

BPE Global Hot Topic – May 2017

Does this Sound Familiar?



“Our customers are complaining about delays and high fees on international shipments” - nearly every client we’ve ever worked with has made this statement and honestly had no idea why their customers were complaining; this Hot Topic is all about avoiding common global trade compliance pitfalls and keeping your customers happy. Companies are developing ingenious products that have huge demand globally. They are great at bringing innovation to their customers and helping their customers operate more efficiently. But most companies turn a blind eye to the simple tasks that will effortlessly get their products across borders and into their customer’s hands.

Many companies start selling their products locally and then domestically and then expand globally due to demand rather than by setting and following a global strategy. If companies do have a global strategy, that strategy usually considers the product certifications required to sell goods into specific markets and the resources required to set up sales offices or resale distribution within specific countries. It’s rare to see companies thinking about the legal structure required to export and import their goods, including terms of sale. As a result, one of the most common mistakes when selling goods to a foreign destination is taking a domestic accounting term used to determine title transfer such as Free on Board (FOB) and not identifying the sellers and buyer’s obligations in the international transaction. The only way to ensure this is done correctly is to establish the transaction’s Incoterms, which is short for “international commercial terms.” If you don’t use Incoterms, you are failing to provide guidance to the people who are exporting, importing, transporting and insuring your goods. When something goes wrong – they’ll be a lot of finger pointing and without Incoterms, it won’t be clear who’s responsible to rectify the situation.

The next mistake that companies make is taking zero responsibility for an international transaction. If you look at the Incoterms – there’s a term called “Ex Works (EXW)” where the seller only needs to make the goods available for pickup at the seller’s business location or another specified location. Under EXW, the buyer assumes all risks, compliance commitments and transportation costs from that named point. While this minimizes the additional costs to the seller, the reality is that it leaves the buyer with a host of responsibilities that they may not have the skills to complete. This often leads to incorrect export and import declarations, delays and increased costs.

Whether you are selling EXW or under terms where you assume more responsibility to ensure control of your shipments and increase customer satisfaction, the next mistake most companies make is misclassifying their products. Many companies completely fail to classify their products with an export control classification number (ECCN) and harmonized schedule (HS) number, which results in the courier or freight forwarder determining the classification, which often results in incorrect classification. Companies that attempt to classify their products are quickly overwhelmed by the process of classifying goods for both export and import and can easily select the wrong classification. And even companies who correctly classify their products may fail to provide that detail regularly and in real-time, to their transportation service providers so their correct classifications are never actually used.



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One of the most common mistakes is failing to describe what is being imported. Companies use their commercial descriptions loaded into their enterprise resource planning system (ERP) on their shipping invoices which may not provide an actual description of what is being shipped. Often these descriptions are a series of numbers and abbreviations with no decipherable meaning. A simple example is the Echo Dot which is one of the top selling items on Amazon. The description of "Echo Dot" does nothing to convey to Customs that a radio transceiver is being shipped.

There was a [recent article](#) about Australian customs officials destroying two irreplaceable plant specimens that were being loaned to scientists in Australia. These plants dated back to the 19th century and were incinerated. The root cause of the issue was inaccurate paperwork. These priceless specimens could have been saved and could have been used for invaluable research if the shipper had correctly completed the shipping export paperwork.

Your client relationships are too important to be left up to chance. Your customer's satisfaction with your products includes your ability to get your products to your customers with as little hassle as possible. In fact, your customers are invaluable to the overall success of your company. If you take your customers seriously, then you should take crossing borders seriously. It's time to do it right and stop leaving global trade compliance to chance.

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