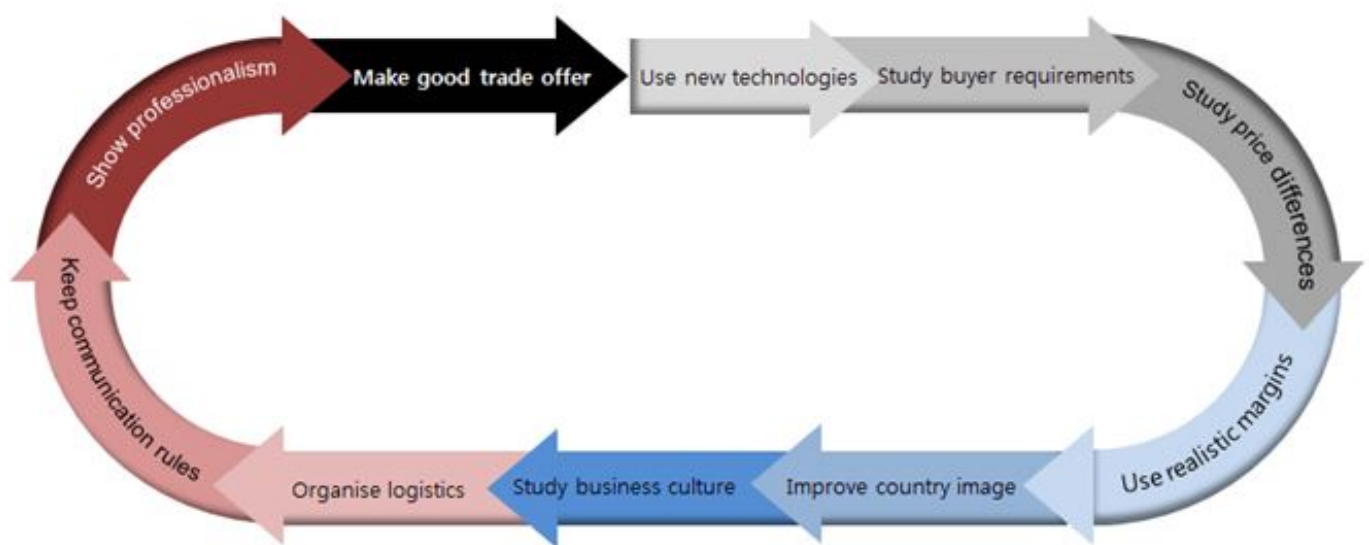


10 tips for doing business with European timber buyers

This CBI document provides you with ten important tips for doing business with buyers in the European timber sector. Among other things, we explain how to adapt to new technologies and how to deal with price-quality differences, cultural differences, image-building, contract development and communication rules. After reading these, you will stand a better chance of convincing importers to buy your product. Make sure that you also read our closely related [Finding Buyers guidelines](#).

Contents of this page

1. [Use or adapt to new technologies](#)
2. [Comply with common buyer requirements](#)
3. [Accept price/quality differences](#)
4. [Use realistic margins](#)
5. [Help to improve the role and image of your own country](#)
6. [Be aware of the differences in business culture in the timber sector](#)
7. [Organise transport and logistics](#)
8. [Comply with communication rules in the timber sector](#)
9. [Show professionalism](#)
10. [List contractual requirements and make a good trade offer](#)



1. Use or adapt to new technologies

One of the consequences of the more stringent requirements (European Union Timber Regulation, EUTR) for the use of tropical timber is innovation, and particularly innovation in timber alternatives. Innovation and rethinking your product line will be key to staying in the market or conquering new markets.

There are now various innovative products on the market, such as Thermally Modified Wood ([TMW](#)), windows framed with aluminium or polyvinylchloride (PVC) and frameless glazing systems, Wood Plastic Composite ([WPC](#)), glued laminated timber ([Glulam](#)) or Cross-Laminated Timber (CLT), and mouldings in [finger-jointed](#) form.

Tropical timber has various applications and its successful promotion requires creativity and innovation. Try to add value to your product before exporting it, focusing on its design and the specific qualities of the tropical species. This strategy will benefit both you and your country's image in the timber sector. Check our specific study of [Trends in Timber and Timber Products](#) for further details, including the innovative products mentioned

above.

2. Comply with common buyer requirements

Apart from the normal standard market access requirements, which are discussed in our specific study of [Buyer Requirements](#), there are some general requirements that importers find important.

Buyers place reliability above all other considerations and this factor is likely to become even more important, as more European buyers outsource and therefore need reliable suppliers. Reliability means dependability on delivery times, the ability to guarantee stable quality, and excellent communication. You should be able to show that you have a good track record for reliability and to provide references to demonstrate this record, while your company image should be professional. If you do not have written evidence of your reliability (such as references), demonstrate it in other ways such as inviting buyers to your factory.

Corporate social responsibility (CSR) is becoming more important every year. European buyers pay more and more attention to their corporate responsibilities concerning the social and environmental impact of their business. This development also affects traders and processing companies. Issues such as respect for indigenous rights, owner's rights, labour rights, and healthy and safe working conditions play a key role here.

You should train your workers to work more efficiently and to reduce waste and emission levels. Ask your European buyers about their policy with regard to suppliers' labour standards. Do not forget to find out how these standards are supposed to be monitored and/or evaluated.

You might like to consider applying for certification of your processes for continuous improvement of their sustainability level, in accordance with one or more of the following standards: [ISO 14000](#) (environment), [OHSAS 18001](#) (health and safety) and [SA8000](#) (working conditions).

3. Accept price/quality differences

Buyers are engaged in an endless quest for quality, but the quality demanded by customers can vary from one European country to another. You should be aware that Europe can be roughly divided into the following price/quality groups with regard to the timber sector (Source: [FSG](#)).

The Netherlands, Poland and Eastern Europe: lower quality is often good enough and the price paid is also low.
France, Belgium, Italy, Spain and Southern Europe: medium quality is accepted at medium price levels.
The United Kingdom: medium to high quality is demanded and high prices are paid.
Germany and Scandinavia: high quality is rewarded by a high price.

You should have an effective quality control plan to produce the quality levels demanded. Quality control is always a hot topic in the timber industry, because wood is a living material and no two products are the same. When you have a quality control system in place, it can also be promoted on your company website and demonstrated to buyers during factory visits. Furthermore, a good quality control system improves production efficiency, thereby reducing costs.

The final price and quality demanded of a product depend on many factors. Read our specific [product studies](#) to check out prices and qualities for particular products in particular countries.

4. Use realistic margins

You may need to prove to the buyer that you have no financial problems or risks associated with your raw material suppliers. In addition, buyers attach considerable importance to a supplier's image and to the beneficial or adverse effect that this may have on their own image. Image problems can be very costly for big importers. When all these issues have been sorted, both parties can move on quickly to the important part of

business: sharing the margins!

Margins are more or less fixed in the timber sector and are publicly known. If your product is sold directly to an importer in Europe and costs the consumer in the shop 100 euros (including VAT), the costs are shared between the various partners in the chain as follows:

Raw material (your supplier): 20 euros; processing (your company): 20 euros; shipment and transport: 5 euros; importer and further processing and packaging (your customer): 25 euros; retail shops (the final outlet): 10 euros; and sales tax (average for Europe): 20 euros (not included in picture below).

This means that your costs are 20% (20 euro) of the sales price. Most processing companies are able to take a 3 to 5% profit margin from this chain (Source: [FSG](#)).



5. Help to improve the role and image of your own country

Political stability tops the list of buyers' priorities, but unfortunately there is not much that you yourself can do about this aspect.

Since buyers are looking for long-term relationships with suppliers, the exporting country's stability is an important issue. Many European buyers select exporting countries based on their stability – even before they start looking for suppliers.

Politically unstable countries are not a reliable source for timber buyers, because they generally suffer from other problems such as corruption, theft, inefficient harbour facilities, the sudden imposition of new “taxes” and other such difficulties. Furthermore, the issue of political stability is related to the growing importance to European buyers of using sustainable and legal timber.

You can help to improve your country's image by simply providing correct, realistic and up-to-date information. Some countries have a doubtful reputation with regard to timber just because of occurrences in the past. If the situation has improved since then, you are the person to promote that new, positive image.

As a supplier, you should be able briefly to explain the situation of your country as part of your own general image-building. It is a good idea to have a general country status document, which answers all the main questions that may be relevant, to hand out to buyers.

6. Be aware of the differences in business culture in the timber sector

Differences in business culture are relatively stable and may be divided into three groups: cultural awareness, business etiquette and daily business practice. The features listed below may vary from one European country to another:

Cultural awareness is key for success as an exporter

Be aware of cultural differences and study them before you travel! Some key points to take into account include the following.

The international business language is English. Religion is not that important when you are doing business in Europe. Hierarchy is important in companies, but nobody “bosses the show”. Status and respect are earned only by working hard and reaching results. Managers are generally open and friendly.

Building personal relationships is easy, takes little time and is a must. Northern European buyers are very strict in demanding compliance with contractual obligations, while southern European buyers are slightly less strict. The senior employees in any company are always respected. Northern European buyers are often straightforward and will tell you what they think, whereas southern European buyers are less direct. Always keep your promises, be punctual and recognise the value of a contract.

Business etiquette

There are substantial differences in business etiquette from one European country to another. Here are some important points to take into account.

Be honest at all times in your conversations with buyers, which is important and greatly appreciated. If there is something that you do not understand, asking will never cause problems. Know when to listen and when to speak, as buyers appreciate it when you listen carefully to what they have to say.

Casual clothing is appropriate in the timber sector, although it might be a good idea to wear a tie at the very first meeting. Meetings normally start with an informal chat, lasting no more than two or three minutes, where you should try to ask a few personal questions.

Differences in daily business practice

The way that you present your company (and yourself) is most important. Every aspect has to be exactly right and follow the right sequence: your business card (in English), your website, the story that you tell, and so on. If the presentation is right, you will have won half the order. On the other hand, you will lose the whole order if you get your presentation wrong.

English-language websites are crucial, including links to background information in English as well. You can expect negotiation to be tough in Europe, particularly in the northern European countries – and even more so in the Do-It-Yourself (DIY) sector. You will often have to negotiate prices down to the last few euro cents.

Be patient and friendly with the buyer at all times, but also display your own professionalism. Show that you are a good business person by sticking to your point when there is an argument where you know that you are in the right. Trade offers must be worked out in detail as arguments and conflicts will happen, sometimes due to the differences in culture and general misunderstandings.

A business conflict has nothing to do with personal relations in northern European countries, but business disagreements in southern European countries can have personal consequences. Always keep business and personal matters strictly separated.

7. Organise transport and logistics

Transport in the timber chain is usually organised by the exporter by container loads. Orders are transported and counted by the number of containers (20 ft or 40 ft). Dry Cargo Containers defined as 20' GP (general container), 40' GP and 40' HQ (high cube) are usually used for shipment. If the density of your wood is very high and the volume of the order is low, it is recommended that 20' GP containers are used. If the volume is large, it is recommended that 40' GP containers are used.

There is also non-product-specific [European Union legislation on packaging](#) that applies to all goods marketed in Europe. The aim of this regulation is to introduce measures to reduce the risk of spreading pests associated with the material used to package raw wood.

All wooden packaging material (mostly pallets) used must display the International Standards For Phytosanitary Measures (ISPM) logo and your unique identification number (if you produce the packaging material yourself). If you are unable to produce ISPM packaging yourself, you have to buy it from a registered producer in your country.

Read our specific study of [Buyer Requirements](#), which provides further information.

8. Comply with communication rules in the timber sector

Communication nowadays is quick, available everywhere and generally digital. European buyers use social media, Skype, and above all email to run their entire business process. Telephones are hardly used at all, except for informal calls or to ask a quick question. Buyers expect suppliers to be available to respond to queries 24 hours a day, in English.

The importance of quick digital communication follows the social media trend. You need to adapt to the new reality that you can no longer escape your buyer when he has questions, especially since it seems unlikely that we have seen the end of the possibilities of Skype and social media.

Take the following considerations into account:

Get connected with social media, so that you are always available for your customers in English. Having a mobile phone that can read emails is essential. Skype is best for longer telephone conversations; your buyer will be more than happy to use this programme. Agree on the selected communication methods and stick to them. Quick communication is crucial; there are no excuses for a late response to messages.

Quick communication means on the same day, or perhaps on the next day at most. Not calling back by phone when you promised or no one picking up the phone is unacceptable nowadays. Always have an answer ready, even when you do not yet know! Remember that saying "I don't know right now, but I will let you know at 4:00 p.m." is also an answer. Take the time difference between your region and that of your customers into consideration, as time is money.

Being on time means being no more than five minutes late in northern European countries and no more than perhaps ten minutes in southern European countries. When you are going to be too late, inform your buyer at least thirty minutes prior to a meeting or earlier if you can.

The same rules apply to delivery times. When your delivery arrives late without any good reason and without letting the customer know, it will be your last order. Inform the buyer as soon as possible when things are not going according to plan and explain clearly how you are going to solve the problem.

Keep in touch with your clients. In the past, buyers were looking for you, but nowadays you have to be proactive in looking for them. You still have to make the effort to keep in touch even after you have established good relations with your buyers. Remember that they will not contact you, which means that you have to contact them; they will appreciate it when you do.

9. Show professionalism

Professionalism in the timber sector is highly respected. The sector is rather complex, due to its many requirements and the workings of a natural product that never looks the same. As a result, you need to be a professional to find your way around. Professionalism is of all ages and will continue to remain highly important

in the timber sector. This point can be divided into the following characteristics:

You should speak the language. Use the right terms when talking or writing about timber products, timber species and the various buyer requirements. Use your track record and experience to your own advantage, as this strategy works well in the timber sector. Be honest about your company and realise that sooner or later, the buyer will visit your factory.

Buyers compare capacity with quality. They are well aware of the fact that potential suppliers' capacity in machinery, manpower, raw material and skills is a critical factor in their ability to deliver as promised. Buyers will want to be certain that a supplier has an adequate source of raw materials.

Raw material supplies are key. Make sure to have a steady supply of timber in order to convince buyers that maintaining the promised deliveries will not pose a problem to you. If you are only a small company, look for small buyers. It is a serious mistake to try to punch above your weight. Show expertise during the whole process of doing business. Read all other points in this document and make sure that you do not miss our [Finding Buyers](#) document!

10. List contractual requirements and make a good trade offer

This point is where you can show your professionalism, as 95% of contractual problems in the timber sector can be avoided by making a proper trade offer. The trade offer is often the only official document on which trade is based (the order itself being a very simple document most of the time), so you should use the trade offer to protect yourself. A good trade offer in the timber sector consists of the following elements:

General introduction about the product. Here, you can give general details of the product and the quantity in which it is supplied, information about the trading partners, and so on.

Product description. This is by far the most important part of the trade offer. It comprises the following elements: what is it that you sell, technical drawings, finishing (sanded, oiled, painted, and so on), agreed repairs to be made to the product (in plywood, for example), accepted colour differences (with pictures), moisture level of kiln or air-dry product (in %), permitted defects (mention all and in detail, such as "dead knots allowed, maximum 5 mm") and packaging (in detail).


List the market access requirements (MARs) that you are complying with (and explain how). Make sure that you mention and explain any of the following MARs that are applicable: FSC, REACH (with reference to the glue and paint that you use in timber products), CE, CITES, ISPM 15 packaging logo and EUTR.

Price and payment conditions (as laid down in [INCOTERMS](#) 2015). Mention your price in euros or US dollars, any applicable discounts, currency exchange options or risks, and your preferred payment conditions (such as Free On Board (FOB) or Cost, Insurance and Freight (CIF)).


Delivery conditions. Specify the proposed harbour, shipping line, and so on. Mention when pictures are made (before closing the container, for example) and how these are sent to the customer.

Further terms of sale. State how long the offer is valid (usually six weeks for timber). Describe the procedure followed to resolve problems (including the country whose jurisdiction is to apply to lawsuits) or quality disputes. Arrange or suggest independent quality inspections by an organisation such as [SGS](#), the costs of which are to be shared.

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