncertain events.
- Masculinity versus femininity MAS: so-called "feminine" sensitivity to focus on well being, cooperation, modesty, quality of life, and gender equality. Masculine trend focusses more on achievement, heroism, assertiveness, success and material rewards.
- Long term orientation versus short term orientation LTO: importance of the past versus the future. A culture that is keen to keep its traditions and habits of the past scores high.
- Indulgence versus restraint IND: tolerance level in accepting the urge to enjoy life and have fun, without strict social norms.

THE IMPACT OF CULTURE ON NEGOCIATION

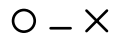
Culture influences

- The need or not to establish a personal relationship before getting to business.
- The way your words and behaviour are interpreted.
- Consideration of the other.
- The way an agreement or disagreement is expressed.

TIPS AND TRICKS

- Everyone thinks they are the center of the world and in a “normal” culture. Others are just strangers.
- Trade is what has connected the world for millennia and business codes are the most homogeneous social codes in the world.

FURTHER INFO



Useful links:

- Government of Canada – cultural insights on over 100 countries and regions.
<https://www.international.gc.ca/world-monde/country-pays/index.aspx?lang=fra>
- Commisceo Global: an English website with extensive explanation of 80 countries' culture:
<https://www.commisceo-global.com/resources/country-guide>
- World business culture: american site with the description of the culture in 40 countries.
<https://www.worldbusinessculture.com/>
- Fit – Flanders Investment & trade: choose a country
<https://www.flandersinvestmentandtrade.com/export/landen>

Contact person: /



#7 How to choose your distribution channel

GUIDELINE #7	OBJECTIVES ★	DESCRIPTION 👉
#selection #market #distribution #channel	How to choose the best distribution channel for my company according to my products/services and the final customers?	<ul style="list-style-type: none"> • Good to know <ul style="list-style-type: none"> - The market coverage - The control level - The commitment level • The selection criteria of an intermediary on a specific foreign market • Direct distribution • E-commerce and direct sales abroad • Indirect distribution • Concerted distribution

CONTENT

It's not because I collect in my orchard the best apples in Belgium, that customers will come to me. The distribution is the way to get your products/services sold to its final customers.

Def: Distribution network= The entire DISTRIBUTION CHANNELS used by Belgian Company on foreign markets.

GOOD TO KNOW:

The market coverage

There are 3 different possible market coverages

1. Intensive Distribution: products /services available to buyers at any possible place (the only real global example : COCA COLA).
2. Selective Distribution: products /services available from sellers on the selected market for which they have define the key skills and/or profile.
3. Exclusive Distribution: customers find the products /services only from sellers having a very close connection with the company from which originated the products and/or services in terms of marketing, knowledge of products /services, after sales.

The control level

Selling abroad means that there will be one or several intermediaries between the company and its customers:

It is therefore necessary to define if the company wants to be involved in the process of commercialisation on a foreign market or, if it wants the intermediaries to take care of everything without any possible control, which is very dangerous.

Commitment level

Being present abroad means:

- Various costs depending on the chosen channel

- Different time duration (contract terms)
 - Specific distribution contract to be negotiated
 - Different safety measures to protect trade mark(s), products and/or services knowledge, money invested in market development.
- To be examined according control efficiency possible by own resources of the company.

SELECTION CRITERIA OF AN INTERMEDIARY ON A SPECIFIC FOREIGN MARKET.

1. Obtain appropriate sales volume and margin.
 - Are your product capacities appropriate to the market?
 - Never go international to loose money!
2. Reach a substantial share toward competitors.
 - Choose your distribution channel wisely in order to let your customers know about your presence near the big competitors.
3. Have a local stance in terms of “sales” but also “after sales” if needed.
4. Make profitable investment to develop and produce by extending on the foreign market to use the potential of your production capacity.
5. Constraints faced to present products and/or services on the targeted foreign market.
 - In some countries, if you don't include local partners, you can't sell.
6. Commercial uses on the targeted foreign market.
 - How do your customers usually buy your type of product?



DIRECT DISTRIBUTION

Your company is directly involved in the targeted market.

	REPRESENTATIVE	AGENT	REPRESENTATIVE OFFICE	BRANCH	SUBSIDIARY
DEFINITION	Employee of the company and works exclusively to sell their products/services on the defined market.	A Person or a Company that is not a member of the company and has signed with it an exclusive contract to sell their products/services on the defined market.	A place where the company officially registered in a foreign market. Products/services can be presented to clients but all sales orders and contracts must be done directly with the Company in Belgium.	A part of a company in a foreign market. It can register orders and/or contracts and sell like a local company but has not independency as it is totally integrated in the Belgian company from which it is in fact a department abroad.	A company settled in a foreign country meaning that it is a local company in the country abroad with the Belgian company as shareholder.
DEFINED MARKET	Geographically defined territory (country, region/ province...) that has the exclusivity to sell all products/ services or a defined part of them on its territory or defined type of client on its territory.	Geographically defined territory (country, region/ province...) that has the exclusivity to sell all products/ services or a defined part of them on its territory or defined type of client on its territory.	Geographically defined territory (country, region/ province...) that has the exclusivity to sell all products/ services or a defined part of them on its territory or defined type of client on its territory.	Geographically defined territory (country, region/ province...) that has the exclusivity to sell all products/ services or a defined part of them on its territory or defined type of client on its territory.	Geographically defined territory (country, region/ province...) that has the exclusivity to sell all products/ services or a defined part of them on its territory or defined type of client on its territory.
ADVANTAGE	Totally subordinated to their employer.	Only commissions on sales are due on turnover.	Prospects have a direct contact with the company at a place inside their market.	No capital is needed to create a company because it is part of Belgian company. Customers feel like dealing with a local supplier.	Belgian company controls the Subsidiary through shareholding links, but foreign rules are to be complied with.
DISADVANTAGE	Their costs (salary, commission, car, travel and lodging) are born by the company and are not linked directly with the level of sales.	Not working exclusively to sell for a single company but can propose various products /services from different companies. They are not competitors but the whole range of products / services are complementary or can be proposed simultaneously to buyers.	/	Belgium company is fully liable for commitment and activity from its Branch abroad.	Investment, costs and risks. Duplication of accounts and organization.

LAW	E.U. rules legally protect the rights of the Representative.	E.U. rules protect protect the rights of the Agent.	forbidden to have any turnover in the Representative Office.	Needs to be agreed by Authorities in the country of activity and is subject to all laws applicable to a company in that country, meaning billing foreign VAT, pay taxes on profit, etc.	The Subsidiary has to pay all taxes and respects all the foreign local rules and is responsible of it toward authorities. If the subsidiary faces problems of any kinds regarding its contracts and commitments. The Belgian company is not involved except if it gives any guarantees to cover its subsidiary.
ADDITIONAL INFO	/	consult lawyers specialised in this kind of contract.	/	It is possible for a Branch to sell but also sometimes to produce abroad.	It is possible for a Subsidiary to sell but also sometimes to produce abroad

Notice: Representative and Agent:

- Only sale force: once they signed with a client, the delivery is not their job. It's taken care the Belgian company.
- The commissions are paid once the contract is signed and not when the client pays.

E-COMMERCE AND DIRECT SALES ABROAD

If E-commerce and/or direct sales abroad and/or through Representative or Agent are done to:

1. Professionals: foreign Company (with a valid VAT number) within the E.U. => No problems to foresee except complying with the labelling rules and foreign market rules.
2. Professionals: foreign Company outside the European Union => Being able to comply with export customs clearance when sending out from Belgium and Import customs clearance in terms of documents to be presented but also norms/rules to comply with for products to be imported.
3. Private customers sales cannot be done abroad (within or outside the European Union) without the Company being able to bill VAT of the country of the consumer and complying with the rules of the foreign market (in the European Union) or being present through a Branch (within or outside the EU) locally billing the client for goods and/or services after having imported the goods and paid local import duties and VAT.

INDIRECT DISTRIBUTION

	TRADING COMPANY	IMPORTER	EXCLUSIVE IMPORTER OR DEALER
DEFINITION	Buys products from a manufacturer and resells it to their clients without the manufacturer knowing the final destination and/ or client(s).	An intermediary located on a foreign market who buys and resells locally for its own account.	An intermediary with whom the company has close connections.
DEFINED MARKET	Not defined: The trader can disturb the distribution contract signed with other intermediaries.	No exclusivity is granted but a contract is signed in order to prevent sales outside its territory.	Exclusivity on a territory is granted, as well as bearing costs for product /service knowledge trainings for its employees, marketing, use of the "image" of the Company.
ADVANTAGE	They take everything in charge from the warehouse of the supplier.	When a company does not know yet the intermediary, it is better to go in that way to see how it is working before going to an other type of distribution.	The consumer does not see that they are not dealing with the manufacturer's company.
DISADVANTAGE	No control of what products become.	/	/
ADDITIONAL INFO	Most of the time, through this system, the company sells items that are no longer in production, or goods from orders cancelled by clients, ...not used on a long term basis except for countries like in Africa for example	/	The Exclusive Importer/ Dealer will take charge of the after market services (warranty) and share its client's data but is also involved in products evolution to be sold on its market.
EXAMPLE	Galler chocolate totally changed its packaging and, as the company couldn't sell the same product in 2 different packaging, they sold it cheaper to a trading company.	A person comes to you and is interested to sell your products on their market.	All Leonidas shops in the world are not owned by Leonidas Belgium.

Outside partners are selling to clients.

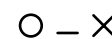
CONCERTED DISTRIBUTION

Sharing or make others to bear the costs to develop on a foreign market (can be applied on national market as well in some cases).

	FRANCHISE	JOINT-VENTURE
DEFINITION	The Belgian company awards a third party company the right to sell its products /services and use its brand and name toward customers.	An independent company created with a Belgian company together with a foreign one as partner. The two partners have an equal share of the capital of the Joint Venture.
DEFINED TERRITORY	Exclusivity contract for a territory in exchange of being totally connected to the organisation of the Belgian company meaning that it cannot source anything outside this "Franchise Contract".	Foreign market.
ADVANTAGE	Payments will be done not only for products / services delivered but also for the use of the commercial technics, brand and names.	Joint-Ventures are often used to ease the penetration of a market which requires a local partner to enable commercialisation of products and/or services.
ADDITIONAL INFO	The Belgian company who grants the "Franchise" receives royalties on the turnover of the "Franchisee"	It is dangerous in China and Middle-East (for the IT sector) because there is a risk of expropriation of the product/knowledge.

TIPS ANS TRICKS

A distribution channel can fit the requirements of the company today but it doesn't mean that it will in the future. When agreeing with an intermediary, establish if you can make adjustments and change the intermediary afterwards. Or not necessarily change the intermediary, but renegotiate the terms of the contract.

FURTHER INFO

Useful links: /

Contact person:

Vincent REPAY- International Business Adviser BELA SARL

Email: Mail : vincent.repay@bela.lu | **Mobile:** + 352 621 296 628



CONTACT

hub.brussels
export@hub.brussels
+32 02 422 00 20