

10 tips for organising your apparel exports to Europe

Getting your product at the right place in Europe on time requires many decisions from you on different topics: from payment terms and insurance to means of transport and packaging. This report will give you quick answers to the most pressing issues that come into play when organising a shipment of your product to Europe.

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1. With first-time buyers, go for a letter of credit (LC)

The two most commonly used payment methods in the apparel industry are the letter of credit (LC) and the telegraphic transfer (TT). An LC obligates a buyer's bank to pay the supplier when certain conditions are met. TT refers to an electronic transfer, which can be used in an open account transaction where the funds are transferred after you have handed over the shipment. Until recently, LCs were common, but European buyers no longer favour LC payments, because these block their cash flow.

Letter of credit (LC)

However, the LC is the safest payment method for you as a manufacturer. In case of a disagreement about the shipment between buyer and supplier, the bank can hold the payment until the disagreement has been settled. Note that any change in deliverables needs to be revised in the contract, which can be very costly. Also, be aware that, if your buyer goes bankrupt or cancels the order, the LC does not guarantee payment! Check the [different types of LCs](#).

Telegraphic transfer (TT)

The telegraphic transfer has many variations. For a first-time order, a buyer may agree with a down payment (e.g. 30%) to finance materials. As soon as a copy of the original documents has been sent, the balance amount will be transferred and the production shipment can be handed over. After you have finished production, a copy of the original documents will be sent to the customer and the full amount can be transferred. This is called TT at site. You hand over the delivery after you receive the full payment.

However, for any further orders, many European buyers will ask for a TT after 30, 60, 90 or sometimes even 120 days. This means you as a manufacturer will finish the production and hand over the shipment to the buyer, including the original documents. The payment will be made after the number of days that you have agreed with the buyer. This is a risky payment agreement because you will take full financial risk. The goods will become the buyer's property before you get paid.

Especially during the COVID-19 pandemic, many companies (manufacturers, intermediaries and brands) have faced delayed payments. Try to request a down payment for every order to minimise your risk and guarantee delivery, especially when dealing with new buyers.

Export credit insurance

If you want to reduce the risk of non-payment to a minimum, you can take export credit insurance (ECI). This type of insurance generally covers commercial risks, such as buyer insolvency or bankruptcy, political risks, like war or civil unrest, and currency inconvertibility. An ECI lets you offer attractive open account payment terms to European buyers without having to worry about non-payment. Note that even established and creditworthy buyers can go bankrupt, especially because the fashion industry is under continuous pressure in Europe.

In case you use an ECI, be aware that every insured customer has what's called a limit, which is the maximum amount that is insured and can be delivered on an open account base. In case you exceed this amount, the risk of non-payment is not insured. Furthermore, a credit insurance will only protect you against non-payment after handover of the shipment and not against financial loss due to order cancellation.

Because the industry standard is that your buyer takes responsibility for transporting the goods to the country of import (see FOB in section 2 below), any insurance other than an ECI is not your concern. If you, however, agree with your buyer that you will take responsibility for transporting the goods to the country of import, you can easily buy transport insurance from a forwarding company (see section 3 below on how to select a suitable forwarder).

Tips:

When you're dealing with a new buyer, take no risks and only agree on an L/C.

Always assess the risk of the precise payment condition requested.

When in doubt, check if your buyer is financially reliable by performing a credit check. Companies such as [Graydon](#) and [Company Check](#) (for the UK and Ireland) can perform such an investigation for you.

Protect yourself against the risk of non-payment by taking export credit insurance. In most countries, this insurance service is offered by both government agencies and private insurance companies.

Increase your liquidity and flexibility by working with a factoring company. Such an organisation will transfer up to 80% of your order value to you right after the buyer has placed the order. See, for example, [Accord Financial](#), [Fashion Factoring](#) and [HSBC](#).

2. Choose the right level of responsibility for shipment and delivery

International commercial law has defined several terms to help buyers and suppliers communicate clearly about the tasks, costs, and risks associated with international transportation and delivery of goods. These terms are called Incoterms (International Commercial Terms), published by the International Chamber of Commerce (ICC). Each of these terms determine to what extent you, as a supplier, are responsible for the shipment and delivery of an order. Ideally, your buyer takes responsibility for the shipment and delivery of the goods.

The most used Incoterm for shipping your goods to another country is:

- FOB (Free on Board)

In rare cases, suppliers and buyers may agree on the following Incoterms:

- DDP (Delivered Duty Paid)

- EXW (Ex-Works)
- CIF (Cost, Insurance and Freight)
- CNF (Cost, No insurance and Freight)
- CFR (Cost and Freight)

FOB is the standard Incoterm used in the apparel industry. It means you, as a seller or exporter, are responsible for loading the goods onto the ship at a port you both agreed on, as well as clearing customs in the export country. If anything happens to the shipment from the moment the goods pass the ship's rail, that's the buyer's loss. They must arrange and pay for all transportation and insurance costs from that point and must clear customs in the country of import.

EXW basically means you, as a seller or exporter, hand over the goods to your buyer at your factory and that's it. The buyer is responsible for all costs of transport, including loading goods on a truck, duties and insurance, and accepts the risk of loss of goods immediately after the goods are purchased and placed outside the factory door.

DDP is the opposite of EXW. It means you, as the seller or exporter, are responsible for all costs involved in delivering the goods to the place of destination and for clearing customs in the country of import. Under a DDP, you as a seller bear the entire risk of loss until the goods are delivered to the buyer's premises.

CIF means you, as a seller or exporter, are responsible for loading the goods onto the ship at a port you both agreed on, as well as clearing customs in the export country. You are also responsible for purchasing insurance with your buyer named as the beneficiary. If the goods are damaged or stolen during international transport, your buyer owns the goods and must file a claim with the insurance provider. The buyer must clear customs in the country of import and pay for all other transport and insurance.

CNF is another term regularly used in the apparel industry. The conditions are the same as CIF, with one exception, which the name suggests: the buyer is responsible for purchasing insurance.

CFR means you, as a seller or exporter, are responsible for clearing the goods for export, delivering the goods past the ship's rail and paying international freight charges. The buyer assumes risk of loss once the goods cross the ship's rail, and must purchase insurance, unload the goods, clear customs, and pay for transport to deliver the goods to their last destination.

Tips:

Check the [ICC's website](#) for more background information on Incoterms.

Try to avoid an agreement where you, as an exporter, are responsible for transport and delivery, including clearance at customs, especially when dealing with first-time buyers. Go for FOB or EXW, since FOB is the most common and will be accepted by most buyers. In any case, avoid DDP.

Always deliver on time

Regardless of the Incoterm you agree on with your buyer, you need to deliver on time. If you don't or repeatedly fail to do so, the buyer may request a discount on the total order value, or request that you arrange an alternative means of transport to get the goods delivered on time and take responsibility for the costs.

Why is on-time delivery so important? European buyers work with different collections. Some even have 12 collections in 1 year. These collections are based on specific colour and style themes, which means all items in the collection are presented together in the store. If an item is delivered late, then it no longer matches the

theme and will be discounted almost immediately.

Tips:

The forwarder, which is the transport company that your buyer has chosen, might load only once a week. In case of a delayed handover date, this can result in a week's delay of the shipment. A delayed shipment might result in a discount. In case you face a problem that is caused by the fact that the nominated forwarder only ships once a week, request another forwarder with a more convenient shipping date.

In addition to a discount for a late delivery, your buyer may also request that you arrange an alternative, faster means of transportation to get the goods delivered on time, for example, by air. Be prepared: your buyer might ask you to pay for the cost (see section 3 below on the cost of transportation). In this case, do not forget to request the buyer to deduct the sea shipment costs.

3. Choose the right type of transport

If you, as the seller or exporter, have agreed with your buyer on an Incoterm under which you take care of the delivery and payment of transportation, such as DDP or CFR, you need to choose the right type of transport. In most countries, there are several modes of transportation and delivery for taking your product to your customer. Each type of transport has its advantages and disadvantages.

	Sea shipment	Air shipment	Trucking	Train
Speed	(+)	(++++)	(++)	(+++)
Costs	(++++)	(+)	(+++)	(+++)

Depending on the country where your factory is located, you can choose to transport your goods in the following ways:

- Freight container shipment by sea
- Freight container shipment by air or sea
- Transport by air
- Transport by truck
- Transport by train
- A combination of the above

Speed and cost of transport

When deciding on the best type of transport, speed, price and availability will be your most important considerations. Transporting a container by ship from Asia to Europe, for instance, can take anywhere between 30 and 40 days. By air, it might only take 4 to 7 days, but the financial cost will be a lot higher. Air freight might be 5 to 10 times more expensive per piece than ocean shipment. In general, air freight starts to make sense when the cost of transport is less than 15% to 20% of the total value of the goods. With apparel, this is rarely the case.

The price difference between different types of transport depend on:

- location

- peak season
- gas costs
- dollar exchange rate
- external factors, such as weather and risk

Because several of the factors mentioned above can change overnight, so can transport tariffs. You should regularly check the latest prices of different types of transport. Compare also the rates of different transport companies to make the best choice.

Tips:

Use the [Freightos International Freight Rate Calculator](#) to compare the cost of transport by air, sea or land.

Check [the Cogoport website](#) and the [Freightos Container Shipping Cost Calculator](#) to compare sea freight rates and get quotations from more than 70 international shipping lines.

If you decide to use sea transport, consider the size of the shipment. In case of FCL delivery (full container load) the transport costs per piece will be lower than in LCL delivery (less container load). However, if you don't expect to fill up an entire container, LCL is probably cheaper. The commonly used freight container is 20-feet long, or 33.2 m³ in volume. This is also called 1 TEU, a twenty-foot equivalent unit.

The environmental impact of international transport

While fast fashion pioneer Zara used to beat rivals by getting new designs into stores in five weeks, it has now in turn been beaten by ultrafast fashion companies that only need two to four weeks to do the same. Such companies often use air freight to import apparel, but this has a big environmental impact. As many European fashion companies [have pledged to cut their carbon emissions](#), air freight might be discouraged in favour of more environmentally friendly types of transport.

- Ask your forwarder for a measurement of its sustainability performance, for example, its score on the [Clean Shipping Index](#).
- Forwarders may measure the carbon footprint of transport and offer ways to reduce or compensate it. See, for example, [DHL](#).
- Transport by train may be a viable alternative to sea and air freight from Asia. [The Yiwu-London train, for example, takes 18 days](#) from the UK to China, and there are also routes from China to Italy and Spain.

4. Be smart on keeping stock: not too much, not too little

As a manufacturer, you will regularly have to store fabrics, trims and ready-made garments until the handover date. This is both an advantage and a disadvantage. By keeping stock of fabrics and trims your reaction time and production speed will improve substantially. On the other hand, stock can degrade, get damaged or even disappear. Try to reduce stock to a minimum with efficient supply chain planning, for example, using [STYLEman](#) and [MRPeasy](#).

Tips:

Having too much stock will influence your cash flow but having no stock will influence your production speed. Calculate your production and keep a one-week margin for stock in case of a new production run.

Always check the stock position of nominated suppliers of labels and trims.

If buyers ask you to keep stock, make sure they sign a contract with a due date for the stock to be used by the buyer and a payment arrangement. Ask your buyer for financial support to finance your stock service. At the very least, ask a storage fee. In case your country has a rainy season, keep your goods in a dry room. Shipping damp or wet goods will always cause bad smell or even worse: mould. In this case, your buyer will either claim, return or recondition the goods, which will be costly.

5. If you need to clear customs, make sure all the paperwork is done

As highlighted above, try to avoid the responsibility of arranging transport, delivery and clearance of goods in the country of import, especially if you have no experience in these matters. Although arranging transport and delivery can be more profitable than agreeing to FOB delivery, there is a lot of paperwork involved and the financial risks are high. If you still agree to take this responsibility, you can use a forwarding agency to do the job. Otherwise, you need to make sure yourself that you comply with the EU's custom requirements.

If you are looking for a forwarding company to arrange transport for you, the website [Freight Finders](#) lets you compare shipping costs of different forwarders. You can also try the following companies, but remember to always compare different offers:

- [Instafreight](#) from Germany
- [International Forwarding Limited](#) from the UK
- [FedEx](#) from the US

If you want to arrange for transport yourself, you need to follow [EU import procedures](#). You will need the following documents to clear customs in the EU. Each document needs to comply with very specific requirements. Read about them on [the website of the EU Trade Helpdesk](#).

- Commercial invoice – A record of the transaction between you and your buyer.
- Customs value declaration – You must present this document to the customs authorities if the value of the imported goods exceeds €20 thousand. It is used to apply the right tariff duties.
- Freight documents or transport documentation – There are several documents for different types of transport, intended to trace back the exact transportation process.
- Freight insurance – An insurance invoice is required for customs clearance if the relevant data do not appear on the commercial invoice.
- Packing list – It provides information on the imported items and the packaging details of each shipment, including weight, dimensions, handling issues, etc.
- Single administrative document (SAD) – All goods imported into the EU must be accompanied by the SAD, a common import declaration. It contains data on the parties involved in the transaction, the goods, origin and destination, Incoterms and others.

No import duties for countries under the Generalised Scheme of Preferences (GSP)

A group of 72 countries fall under the EU's [Generalised Scheme of Preferences](#) (GSP), which removes import duties on products coming into the EU market. The idea is to support developing economies to alleviate poverty and create jobs based on international values and principles, including labour and human rights. Exporting from a GSP country can have a substantial financial benefit for your buyer.

The EU offers three schemes:

- Standard GSP: a partial or full removal of customs duties on two-thirds of tariff lines.
- [GSP+](#): an incentive arrangement for sustainable development and good governance. It slashes tariffs to 0%

for vulnerable low and lower-middle income countries that implement 27 international conventions related to human rights, labour rights, protection of the environment and good governance.

- **EBA (Everything but Arms)**: an arrangement for least developed countries, providing them with duty-free, quota-free access for all products, except arms and ammunition.

Tips:

Check if your country is one of the [72 countries that falls under the GSP](#) (select a country in the box to find the relating scheme).

If you are supplying from a country on the GSP list, advertise yourself as such.

Check the EU's [Market Access Database](#) for information on the tariff for importing apparel into the EU from your country.

6. Always pack the goods according to the buyer's requirements

Preparing the goods for shipment is a critical element of transportation. If you don't pack a shipment according to the buyer's requirements, this can result in a delivery that cannot be processed properly and needs to be reconditioned. Every buyer's goal will be to minimise the volume of shipment and to reduce processing time. This often means making sure the shipment is fit for a certain automated distribution process, which will directly result into minimising transport and handling costs per piece.

In most cases you will receive a packing manual from your buyer. In this document, you will find all relevant packing instructions, such as:

- type and quality of the packing material you need to use;
- size of the packing material;
- information that should be mentioned on the packing material;
- placement and position of barcodes;
- way of stacking or hanging (preferred for leather items);
- maximum quantity in a box or polybag;
- maximum weight of an export carton;
- nominated suppliers for the packing material.

What information should be on the packaging?

Your buyer will confirm what should be on the packaging. Most of the information that needs to be on the packaging is determined by the legally required packing list and the SAD (see section 5 above). Your buyer will also probably have specific requests regarding style references and numbers, size breakdown, number of pieces and colourways.

The future of packing: sustainable packaging materials

The European Commission and the European fashion industry have a strong commitment to reduce the environmental impact of packaging and packaging waste. Amendment [2018/852](#) to the EU regulation on packaging and packaging waste ([Directive 94/62/EC](#)) requires EU member states to recycle 50% of plastic and 75% of paper and cardboard packaging waste by 31 December 2025. Meanwhile brands, retailers and packaging suppliers are working hard on sustainable alternatives to conventional materials like cardboard and polyester.

You can tap into this trend by using less packaging materials. This will not only save costs but will reduce the impact of packaging on the environment. Another option is to use environmentally friendly versions, such as recycled and biodegradable materials.

Tips:

When using carton, get the [FSC-certified version](#). This ensures the carton originated from responsibly managed forests or recycled materials. Try to replace polyester materials by using recycled polyester or biodegradable plastics.

Always ask permission from your buyer before using alternative packaging and materials.

Ask your buyer if hangers and individual polybags are necessary.

Read [this article from Vogue Business](#) and [this article on Fibre2Fashion](#) for background information on the sustainable packaging trend.

For an example of a company trying to rethink and redesign conventional packing materials, watch [this video of Puma's efforts to replace the conventional shoebox](#) with a sustainable alternative.

7. Get help from international support organisations

In case you are still uncertain about how to comply with all legal and non-legal requirements concerning packing, transporting and delivering goods to Europe, it is good to know that there are several international organisations that can advise you on these matters.

The following organisations can help you be successful in international business:

- The [International Trade Centre](#) (ITC) is a joint initiative of the WTO and the UN. It provides market intelligence, matchmaking and business consultancy to SMEs in developing economies.
- The [EU trade helpdesk](#) is an easily accessible online guide to the rules you need to follow when exporting goods to one of the 28 member states of the [EU Customs Union](#).
- The [Institute of Export & International Trade](#) is a UK organisation offering help with anything from customs and VAT procedures to payment terms and contract issues.
- [Open Trade Gate](#) is Sweden's online information centre for companies in developing economies that want to export to Europe, offering technical assistance and information on export procedures. Fill in [the online inquiry form](#) and they will answer any question you have on these matters.

In addition to the international trade helpdesks mentioned above, there are several organisations and consultancies that can answer industry-specific questions on exporting apparel to Europe:

- Investigate if your country has a support organisation for exporting apparel to Europe, such as India's [AEPC](#), Egypt's [ETDA](#) and Ethiopia's [ETIDI](#). Check also your local chamber of commerce.
- The International Apparel Federation (IAF) is a member organisation offering help with logistics and legislation. Its website shows an overview of all its [national member associations](#), including [textil+mode](#) (Germany), [UFIMH](#) (France) and [UKFT](#) (UK).
- In addition to market intelligence reports, CBI offers export coaching to SMEs in 35 countries. Check the CBI website for an [overview of current apparel programmes](#).
- Other organisations that regularly offer coaching programmes for apparel exporters in developing economies include the [UNDP](#), [DFID](#), [DANIDA](#), [ITC](#), [GIZ](#), [ICCO](#) and [Solidaridad](#).
- [PUM](#) is a Dutch NGO that offers practical support by senior apparel industry experts on anything from business process management to arranging your exports.
- [Just-Style Consultancy](#) offers advice on anything from product research to consumer trends. Swiss consultancy [Gherzi](#) and Dutch consultancy [Forward in Fashion](#) offer advice to apparel companies regarding the textile value chain and export strategies. [McKinsey](#) offers consumer market insights and expertise in apparel, fashion and luxury.

Tips:

Always research the specific legal requirements you need to comply with before starting to export.

Use the service of supporting organisations to help you overcome lack of experience.

Investigate if your potential buyer has a local office that can help you comply with export requirements.

Finding a consultant that can help you set up an export strategy or improve your production process can be easily done on [LinkedIn](#), for instance. Search for a 'fashion manufacturing consultant' plus the country you are targeting. Combine with your own country if you are looking for a local consultant.

8. Minimise the risk of disputes over quality

Every shipment to Europe will be inspected on arrival by the forwarder and by your buyer. In case the goods arrive damaged, it is important that you can trace back when and where the damage occurred and who caused the damage, so as to prevent any unjust claims.

Tips:

Agree with your buyer on an [AQL](#) (acceptable quality limit), which refers to the quality level that is worst tolerable. For instance, AQL 2.5 means that your buyer will reject a batch if more than 2.5% of the whole order quantity over several production runs is defective.

Make sure you agree with your buyer on an approval protocol for anything from fabrics, trims, and samples to ready-made garments. Confirm with your buyer that they have approved everything before you ship the order.

Always take pictures of the shipment before you hand it over.

If you want to be extra sure, you can always ask an external party to inspect the shipment on quality and packing. See, for example, the [inspection services offered by SGS](#).

9. Always check the details in a contract before signing it

Before you can produce for a European buyer, you need to get registered as a supplier, especially with larger, established companies. Such a registration requires the signing of a contract. It is also wise to confirm all orders you agree on with your buyer in a contract. Typically, the buyer will present this contract to you. If you get into a dispute with your buyer about a delivery, the contract will determine how you can solve it.

Tips:

Expect your buyer to present a contract and a buyer's manual to you, which will normally determine what national law applies to the contract.

In case of a dispute over quality or delivery, try to arrange a settlement with your buyer, for instance by reimbursing part of or the entire order. A civil lawsuit will in most cases be more expensive than a settlement. It will also make you lose your buyer.

Read the contract carefully before you sign it and don't be afraid to ask questions or request adjustments. Buyers typically think they should just sign any contract without questions, but there is always room for negotiation.

If you are selling your own designs on the European market, you must make sure you are not violating any intellectual property (IP) rights. If your buyer provides the design, they will also be liable in case the item is found to violate IP rights.

10. Invest in a transparent supply chain

Because demand for transparency and traceability in the fashion supply chain is growing in Europe, it is wise to invest in creating a fully transparent supply chain. This means you will need to investigate where your suppliers are sourcing their materials and how they are processing them. You will also need to invest in tools that can track and trace the origins of your products.

Tips:

Check the [Fashion Transparency Index 2020](#) for background information on the growing demand for transparency and the transparency scores of major fashion retailers.

If you want to verify that one or more input materials are in a final product, you can use the Textile Exchange's [Content Claim Standard \(CCS\)](#). This is a third-party verified chain of custody standard.

Stay up to date on new traceability tools. The industry is experimenting with [DNA tags](#), [crypto tags](#) and [blockchain technology](#) to increase transparency and traceability.

Further reading

The [CBI apparel study on buyer requirements](#) will help you understand the most important requirements in the European market.

In addition, the CBI apparel study '[10 Tips for Doing Business With European Buyers](#)' will help you understand what is needed to successfully approach a potential buyer and how you can develop a long-lasting business relationship with them.


This study has been carried out on behalf of CBI by [FT Journalistiek](#).

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