

# Responding to Unsolicited Orders

A TEAM CANADA INC ON-LINE GUIDE FOR EXPORTERS



Canada

### **About this guide**

*Responding to Unsolicited Orders* is best used in its on-line version, which allows users to link directly to Web site references in the guide. This PDF version is intended for users who wish to print the document to read offline. If you wish to access the Web resources listed in this document, it is easier to use the on-line version and click on the hot links.

For questions or more information on exporting, call Team Canada Inc's toll-free Export Information Service at 1 888 811-1119 or log onto [exportsource.ca](http://exportsource.ca)

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A Team Canada Inc On-line Guide for Exporters**

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## Introduction

For many companies the first exporting experience is the result of an order or inquiry from a foreign company. Thanks to the Internet, it is much easier for a foreign company to learn about your products or services. This guide is designed to help you respond to unsolicited orders and get started with exporting even if you have no experience.

In this guide you will learn how to respond to a foreign inquiry or order, the many factors to consider before exporting, the best steps to take, how to price your goods or services, whether you need special packaging or licenses, and how to begin due diligence on the company to which you plan to export.

Typically the first step is to respond to an inquiry or order with a price quotation, including details about the product or service, the price and the terms of the sale. A potential buyer may choose to accept the quotation, negotiate with you, or reject the quotation.

Before creating a quotation, you must estimate the costs involved, decide whether the proposed transaction is worth the effort, and decide if you can fulfill the order. To do so you will need to examine all the factors involved in sending goods from Canada to the target country or to provide services to the foreign client. You must know whether your firm can pursue the foreign opportunity in a timely manner so the potential buyer will not lose interest. In some cases a quotation represents a legal commitment that needs serious consideration. Ensuring you can deliver on the commitment you make in a quotation will prevent potentially damaging legal consequences.

To prepare your quotation you will need to develop a reasonably accurate estimate of costs and an understanding of regulations, logistical requirements, and other factors that may have a bearing on the terms of the transaction. In this guide, you will find a template that you can use to assist you in this process. It will help you to:

- Gain an understanding of the process involved in responding to an unsolicited order from a foreign company;
- Develop an estimate of the price and terms you need from the foreign buyer to make the deal worthwhile;
- Prepare a quotation that can serve as the basis for negotiation with a potential foreign buyer; and
- Devise the terms of a contract with the foreign buyer.

This tool also provides sources of information that you may need to obtain additional information or clarification on topics that may be unfamiliar to you. The guide is set up so you can work step-by-step through the different aspects of responding to an unsolicited order.

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

**Step 1.** Conduct Internal Research

**Step 2.** Conduct Market Research

**Step 3.** Calculate Costs Involved

**Step 4.** Write a Quotation

**Step 5.** Determine Transaction Viability

**Step 6.** Begin Negotiations

**Step 7.** Create a Contract

**Step 8.** Fulfill the Order

The chapters that follow will walk you through each of the above steps so you can fulfill the unsolicited order with confidence and build positive business relationships with new customers in foreign markets.

## Step 1: Conduct Internal Research

You may receive an unsolicited request from foreign buyers in the form of letters, faxes, e-mails, telephone calls or through e-commerce websites and other forms of electronic trade documentation that are becoming increasingly available to small and medium-sized businesses. An unsolicited order comes directly from the buyer – the firm or individual seeking your product or service. In some cases this can be a foreign distributor that buys your goods and takes title to them for resale in a foreign market. In most cases the buyer will be your direct client – the end-user of your product or service. This is not the same as selling to a trading house in Canada or working with a foreign agent who represents your company abroad.

Are you operating a commodity business, a manufactured goods business, a services business or a combination of any of these? The nature of your business will affect the way you approach an unsolicited request. For example: input costs for commodities change constantly and make cost-profit estimations challenging. Service businesses must account for more personal travel costs, such as commercial air transportation, hotels and consulting hours. Planning helps you identify and calculate all of the expenses you will incur to fulfill the request.

If the request is verbal, ask the caller for written confirmation of the request and log the date, name of contact and details of the discussion. Stamp correspondence with the date on which it was received. Foreign language requests should be treated with special care to ensure they are professionally translated and properly understood.

Start by gathering information from within your company to determine whether or not your company is able to fulfill the order, and if so, the shipping and delivery dates, price, and terms. You may need to consult with individuals responsible for different aspects of the company's operations to get a better understanding of the company's readiness to proceed and the impact the foreign order may have on existing operations.

These questions will help you to determine the information you may need and the input you may require from others in your company to prepare a response to the unsolicited order.

### 1.1 Existing Company Capacity

#### 1.1.1 Inventory

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

#### 1.1.2 Service delivery

- How long will this business trip keep my colleagues and me from other tasks?
- Can I arrange a direct flight to the destination?
- How expensive is it to stay in a hotel in this city?
- Will I need to rent a vehicle?
- Do I need to translate my presentation and promotional material?

### 1.1.3 Manufacturing

- When can the product be produced?
- Would additional inputs be required to satisfy the order?
- Are product modifications needed?
- What is the likely impact on other aspects of operations?
- What is the likely financial impact?

## 1.2 Pricing

### 1.2.1 Marketing

What pricing strategy should be adopted? For example: does your firm present its products as luxury items to maximize profit or are there competitive advantages from offering a discounted price (penetration pricing)? As a service provider, do you charge an hourly rate or offer a flat fee to complete the project? You also must consider whether this is a market in which the company may want to do repeat business?

## 1.3 Delivery

### 1.3.1 Packaging and Transportation

- Do you have any experience in preparing orders for this market?
- As a small firm without shipping expertise, have you identified a credible, cost-efficient shipping or logistics firm to coordinate our shipping requirements?
- Can you handle any special labeling or packaging requirements?
- When can the item be prepared and shipped?

For more information about packaging and transportation, visit the following website:

Canadian Trade Commissioner Service

[www.infoexport.gc.ca/shipping/ExportPackaging-e.pdf](http://www.infoexport.gc.ca/shipping/ExportPackaging-e.pdf)





**1.4 Terms of Payment**

**1.4.1 Financing Exports**

- What financial instruments should be used?
- Do I require short-, medium-, or long-term financing to make this export venture feasible?  
Most types of unsolicited bids can be addressed through short-term-financing solutions, such as open account transactions or payment in advance.
- Do I require bank financing or involvement from some other financial institution?
- When should payment be made?

For more information about financing exports, visit the following websites:

**IFInet**  
[www.infoexport.gc.ca/ifinet/projectfin/finance-e.htm](http://www.infoexport.gc.ca/ifinet/projectfin/finance-e.htm)

**Export Development Canada (EDC)**  
EDC, with its unique trade financial services and valuable global market expertise, is devoted exclusively to helping Canadian exporters and investors doing business around the world. Exporters use EDC’s services to ensure they get paid, provide more competitive repayment terms to their buyers, help expand their businesses to new buyers and new markets, and increase their access to working capital. [www.edc.ca](http://www.edc.ca)

**Canadian Commercial Corporation (CCC)**  
CCC offers Canadian exporters unique business solutions to access government procurement markets world-wide and export contracting expertise. Since 1946, CCC has worked with Canadian companies to close export sales on the best possible terms and conditions. From business leads to contract negotiations and contract management, CCC provides solutions to help grow exports. [www.ccc.ca](http://www.ccc.ca)

## Step 2: **Conduct Market Research**

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Step 2: **Conduct Market Research**

To respond to an unsolicited request, it is important to estimate the complexity of the transaction. Exporting is more complex than domestic business. In some cases that complexity results in additional time and costs that could turn a promising deal into a money-loser. It is important to have a sound understanding of what is involved prior to committing additional time and resources to the business transaction.

As a new or experienced exporter, you must understand the regulatory environment both in Canada and in the target market and how it affects your products or services. Regulations invariably result in a requirement for paperwork: applications, permits, approvals, and certifications. Depending on the strategy you take and the nature of the product, commodity or service requested in the order, you may be dealing with commercial invoices, packing lists, bills of lading, certificates of origin, risk insurance documents for shipments, bank drafts, letters of credit and more. While it may sound overwhelming, there is assistance available to help you get through the paper (and increasingly electronic) document jungle.

Beyond the rules and regulations, you need to consider the logistics of moving commodities, manufactured goods or people delivering services from Canada to the target market. There may be a number of modal options for getting from point A to point B if your destination has appropriate infrastructure and facilities. Air, sea, rail, road or any combination of the above may be used. The factors that you must evaluate are:

- The amount of time it will take to get the goods to the buyer;
- The cost to get the goods to the buyer, including shipping costs, insurance and the services of a logistics service provider if necessary; and
- The reliability of the people and firms involved in delivering your product to the final destination.

This list will help you to conduct your initial research and find the information you need to understand the buyer's market, structure the deal, calculate costs and create a quotation.

### **2.1 Market Information**

#### **ExportSource**

ExportSource is Canada's most comprehensive resource for new and experienced exporters. In addition to information and practical tools to help prepare you for exporting, ExportSource provides access to diverse reports, studies and information about markets around the world. Go to [exportsource.ca](http://exportsource.ca) to learn more about the target market from which your unsolicited order originated.

#### **Virtual Trade Commissioner**

Register yourself as a client of the Canadian Trade Commissioner Service and receive your Virtual Trade Commissioner, a personalized Web service containing market information and business leads that match your international business interests. Go to [www.infoexport.gc.ca](http://www.infoexport.gc.ca) to register.

### **EXPORT Market Insight**

Export Development Canada (EDC) offers online information to help you monitor political and economic developments in more than 200 Canadian trade markets. To subscribe to this market intelligence tool, go to [www.edc.ca/e-reports](http://www.edc.ca/e-reports).

### **EDC's Market Knowledge**

Take advantage of EDC's knowledge of the current economic, commercial and political conditions in virtually every foreign market worldwide. Accessing EDC's expertise on doing business in both established and developing markets allows for better understanding of opportunities and risks in various industries around the world. Call **1 866 638-7916** for help identifying new export possibilities or visit: [http://edc.ca/prodserv/online/index\\_e.htm?cid=red1249](http://edc.ca/prodserv/online/index_e.htm?cid=red1249).

## **2.2 Export Regulations**

Many aspects of international business are regulated and exporting is no exception. The Canadian government regulates the export of goods and services and it is important to determine which regulations may impact your ability to fulfill the order you have received. For example, certain products may be defined as dangerous or hazardous substances and, if they can be shipped, must be packed and transported according to specific regulations.

You may also encounter countries that are under embargo and it is illegal for Canadians to export to these markets.

For more information on export regulations visit the following websites:

### **Canadian Automated Export Declaration**

The Canadian Automated Export Declaration (CAED) is a joint initiative between Statistics Canada and Canada Border Service Agency. This program provides registered exporters and agents an online option for reporting exported goods electronically to the Federal Government. [www.statcan.gc.ca/english/exports](http://www.statcan.gc.ca/english/exports)

### **Export/Import Controls Bureau**

The Export/Import Controls Bureau (EICB) authorizes the import and export of goods restricted by quotas and/or tariffs and monitors trade in dangerous goods for security reasons. [www.international.gc.ca/eicb](http://www.international.gc.ca/eicb)

## **2.3 Import Regulations**

Some countries restrict 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. While it may be challenging to obtain this information directly from your prospective customer, officials in the target market or foreign government websites, you can contact the Canadian Embassy or Consulate in the target market and seek assistance from a trade commissioner specializing in the target market and industry.

## 2.4 Packaging, Labeling or Packing Requirements

Most countries have regulations governing how products are to be packaged, what information should be included on the label as well as the required language(s) on the label, and how shipments of the product are to be packed. Packaging and packing are often used interchangeably but they refer to specific activities. When you determine what type of materials to cover and protect your product during shipping – cartons, boxes, wrapping – you are referring to the packaging. Packing refers to the manner in which your packaged goods are prepared for shipment. For example, they may be placed in shipping crates, loaded onto a pallet, or put into containers.

The labels you use for domestic shipments may not be suitable for export purposes. In some cases, the importer may provide you with relevant information for compliance with local laws. If you are working with a logistics firm or a freight forwarder, it may have the required information. A good point of departure is to ensure the following information is on the label:

- Product identity or product name;
- Quantity in appropriate metric measurement (mass or volume) or by count (number of units);
- Your contact information as the exporter;
- Country of origin; and
- Relevant language for the target market in addition to English and/or French.

## 2.5 Export Licenses

There are certain goods that, by their very nature, must be prohibited from export or closely controlled. Export licenses may be issued by the Canadian government for goods such as weapons, animal products derived from endangered species and certain types of controlled technology. It is your responsibility to determine whether you need an export license and, once you have secured it, to ensure it accompanies your shipment to its destination.

## 2.6 Import Licenses

International Trade Canada issues import licenses for products listed on the Import Control List. Other countries have a similar requirement for the import of dangerous or controlled substances, or items that might pose a competitive threat to local producers. You can contact a Canadian trade commissioner in the target market to determine whether an import license will be necessary to fulfill the order you received.

## 2.7 Transportation Available

There are four main modes of transportation 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 and efficient means of physically moving products from their Canadian origin to the destination. As mentioned earlier, "cost-effective" is not simply about money. You need to consider timing, safety, security and the reliability of the carriers you choose.

A service firm must also weigh the benefits and disadvantages of transit options. There are numerous air carriers, car rental firms and local taxi and bus services once you have arrived at your destination. You need to select the right combination of transit options to ensure you make your meeting or presentation on time and that any equipment or technology required makes it to the target market as well.

## 2.8 Shipping Schedules and Delivery Terms

Once you have selected a means of transportation it is important to determine shipping schedules since they will impact delivery times. For example, seasonal variations may affect the availability of ocean transportation.

Incoterms are the standardized trade definitions used in international trade contracts. Developed by the International Chamber of Commerce, Incoterms are recognized by most governments, legal authorities and trade professionals around the world. By using Incoterms, you will eliminate uncertainties and differing interpretations about the delivery of goods to the buyer. For more information about Incoterms, visit the following website: **International Chamber of Commerce • [www.iccwbo.org](http://www.iccwbo.org)**

## 2.9 Insurance Requirements

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

### **Export Development Canada**

Export Development Canada (EDC) offers exporters numerous export credit insurance services to mitigate many types of commercial and political risks. **[www.edc.ca](http://www.edc.ca)**

## 2.10 Due Diligence – Protect Yourself from Disreputable Buyers

Your product or service, reputation and capacity to profit are on the line every time you enter into a business agreement with a new client or customer. It is a good idea to determine the credibility of the individual or firm with which you are dealing. Many countries have the equivalent of a better business bureau, credit bureau or a chamber of commerce that can provide you with some reassurance or references. You may also find some local business information from a Canadian bank branch in the target market. If the unsolicited order is sufficiently lucrative and you have the time and resources, you can seek out additional intelligence, including legal and financial information, from research firms and competitive intelligence consultants possessing expertise in the target market.

## 2.11 Risk Factors

An order may look compelling on paper but you must consider all the types of risk that can have an impact on the viability of the transaction. Political volatility or economic shifts are examples of country risk that can disrupt your export venture. Foreign exchange risk can quickly turn a profitable deal into a debt when a transaction is agreed to in a currency other than Canadian dollars. Commercial risk – the buyer forfeits on payment, goes bankrupt or initiates a dispute regarding the order, the terms of payment or any number of factors – is always a possibility. Again, it is important to know with whom you are dealing and to state the terms of the deal as clearly as possible.

You now have a sense of the diverse factors that may influence the viability of the transaction. Clearly, you cannot respond accurately to an unsolicited order without analyzing the risks, determining the export costs and devising a pricing strategy. Calculating the landed cost for your goods or the preparation and delivery costs for your service will help you evaluate your capacity to respond to the order and profit from the deal.

# 3

## Step 3: Calculate Costs

How do you prepare a reasonable estimate of the costs your firm will incur in fulfilling the order? Obviously, quoting too low may mean losing money on the transaction while quoting high risks losing the buyer's interest.

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Step 3: Calculate Costs

### 3.1 Product Costs

Preparing an accurate estimate for your product(s) involves considering many more factors than those involved in domestic production. Consider the costs to:

- Prepare the many documents required in an international transaction;
- Label, package and pack the product(s) for shipping;
- Move the shipment from the point of origin to the destination;
- Pay any duties levied by the foreign government; and
- Account for finance charges, insurance and payment instruments.

The following worksheet can help you to estimate all of the relevant costs involved in completing the transaction. Use the spreadsheets below as a tool to help you calculate the relevant costs. (Note: Definitions of terminology used within the tables are provided on the following worksheets.)

Product	Cost
Material	\$
Labour	\$
Plant overhead	\$
Product modification	\$
Administration	\$
Domestic financing (e.g., bank charges)	\$
<b>Total Domestic Cost</b>	<b>\$</b>

Port and lading charges	Cost
Demurrage or storage	\$
Wharfage	\$
Special charges	\$
Marking	\$
Lading Charges	\$
<b>Total Free on Board (FOB)</b>	<b>\$</b>

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)	\$
<b>Total "Ex Works" (EXW)</b>	<b>\$</b>



Physical preparation of shipment	Cost
Labeling	\$
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	\$
<b>Total, product ready for shipment</b>	<b>\$</b>

Inland freight	Cost
Loading charges	\$
Transport	\$
Unloading charges	\$
<b>Total, product ready for shipment</b>	<b>\$</b>

International carrier	Cost
Freight	\$
Cargo insurance	\$
Charges for special requirements	\$
<b>Total, "Cost, Insurance and Freight" (CIF)</b>	<b>\$</b>

Landing charges	Cost
Unlading	\$
Special charges	\$
Storage	\$
<b>Total, "Delivered Duty Unpaid" (DDU)</b>	<b>\$</b>

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

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 %)	%
<b>Export price</b>	<b>\$</b>

### 3.1.1 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:** Estimate the costs of the materials 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 tradeshow, 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):** Includes all costs associated with the event promotional materials, registration fees, booths and displays, etc. except those already counted as travel expenses.



**Communications (i.e., telephone/fax, courier):** Includes 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:** Includes all lawyer's and legal fees incurred in drawing up the contract.

**Foreign agent's commissions and fees (if applicable):** Includes commissions, finder's fees, distribution fees, and other fees owed on the transaction. (Convert fees from the foreign currency into Canadian currency before entering them on this worksheet.)

**Total Ex Works (EXW)\*:** The total of all production and marketing costs before shipment. ExWorks is one of the INCOTERMS used to define the terms of an international transaction. An ExWorks price includes all costs involved in producing something to the "factory gate." If a transaction were specified as "ExWorks," the buyer would assume responsibility for all costs incurred in moving the goods from the point of origin to the final destination. ExWorks is arguably the most beneficial Incoterm for you but it is not always possible to negotiate such a favourable position. There are a full spectrum of options for defining the rights and obligations of the parties involved in transactions that includes the delivery of goods. For more information on the Incoterms established by the International Chamber of Commerce visit: [www.iccwbo.org](http://www.iccwbo.org).

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

**Labeling:** Product labels frequently must be in the official language(s) of the target market. There may also be specific regulations governing the content of the labels (i.e., 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 meet the proper labeling requirements could result in goods being stopped at the border of the target market. Sometimes the buyer will specify the labeling requirements of 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 labeling 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). Familiarize yourself with packaging requirements for your product in the target country. Regulations may call for a particular product to be individually packaged or packaged in specific quantities (i.e., by the dozen). Certain types of packaging (i.e., plastic bubble wrap) may be required. Other types of packaging may be prohibited (i.e., packaging that does not show the contents of the product).

**Packing:** Individual packages have to be assembled into boxes, crates, containers, or onto skids. 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. If your shipment must travel overseas, consider using a container for packing large quantities of packaged goods or freight into a single, secure unit for shipment. Containers are standard size boxes designed to withstand climate changes, damage and theft. Containers are generally 2.3 metres wide, 2.3 metres tall and 5.9 metres or more in length. Distributing the weight of the packages or goods evenly and filling the container to capacity (if possible) minimizes both damage and shipping cost per unit.

### 3.2 Service Costs

This checklist will help you identify the diverse issues and calculate costs to fulfill a request for services in a foreign market. Not all issues will have an associated cost in every market. The checklist is intended as a guideline.

#### PROSPECT ISSUES AND COSTS

Prospect Issue	Cost
Location of the buyer	\$
Location for the delivery of the services (if different from above)	\$
Political issues	\$
Cultural issues	\$
Currency issues	\$

#### TRAVEL ISSUES AND COSTS

Travel Issue	Cost
Transportation to destination (i.e., travel agents, flights)	\$
Transportation at destination (i.e., car rental, taxis)	\$
Accommodation (i.e., hotels)	\$
Documentation (i.e., passport, visa)	\$
Health and safety (i.e., vaccines, security measures)	\$
Location and communication with Canadian Embassy or Consulate	\$

#### BUSINESS DEVELOPMENT ISSUES AND COSTS

Business development issue	Cost
Time dedicated to travel and delivery of services (i.e., billable time)	\$
Business and presentation materials	\$
Carnet	\$
Communications (i.e., translation of materials, translator services)	\$

# 4

## Step 4: Write a Quotation

A quotation is, first and foremost, an offer that you give to the buyer with the expectation that it will be accepted. Until it is formally accepted, it is not legally valid or binding. You may find that a number of counter-offers and changes to the original quote take place before the terms are accepted by you and the buyer. At that point, the quotation represents your commitment to delivering a particular product or service at a particular price and time, on the terms specified in the quotation. Failing to meet that commitment could damage your company's reputation and involve you in other difficulties.

Because the operational aspects of conducting international trade are increasingly uniform, you will find that the type of information to include in your quotation is generally standardized as well. You will need to include: a description of the goods or services being offered, the price (and details of how it is calculated), details of how the offering is to be packaged, the insurance coverage provided, how it will be shipped and by whom, when and where delivery will be made, the documents and invoices that will be issued, who will decide that the order has been fulfilled correctly, and how payment should be made.

A quotation that does not contain all of this information in sufficient detail may present questions about the transaction and could delay an agreement. If certain issues are not clearly presented at the outset, there could be differing interpretations or disagreements at a later stage of the transaction. That, in turn, can delay payments, harm reputations, or cause disputes.

Once you have prepared a quotation, ask yourself the questions listed in Step 5 before you actually send the document to the prospective buyer.

Here is a template to help you through the process of preparing a comprehensive response to an unsolicited order.

### 4.1 Description of Goods or Services

The description of the goods must be clear and include 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 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 (i.e., serial numbers)	
Quantity (and unit of measurement)	
Quality (grade, type)	
Components (if any)	

#### 4.2 Price

The seller should specify how a price is calculated (e.g., by unit, weight, grade, etc.). This should then be combined with the amount to yield a price for the goods. Additional charges should be itemized and detailed. Charges can include costs associated with special packaging, shipping, insurance, customs fees, or any special fees for which the seller may be responsible. Add these costs to yield the total cost for the order and specify the currency in which the transaction will be paid.

Details	Terms Offered
Rate (price per unit)	
Number of units	
Price of units	
Additional charges (packing, shipping, insurance, customs, or fees, etc.)	
Total cost	
Currency	

#### 4.3 Packing

You will need to determine what information will be displayed on the labels and what language(s) will be used.

You will need to decide on the appropriate packaging materials for your products. For example, boxes may be adequate for certain goods while plastic wrap may be a valuable addition for others. If your product is fragile or requires specific conditions (refrigeration, humidity control) or handling for shipment (hazardous chemicals), special arrangements and instructions must be communicated (in the appropriate language) to ensure a successful delivery.

As mentioned earlier, the contents need to be defined using a suitable unit of measurement, such as weight or volume, single units or multiple units per case. Finally, the goods need to be packed for shipment and you must determine if crates, pallets, containers or other packing methods are effective and cost-effective for shipping purposes.

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.)	

#### 4.4 Insurance

Depending on the negotiated transaction terms (Incoterms were discussed above), you may be responsible for insuring the goods you have sold. Clarifying who is responsible for insurance prior to accepting the order will minimize confusion among the parties involved in the transaction, particularly if something goes wrong.

You will discover that different types of insurance may be needed. Insurance to mitigate commercial and political risk may be available through Export Development Canada but you may also require insurance for other perils, such as accidents, confiscation of goods, or spoilage of food products due to delays. Additionally, you have the option of insuring all or part of the transaction.

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.)	

#### 4.5 Shipping

As mentioned above, you may have a number of options for shipping your goods, in terms of mode (rail, air, road, ocean) and route. If your prospective buyer is a government agency or department, it may specify that the country's national carriers be used.

As with insurance, the negotiated terms of the order will dictate whether your company or the buyer manages the shipping arrangements. You may be responsible for all or part of the journey from your business to the final destination, as well as the associated costs.

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

#### 4.6 Delivery

Responding to the unsolicited order will require a commitment to a delivery date or, in the case of shipments made in installments to one or more destinations, an organized system for shipping dates to specified delivery points. It can be challenging to predict when goods must be shipped in order to reach the intended destination according to the agreed terms, particularly if multi-modal transportation is involved.

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	

#### 4.7 Invoicing

To fulfill the order you will need to negotiate payment terms with the buyer and this will influence when you send the invoice for the order. Invoicing is an increasingly electronic process due to the widespread availability and use of the Internet and e-commerce tools. However, you can include a physical invoice document with the shipment or send it separately by mail, cable or courier.

If your shipment includes other documentation, such as inspection certificates, licenses or permits, it may be useful to create a document package to accompany the shipment.

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

#### 4.8 Acceptance and Validation

In a perfect world, the buyer is waiting in his or her office for your shipment to arrive. In reality, a customs broker, a seller's agent or another party may receive the goods. It is critical that the contract specify the individual or entity accepting the order and how it will be inspected and verified. Ultimately, the terms of the transaction must be fulfilled to your satisfaction and to your buyer's satisfaction. You will need to agree on what this means and who decides that the transaction is complete.

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

**4.9 Payment**

There are a number of financial instruments available to you when conducting transactions with foreign buyers. Most banks and financial institutions will have personnel on staff to guide you through options such as letters of credit, bills of exchange and to advise you on currency risks. You can also arrange for payment to be made directly to your account at your financial institution.

The terms of payment will be defined when you reach agreement to fulfill the order. For example, payment may be in advance, upon acceptance or 30 days after delivery. The buyer may also pay you in a lump sum or request installment payments at set intervals of time.

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)	

## Step 5: Determine Transaction Viability

Once you have completed the quotation, you must scrutinize 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 to pursue this deal. Before you commit to the negotiation, ask yourself the following questions 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 involve?
- 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 obtain 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 similar considerations?
- 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?

The answers to these questions may suggest that the deal is more complicated than you anticipated. You need to explore options to ensure that the benefits of responding to this order outweigh the disadvantages. An increase in your price may be necessary to ensure you can profit from the transaction. An extended delivery date can lessen the burden on your existing operations. You may consider responding with a partial order – offering to deliver a percentage of the goods rather than fulfilling the entire order. The goal is to ensure your operation is viable over the long term and that responding to the unsolicited order contributes to that goal rather than jeopardizing it. 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.



# 6

## Step 6: Begin 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, the prospective buyer may wish to alter your terms. They may need the product delivered more quickly than you suggest. They may try to negotiate a lower 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 chart 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 Quotation	Their Response	Our 2nd Quotation	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 counter offers 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.

## 6.1 Description of Goods or Services

Item	Terms Offered / Counter Offer / Acceptance
Name of Product	
Make	
Identifier (i.e., serial numbers)	
Quantity (and unit of measurement)	
Quality (grade, type)	
Components (if any)	

## 6.2 Price

Item	Terms Offered / Counter Offer / Acceptance
Rate (price per unit)	
Number of units	
Price of units	
Additional charges (packing, shipping, insurance, customs, or fees, etc.)	
Total cost	
Currency	

## 6.3 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.)	

## 6.4 Insurance

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

**6.5 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?	_____

**6.6 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	_____

**6.7 Invoicing**

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

**6.8 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?	_____

**6.9 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)?	_____

## Step 7: Create a Contract

Once both parties 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.

### 7

Step 7: Create a Contract

#### 7.1 Description of Goods or Services

Details	Terms
Name of Product or Service	
Make of Product or Type of service	
Identifier (i.e., serial number or service code)	
Quantity (and unit of measurement)	
Quality (grade, type)	
Components (if any)	

#### 7.2 Parties to the Agreement

Details	Terms
Purchaser	
Seller	

#### 7.3 Price

Details	Terms
Rate (price per unit/hour or flat rate)	
Number of units/hours of service	
Price of units/hours of service	
Additional charges (packing, shipping, insurance, customs, or fees, etc.)	
Total cost	
Currency	

**7.4 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.)	

**7.5 Insurance**

Details	Terms
Who will arrange for insurance?	
Type of insurance?	
Amount of insurance?	

**7.6 Delivery**

Details	Terms
Date goods shipped (specify if partial shipments and dates)	
Date to be delivered (specify if partial shipments and dates)	
Destination of delivery	

**7.7 Invoicing**

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

**7.8 Shipping**

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

### 7.9 Acceptance and Validation

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

### 7.10 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)	

### 7.11 Regulatory Compliance

Details	Terms
Inspections	
Standards	
Codes	
Licenses and permits	

### 7.12 Arbitration

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

### 7.13 Legal Framework

Details	Terms
Which country's laws govern the transaction?	

# 8

## Step 8: **Fulfill the Order**

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 Step 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 was secured, 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. Once an agreement is reached with the buyer, you need to fulfill your end of the transaction. Because you prepared in advance, there will be few, if any, surprises. The people in your operation that are affected by this new order are already aware of their responsibilities and roles to ensure the order is filled and shipped efficiently. They were involved in the preparation of the quote so they will be familiar with the conditions of the transaction. You simply need to confirm the details with them and ensure they understand their obligations to make the sale a success.

## Conclusion

Receiving an unsolicited order should be an exciting opportunity for you. It means that someone, somewhere in the world has heard about your goods or services and recognizes their value. Securing that recognition is half the battle when conducting business. The other half is delivering the product or service to the satisfaction of your customer and then doing it again and again.

If you are prepared, responding to an unsolicited order will also be exciting, fulfilling and profitable. There are numerous challenges in conducting international business yet it can be very rewarding. Potential customers are all around the world. You need to be export-ready when they call.



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