

Trade Facilitation

Expanding your business by entering new markets can be challenging, especially when that new market involves a new country. Each country has its own rules, regulations, and procedures for doing business.

Local knowledge is essential, but companies often don't have that knowledge. In this white paper, we will use Russia as an example.

White Paper: Doing business in Russia





Local Representation

Local representation can be a legal requirement. In Russia, only Russian companies can import products. Foreign investors can do business in Russia by acting directly through foreign companies, establishing representative offices, or setting up a Russian legal entity.

This means having a local presence as a foreign company or local representation first is a must. There are several ways to approach this.

Setting up a business

Setting up a business in a new country can be cumbersome. You need to be aware of local laws, regulations, and procedures. There could be certificates or permits involved and other requirements.

If you want to register your business in Russia and start a Russian branch, you need a Russian director and a Russian chief accountant to start with.

You also need to hire local people to manage your operations, IT infrastructure, HR, and finance. Last but not least, to be successful, you need to know the local culture and speak the local language.



Setting up a business can take a lot of time and effort and cost a lot of money. There are other ways to get local representation.

The Distributor Model

The upside of using local distributors is that it solves the lack of local knowledge. The distributor takes care of logistics, often acts as an importer and holds local stock, and markets your product.

The downside is that you don't fully control the local marketing and sales efforts. Distributors also don't come for free. They will charge you for the services they provide and the risks they take. They are also doing commercial negotiations.

Now, what if you don't want to set up a local business, but you still want complete control of your commercial process?

Ahlers helps customers develop trade and after-sales service, offering a route to market, that facilitates the import and trading function of a local distributor and/or legal entity, providing the customer with full control of their business in complex regions such as Russia, the CIS, Ukraine, and China.



Trade Facilitation



With trade facilitation, you can focus on marketing, sales, business development, and managing your local staff. Your trade facilitation partner takes care of the rest. Trade facilitation has two main components:

The Supply Chain Function: covers the main trade logistics steps, like International Logistics, Customs Formalities & Certification, Labelling, and Bonded Warehousing & Distribution.

The Shared Services Function: covers the steps specific to trade facilitation, like Order-2-Cash, Legal Support & Contract Fulfilment, ERP & EDI Management, Trade Finance & Accounting, and Human Resource Management.





International Logistics

Your goods need to be transported to the local market. Timely pick-up and delivery, with proactive communication when there is an issue.

You receive the information you need when needed and don't have to worry about the shipping process.

Customs Formalities & Certification

Your trade facilitation partner has local knowledge and experience in dealing with customs and creating and obtaining all the necessary documents and certifications to import your goods. With local branches established, importing goods is no issue for them.

An example of local customs formalities is the Russian HS code, which differs from European codes. It is crucial to determine the correct code and get it certified. Obtaining certification can take up to 6 weeks or even longer in some cases. Using the wrong code can lead to delays at the border or denial of entry of your products.





Labelling

Your products have to be labelled according to local rules and regulations. Requirements can be information in the local language or specific markings or codes. Your trade facilitation partner can take care of this process and make sure all your products are correctly labelled before they go through customs.

An example of local labelling requirements is the Russian Data Matrix Label. Since 2019, some products entering Russia need to be individually labelled with a unique QR code.

For its customers, Ahlers takes care of this process by shipping their product to an Ahlers facility in Latvia and taking care of all labelling requirements for Russia there.

Bonded Warehousing and Distribution

Importing goods means paying import duties and value-added tax (VAT). Most countries enable companies to postpone the payment of import duties or VAT. Imported products are then stored in a bonded warehouse. When a product has a bonded status, it means that relevant duties and VAT have not (yet) been paid. When you fulfill an order to a customer from a bonded warehouse, the goods are brought into free circulation, and that is when duties and VAT have to be paid.

The main benefit of bonded warehousing is improved cash flow. You only have to pay duties and VAT if they apply. Ahlers has bonded warehouses in Russia, CIS, and China. Knowledge of the local market makes it easier to efficiently manage distribution, whether moving products to regional warehouses or last-mile delivery to customers.



Order-2-Cash

In negotiations with local customers, you may want to offer post-payment terms in your commercial contract. This may require getting financing from a local bank or credit insurance from a local insurance company.

Your trade facilitation partner can assist you with finding the right provider and taking care of the local legal procedures.

When you have limited revenue, getting credit insurance can be expensive. You can use the pooled buying power of your trade facilitation partner to get better rates.



ERP & EDI Management

Your trade facilitation partner can manage your entire customer order process with ERP and EDI systems suitable for the local requirements.

Receiving and processing orders, creating the necessary documentation, arranging delivery of the order, invoicing your customers, handling payment procedures, and finally updating the bookkeeping systems.

Legal support and contract fulfillment

Contracts: they need to be set up according to local laws and regulations. Once in place, they need to be managed, whether it concerns contracts with customers or local suppliers, like recruiters, parcel carriers, or a contract for leasing buildings or equipment.

Claims Management: your partner can handle unpaid debts and provide legal assistance in case of debt disputes, including legal representation in court.

Trademark Support: your partner can assist you with the registration and protection of your trademark.

Legal advisory: with their extensive knowledge of local laws and regulations, your trade facilitation partner can assist you with analyzing legal and design tax and legal structures for your business.





Human Resources

You need local sales- and customer service agents. Your trade facilitation partner can assist you by taking care of part of the human resource processes. As you will hire your people, you must interview and select them yourself.

Your partner can help you get suitable candidates by using their local knowledge of online and offline publications to make sure vacancies are posted at the right place and at the right time. They can also make the first selection based on resumes and cover letters received from applicants.

Once you have selected the right candidate, your partner can offer them a contract, so they work for a local company with a local director. Your partner can also provide office space. The actual management of your employees is up to you, but from a human resource management perspective, your partner can take care of the rest, including payroll.

Trade Finance and Accounting

There are many trade financing and accounting services you need when you want to do business in a new country. Take, for example, the post-payment terms I spoke about before. Your trade facilitation partner can check the solvency and financial stability of your clients.

And there are many other financial services:

- Financial forecasting and budgeting
- Financial reporting
- Tax advisory
- Transactional compliance
- Currency risk management

The Benefits of Trade Facilitation

When you leave supply chain and shared services processes up to your trade facilitation partner, you can focus all your energy on what matters for your bottom line: developing new business and keeping your customers happy.

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