Beginner’s Guide to Importing

~ ~ ~
Importing

The act of bringing cargo into a country from another country, using legal means, for the purpose of selling, trading or local consumption
# Table of Contents

## Section 1

- Why did I write this guide 4
- Who will benefit from this guide 4

## Section 2

- How to use this guide 5
- Terms of Use & Disclaimer
  - Terms of Use 5
  - Disclaimer 6

## Section 3

- Chapter 1 - Do your homework 7
- Chapter 2 - Identify your sources 9
- Chapter 3 - Terms of sale 11
- Chapter 4 - Understand the import process 14
- Chapter 5 - Service providers 17
- Chapter 6 - Get involved 19
- Chapter 7 - Safeguard yourself 22
- Chapter 8 – Summary 25

## Section 4

- About the Author 27
Why did I write this guide?

There are several people who enter the trading business without proper initiation, training, knowledge or research. This has led to several losses, closures and unnecessary heartache.

My motto has always been SEEK . LEARN . KNOW . GROW and in line with this motto, I wrote this guide to assist those who are interested in understanding and learning the process of how import works and apply that knowledge to their business and hopefully avoid aforementioned disasters.

Who will benefit from this guide?

This guide is recommended for first time importers, regular importers, traders, entrepreneurs, freight forwarders and trade financiers.

If your niche is in

- Growing your import business
- Developing new import markets
- Financing import businesses
- Handling import businesses

then this guide is for you.

Credits: I have used images from various artists from Noun Project in the preparation of this guide.
How to use this guide?

Each Chapter in this guide maybe considered as a standalone “guide within a guide” that can be read in isolation but it also links to the next Chapter..

In order to get a full understanding of the subject, it is recommended that you read it all the way through, at least once, and then it may be used as a reference guide as and when needed..

Terms of Use & Disclaimer

Terms of Use

I have spent a lot of time and effort to write this guide.. So please respect that and don’t use any of this content in part or in full or in any form by any means (electronic, photocopying, recording or otherwise) for any commercial purposes without my consent.. A simple email to me will do..

The copyright and other intellectual property rights of all material on this guide are owned by me..

All rights reserved. Copyright © 2016 Hairesh Manaadiar (Puthan House) / Shipping and Freight Resource
Disclaimer

I have written this guide from my experience and knowledge gained on the job since 1989, so if there is some stuff that you don’t agree with, please do let me know. But after using what I have written (with my permission of course), you can’t hold me responsible for anything.

The intention of this guide is to provide guidance to first time importers for information and educational purpose only and is not offered as legal advice or legal opinion. If you require legal advice or opinion, specialist advice should be sought about your specific circumstances.

I have taken all reasonable steps to ensure that the information on this guide is correct and current. However, this guide’s information is dynamic and information that is published today might not be valid or accurate two days or two years from now.

Content, sources, information and links change all the time, and it is the responsibility of the user to verify the contents of this guide in relation to above.

Neither the author nor any other party (whether or not involved in producing, maintaining or delivering this guide), shall be liable or responsible for any kind of loss or damage as a result of the use of this guide and the information provided herein.

This exclusion shall include direct, incidental, consequential, indirect or punitive damages arising out of access to or use of any content on this guide regardless of the accuracy or completeness of any such content.
Chapter 1 - Do your homework

You should have done your homework BEFORE you started..!!!!!

BEFORE you enter into the business of imports, do your homework.. Ask yourself the below key questions:

**Why, When, What, Who & How**

1) Identify and understand *why* you want to import.. General reasons why people import are:

   a) For the purpose of trading either domestically or further on to neighbouring countries
   b) To create and develop a market in their country for a niche product.. For example, some entrepreneur may sense a gap in the market for a niche product (like a brand of cell phone or hair care product) and might choose to import this product and develop it in their country..
   c) For own consumption.. Like raw materials for your manufacturing plant
In all these cases you need to be aware of the formalities required for the import and further movement of the specific product(s).

2) Identify and know *when* you should import your cargo. For example, don’t bring in summer clothes at the start of winter, or Christmas decorations, toys etc after the festive season. Timing your import is an absolute necessity for your business to be successful.

3) Identify *what* you want to import. Ascertain physically and personally whether the product that you want to import will sell in your market or not. There is no point in importing something because it is a niche product, but there is no market in your country for this product.

4) Identify *who* you should import the product from. Check whether the seller is a reliable company or person with a proven track record.

5) Identify *how* you should import the product and in what quantities. You need to understand whether the product should be imported in big volumes (like in full containers) or smaller volumes (like LCL cargo) and whether the import should be via sea freight or air freight.

*After you have asked and answered above questions to yourself, you should proceed to the next step which is to identify your sources.*
Ok, you have done all of the above personally and identified that your cargo can in fact be imported.. What next..

The next big step would be to identify your supplier..

How do you identify your supplier..?? There are several sources all around the world to help you identify the suppliers that may be able to supply the cargo that you want..

Most popular among these sources are :

<table>
<thead>
<tr>
<th>Virtual sources</th>
<th>Tangible sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trade Portals</td>
<td>• Trade Fairs/Road Shows</td>
</tr>
<tr>
<td>• Websites</td>
<td>• Consulates</td>
</tr>
<tr>
<td>• Blogs</td>
<td>• Chambers of Commerce</td>
</tr>
<tr>
<td>• Magazines</td>
<td>• Word of mouth</td>
</tr>
</tbody>
</table>

Whichever options you choose, there is one thing you must do before you sign on the dotted line and that is “Check the reputation and reliability of your supplier”..
Some of the questions you should ask the supplier are:

- How long have they been in business..??
- Verify that the company and person that you are buying from are genuine and actually a legal entity..
- Have they exported any of their products to your country..??
- If they have, can they give you some trade references in your country, maybe an existing client..??

There are many fly by night middlemen who pretend to be the supplier, manufacturer, seller etc and you will find out much later that their company doesn’t really exist..

If the business is new, it is recommended that you pay a visit to the company at the origin and convince yourself that the seller and the product is genuine..

Many an importer has lost everything because they didn’t check these important items..

*Next comes the crucial element of understanding and choosing the Terms of Sale.*
Chapter 3 - Terms of sale

Make your terms of sale clear

Once you have established that your supplier is a reliable company and you have decided to go with them, there is bound to be some discussions and negotiations with your seller regarding the terms of sale, payment terms, credit terms etc etc..

For your own peace of mind it is always good to enter into a sales contract with your supplier which should clearly outline:

- Responsible parties
- Responsibility of each party
- Agreed terms of delivery and terms of sale
- Agreed pricing on the product
- Agreed place/point of delivery e.g. Port, warehouse, Door etc
- Payment methods outlining whether payment would be on COD, Letter of Credit etc
- Any technical issues such as product licencing, permits, quotas

If it is your first time drafting a sales contract, it is highly recommended that you use a good contract lawyer to finalise the contract. While this may seem as an added expense, it will be a one-time expense but something that will safeguard you in the future.
It is recommended that you read, understand and identify the most suitable Incoterms® for your business before you enter into discussions and negotiations relating to your terms of sale/business..

A lot of fraud, duping and mistakes happen because the buyer or seller didn’t understand the Incoterms® to be used for a particular transaction..

It is NOT a one size fits all solution.. Each sale is individual and has to be treated differently..

There is nothing worse for a first time importer than choosing the wrong Incoterms® and suffering the consequences later..

All buyers (and sellers) should own a copy of the Incoterms® which can be bought online from the International Chamber of Commerce’s Online Store..

There are several articles and practical discussions in my Shipping and Freight Resource blog relating to Incoterms® which may be of assistance to you in understanding it, but nothing beats the actual book..
There are several forms of payment each with its own element of risk. A graphical representation of the element of risk in relation to the buyer and seller is shown below.

The buyer and the seller must come to an understanding on which form of payment terms suits them both and work according to that.

A Letter of Credit seems to be a popular method of documentary credit among sellers and buyers as all transactions go through a bank and that seems to give a level of comfort for both the buyer and the seller.

When in doubt, obviously consult a reliable Trade Finance consultant in your area.

*Now that you have finalised the terms of sale, spend some time understanding the complete process of imports.*
Chapter 4 - Understand the import process

Understand the process fully before you start

1. Since you want to enter into the business of importing, you NEED to know, you HAVE to know, you WANT to know how the whole process works..

2. Don’t just be content knowing only what happens with your shipment or business, know the whole process.. This way, if something untoward happens, you know how to handle it, who to speak to and not to panic..

3. Speak to your Agent, the shipping line, and if possible Customs, Port, Chamber of Commerce to understand the various roles and how each entity fits in the whole chain..

4. Visit your local customs office to find out
   a. The requirements to become an importer.. Every importer will need to register with customs in their country and get an importer’s code (it might be
called different names in different countries).

b. Information whether the cargo that you want to import is allowed to be imported
c. Are there any restrictions, permits, licenses etc that maybe required
d. Any duty or tax benefits you might be eligible for depending on your company, product, country of purchase etc
e. If you plan on importing agricultural, wildlife, food products and any other exotic items, it would be wise to also check with the relevant departments (Agriculture, CITES, Health) for the procedures for such imports..

5. If you have no clue about all of the above or the inclination to get first-hand information, then seek the advice of a reliable customs broker who should have all this information already or know where to find it for you..

6. But it is highly recommend that at least in the beginning stages, you visit customs personally to find out this information first hand as the business is yours and some of the customs officials might actually enjoy interacting with direct importers..

7. Read educational blog related to shipping, freight, trading, maritime like Shipping and Freight Resource to understand more (couldn’t resist slipping that in©) and if you don’t find answers to any specific question, ask the author..

Ok, so now you have identified your suppliers, discussed about your cargo with customs, got their confirmation, finalised and agreed your terms of sale and delivery and are raring to go. Not yet. You still have to identify your service providers.
Chapter 5 - Service providers

FIND YOUR SERVICE PROVIDER

Probably one of the most crucial decisions that you will ever make in terms of your business is to find a reliable service provider..

“Who is a service provider and why do I need one”? I hear you asking..

There are several service providers in an import process and depending on your business and terms of your business, you may have to appoint one or more of the service providers..

In my opinion there are 5 key service providers that an importer may use for their import shipment.. Below table gives you the list of service providers and their role and also whether their requirement is mandatory or not..

This is NOT the full list of service providers involved in an import leg, but just the key ones..
<table>
<thead>
<tr>
<th>SERVICE PROVIDER</th>
<th>ROLE</th>
<th>REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping Line (Carrier)</td>
<td>Service provider used to physically move your cargo, usually from Port of Load to Port of Discharge but may also get involved in movement from door to door.</td>
<td>Mandatory - may be appointed by buyer or seller or their agents depending on the terms of sale (Incoterms) agreed upon</td>
</tr>
<tr>
<td>Freight Forwarder</td>
<td>Service provider who acts as an intermediary between buyers, sellers and shipping lines who arranges the movement of cargo from Point A to Point B on behalf of whoever employs them.</td>
<td>Optional - there are several importers/buyers who do not use the services of a freight forwarder and deal with the shipping lines and other entities directly</td>
</tr>
<tr>
<td>Clearing Agent (Customs Broker)</td>
<td>Service provider registered with and licenced by Customs to clear your cargo following the relevant process and procedures set by customs.</td>
<td>Mandatory - the cargo cannot be cleared through customs without using a registered customs clearance agent</td>
</tr>
<tr>
<td>Haulier</td>
<td>Service provider used to move the cargo from Port of Discharge to buyers premises</td>
<td>Mandatory - the cargo cannot be moved from Port to door without using a Haulier.</td>
</tr>
<tr>
<td>3rd Party Warehouse</td>
<td>Service provider used to store the imported goods</td>
<td>Optional - a lot of the buyers may have their own warehouse so there may not be a requirement for a 3rd party warehouse</td>
</tr>
</tbody>
</table>
**Chapter 6 - Get involved**

**Shipping is not a spectator sport**

So get involved and get your

Even though you have appointed an agent and you leave it to them to take care of all the processes, there are somethings best done by YOU personally..

1) Follow up of your shipments either with the agent or with the shipping line or both (will also keep your agent on their toes).

2) **Insure Insure Insure** – this is another important aspect in the entire shipping cycle that must be taken very seriously. This is YOUR cargo and you need to ensure that it is covered by insurance via a reputed cargo insurance company with international coverage or presence.

Elementary you might say – but there have been cases where people have not insured their cargo properly or sufficiently.

A transporter’s GIT is not the same as the cargo insurance that you would take, so don’t be complacent in the belief that the transporter’s GIT will cover your goods. It does NOT..
3) There are several items you need to consider when taking out an insurance cover. Some of them are below:
   a. In-transit Loss or damage
   b. Transit or delivery delays
   c. Delays in shipment or short shipment
   d. Storage due to incorrect documentation
   e. Duties
   f. Penalties
   g. Unloading, examination, and re-loading charges
   h. Rate of Exchange fluctuations

4) Make sure that you get the original insurance policy from your broker or insurance company and keep it safe. If anything does happen to your cargo, this is one of the most important documents you must produce to recoup your losses.

5) For personal effects cargo, ensure that the packing company prepares an inventory list of which items they are putting in which package.

6) They must give you that final copy which you and the packing company must sign as acknowledgement of what was handed over to them and in what condition. If there are any obvious external damages to your goods, that must be clearly highlighted.

7) Establish and verify that your goods have actually been shipped. (Yes this has also happened). Ascertain and familiarise yourself with the route (example as shown below) that your cargo will take from port of load to port of final discharge, and how long it is expected to take, especially if you are shipping your cargo as LCL
and if the cargo is going to be reworked into another container along the way..

As a service only, most shipping lines will send you/your agent an Arrival Notification advising when the cargo is expected to reach your Port of Discharge.. Follow this with great care and if it doesn’t reach on or around the indicated ETA you need to follow up..

8) As a standard, you should receive below documents from the seller once the shipment has been loaded on the ship:

- **Bill of Lading** – this can be either a Negotiable Bill (requires Original Bill of Lading) or a Sea Waybill depending on the arrangement with your seller..
- Commercial Invoice
- Packing List
- Certificate of Origin
- Certificates such as EUR1
- Permits, Carnet etc if any
- Sampling or analysis certificates if any
Chapter 7 - Safeguard yourself

A new importer must always pay attention to safeguarding her best interests. There are several importers who have gone out of business just after the first shipment because they didn’t safeguard themselves adequately.

Here are a dozen points to safeguard you:

1) Always ensure that the service provider you appoint has the relevant credentials, experience and expertise to handle your cargo.

2) Even if you feel that they cost you a bit, this cost may be negligible when considering the value of your cargo and it is in your interest that it is safely transported, handled and delivered.

3) For example, selection of a haulier is a serious process as a lot of times cargo goes missing or gets damaged enroute and it is imperative that the haulier you employ knows their business and also have sufficient GIT (Goods In Transit) cover to protect themselves (and you) against such damages.
4) If you are looking to appoint a reliable Freight Forwarder, you can look up Forwarders Associations in your area, or search the internet for “freight forwarder association” and you might come up with some individual freight forwarders or freight forwarder network..

Usually a freight forwarder network will provide you multiple options and you may be able to find a suitable and reliable forwarder..

5) You can also check with Customs or Port authorities in your area for some recommendations.. They are always glad to be of help..

6) After you identify the service provider it is recommended that you vet them thoroughly:
   - Visit their website and read about them and understand their services
   - Check for them in the local shipping newspapers or magazine
   - Ask them for references that you can contact
   - Look for any recommendations from anyone that might have used them

7) Depending on the Incoterms used, it may happen that the seller will be taking care of the insurance.. In this case ensure that you have the full details of the insurance policy and type of cover..

8) In your best interest as importer, it is strongly recommend that you check the accuracy of any customs declarations made on your behalf by your clearing agent..
Also ask your clearing agent to give you copies of all declarations made to customs on your behalf by them as this may be required for your VAT zero rating (where applicable) and for you to complete the import procedures..

9) In order for your interaction with the service provider to be successful, YOU must understand the full scope of work that you are entrusting to them and the full breakdown of their costs down to the last cent..

It is prudent to go through each and every item of their quote so that you understand the costs and there are no grey areas between you and your agent at the time of payment or cargo release..

10) There are always a few unscrupulous agents around that might take you for a ride.. You are appointing them, so you are entitled to ask them to explain all charges in detail..

There are many customers who have been ripped off because they didn’t check and query the charges in advance and when they do, it is too late..

11) If you wish to do any product inspections or analysis etc, especially if you are dealing with seller for the first time, do your own research and appoint your own agent to do these activities rather than the shipper’s agent..

There have been cases where the buyer has used the seller’s agent and has been given false information leading to loss..
12) From the various messages that I have received from the readers of my blog, one of the major problem that the importers face seems to be the improper consigning of the bill of lading. This incorrect consigning of the bill of lading
   a. could be due to an honest mistake caused by lack of awareness by the shipper or
   b. could be due to an intention to commit fraud by the seller
   c. could cause you, the importer, a big loss by way of extra costs at the port or to be paid to the shipping line

Don’t be caught out by this and ensure that the bill of lading is properly consigned. Let me explain how this should work:

<table>
<thead>
<tr>
<th>Relationship with the shipper</th>
<th>If you know the shipper</th>
<th>If you don't know the shipper</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Use these terms of payment</strong></td>
<td>Cash on Delivery or mutually agreed credit terms</td>
<td>Letter of Credit</td>
</tr>
<tr>
<td><strong>Consign Bill of Lading as below</strong></td>
<td>Your company name</td>
<td>Your company name</td>
</tr>
<tr>
<td><strong>Issue this bill of lading</strong></td>
<td>Straight Bill of Lading</td>
<td>Seaway Bill of Lading</td>
</tr>
<tr>
<td><strong>Condition</strong></td>
<td>May require original to be submitted before release (depends on the country)</td>
<td>Does not require original to be submitted</td>
</tr>
</tbody>
</table>

I would also recommend you to read some articles relating to safeguarding your cargo against fraud and other dubious practices.
Chapter 8 - Summary

I would like to summarise the import process which has been written above with a flow chart.

Import Trading Flow (Text version)

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Seller identified</td>
</tr>
<tr>
<td>2</td>
<td>Terms of sale agreed</td>
</tr>
<tr>
<td>3</td>
<td>Forwarder appointed</td>
</tr>
<tr>
<td>4</td>
<td>Shipping line nominated</td>
</tr>
<tr>
<td>5</td>
<td>Shipment sails</td>
</tr>
<tr>
<td>6</td>
<td>Documents &amp; money swapped</td>
</tr>
<tr>
<td>7</td>
<td>Line sends arrival notice</td>
</tr>
<tr>
<td>8</td>
<td>Cargo cleared with customs</td>
</tr>
<tr>
<td>9</td>
<td>Shipment arrives</td>
</tr>
<tr>
<td>10</td>
<td>Line releases cargo</td>
</tr>
<tr>
<td>11</td>
<td>Cargo moved to warehouse</td>
</tr>
<tr>
<td>12</td>
<td>Cargo unpacked</td>
</tr>
<tr>
<td>13</td>
<td>Buyer receives goods</td>
</tr>
</tbody>
</table>
An importer, especially a first time importer must

a. Do a thorough homework about the business of import and ask the vital questions of “Why, When, What, Who & How”

b. Do due diligence in identifying the supplier that you will be buying the goods from

c. Understand and know EVERYTHING about the various Terms of Sale such as Incoterms and choose the one that best suits you and your business

d. Understand and know EVERYTHING about the process of imports and if you don’t understand, ask a competent authority

e. Do due diligence in appointing your service providers as they can make or break your business

f. Get involved in the business personally and take care of rate and terms of sale negotiation, service provider selection and handling process at least for the first few shipments

g. Always safeguard themselves against various kinds of fraud that are prevalent in the business of imports

I hope this guide has been helpful to you..

I will be releasing some other guides such as this in the near future, so please make sure that you subscribe to my blog (for free) so that you can receive the notifications..

All the best in your endeavours and keep shipping..

Hariesh Manaadiar
About the author

Hello all, I am Hariesh Manaadiar the author of this *Beginner’s Guide to Importing*..

I have been in the dynamic shipping and freight industry for over a quarter of a century and worked in several sectors of the industry like clearing & forwarding, vessel operations, stowage planning, equipment control, sales and marketing and management, in various countries..

Knowing that the shipping and freight business is a hard enough business to understand and cope, even for seasoned veterans, I started a blog called *Shipping and Freight Resource* to make it easy and less scary (trust me, I know the feeling) for people who are new to the industry or want to join the industry..

You can also engage with me on these social media platforms 🦁 in 📣.

**Hariesh Manaadiar**

హరీష్ మానాడీయార్