



CBI
Ministry of Foreign Affairs

CBI TERMS & CONDITIONS

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This document aims to describe the importance of having your own terms & conditions and what these terms could look like. As such, this document is not complete for every business, but all the main topics are there. It can be used as a guideline to develop your own T&C and, of course, you can change, add and delete as you see fit.

The importance of having a good set of Terms & Conditions

Terms & conditions (or Trading Terms) are all the general and special arrangements, provisions, requirements, rules, specifications and standards that form an integral part of an agreement or contract. When a buyer places an order with you, that is an agreement or contract. Whenever you enter any kind of agreement, it is important that both parties are aware of, and agree to, the terms of that contract.

So what is the relevance of having your own set of terms & conditions?

First of all, if you do not have your own terms & conditions, you have to accept those of the buyer. Furthermore, good terms & conditions are critical when there is a dispute and they help to avoid misunderstandings. Last but not least, proper terms & conditions save a lot of time in the communication with your buyers, since they answer a lot of questions any buyer would need to know the answer to.

Tips:

- When you send your terms & conditions, send them as a PDF file that cannot be altered.
- Send your terms & conditions whenever appropriate, but **at the latest** when sending your first quotation.

General Terms

Terms & conditions can be divided into two groups: general and specific terms. General terms apply to all orders. The most important general terms will be discussed in this chapter.

Order Confirmation

After your buyer has approved your quotation, you can send the Pro Forma invoice. However, before you can actually start production, it is important to agree on a couple of points.

For most SMEs (small and medium-sized enterprises) it is important to receive an advance payment in order to be able to finance the purchase of raw materials and pay the workers.

If you work in this way, it is essential that you stipulate this in your communication with the buyer. Your terms with respect to the order confirmation could look as follows:

- To start production, please reconfirm the order ASAP, at the latest within a week after receiving our Pro Forma invoice.
- We take up production only on receipt of your confirmation and receipt of the 50%* advance payment. Some buyers are not prepared to pay an advance payment of 50% and will not go beyond 30%. Some buyers will even state they do not pay any advances at all and will pay only after receipt of the goods.

It is important that you only work on terms that are feasible for you as a company. Furthermore, especially with first-time buyers with whom you have not yet developed a relationship, you need to ensure that your costs are covered as much as possible and that the risks involved are as low as possible.

- Delay in order confirmation can lead to changes in unit prices subject to volatility in the supply of our raw materials.* In the recent past, prices of some raw materials have been known to fluctuate. Stipulating this point allows you to increase the unit price in case the price of your raw materials increases significantly during the period in which a buyer fails to confirm the order.

Tip:

- Whenever you send a quotation or pricelist, it is advisable to mention the period for which these prices are valid.

Payment Terms

Payment terms are essential to ensure you receive the money due to you and to ensure a cash flow, which will allow you to execute the order on time and as agreed.

Your payment terms could look as follows:

- 100% Advance will result in 3%* discount on the total FOB (Free on Board) order value. This is a way to ensure you have all the funds in hand and will save a lot of money in financing the production of your order. However, not many buyers are prepared to pay a 100% advance, and if they are, they may want to negotiate a higher discount.
- 50% Advance & balance 50% CAD (Cash Against Documents*). This is a method that is safe for both the exporter and the buyer. The use of an LC (letter of credit) is also relatively safe, but can be costly.
- All advance (and balance) payments to be sent by SWIFT.* Of course, it is possible to define another method of payment here.
- Sample Development Cost can be sent by SWIFT.* Of course it is possible to define another method of payment here.
- All bank charges in the client's country* will be for the account of the client. This is important to address, since you have no control over bank charges in the client's country and no insight into the level of these costs.

Production / Delivery / Lead Times

Both for you and the buyer, it is very important to agree on a production and shipping schedule that is feasible for both of you.

Your terms with respect to lead times could look as follows:

- The normal delivery period varies between 12 and 16 weeks* after receipt of the advance payment, depending on the order assortment and the time when the order is placed, as well as the method of shipment**.
* Here you will have to see how long it takes you to produce and ship an average size order.
** It is also possible to define only the production time and leave the method of shipping out.
- For repeat orders normal delivery period is 9 to 10 weeks.*
* Usually repeat orders are faster to produce. If this is not the case, it is a point you can leave out.
- In view of the volatile prices of raw materials*, repeat order prices need to be reconfirmed (which will be maintained, as far as possible) before order placement.
* This is comparable to the last point under **Order Confirmation**.

Minimums

Minimums are essential to ensure that you generate enough margins to cover the costs of all the processes involved in producing and exporting the order.

Your terms with respect to minimums could look as follows:

- Minimum order shipment value is FOB* US\$ / € ... **
* Free on Board
** It is essential to define a minimum order value that adequately compensates for all the administrative work involved in producing and exporting the order.

- Minimum order of ... pieces per different product, depending on the specific product.*
* It is no use if the buyer meets the minimum order value, but relevant for orders with a wide variety of different products that any economy of scale is lost and the order becomes too complicated to produce efficiently.
- For customized developments: these will be for the buyer's account. When an order is placed for the customised development, the sampling costs will be deducted in the invoice, up to a maximum of ...*
* See also the chapter on Customised Developments.
- Minimums for exclusivity for a particular design in a particular country or region can be discussed, depending on the size of the region.*
* Especially buyers in smaller countries may ask for exclusivity. It is important to ensure that the order quantities are high enough to compensate for the fact that in an exclusivity agreement you cannot sell the particular product to any other buyer in that country or region.

Tip:

- For initial or trial orders, it is of course possible to sell quantities below the stipulated minimums. This is something that can be decided in consultation with your buyer and would be a strategic choice to enable the start of a business relationship.

Design Rights

It is important to mention that your designs are your intellectual property. Your terms with respect to minimums could look as follows:

- Our company has the sole rights to all the designs of all its products and as such these must not be copied in any form whatsoever.
- Our company does not grant automatic exclusivity for any of its products. Any request for exclusivity must be discussed and agreed on in writing and will need to consider among other things: distinct geographical location, specific sales targets / minimums* and time limitations.
* Also see the chapter on **Minimums**.

Labelling and Packaging

Labelling and packaging are an essential part of the production process. More and more buyers require special labelling and packaging, so it is important that all requirements and subsequent costs are clear before agreeing to the order.

Your terms with respect to labelling and packaging could look as follows:

- Client to send all labelling and packaging instructions at the latest within ...* weeks after the order confirmation.
* This is important to mention since labelling and packaging is an essential part of the whole production process and needs to be planned for. See also the next point.
- Any delay could adversely affect production time and subsequent order delivery.
- Prices are inclusive of normal wash care/composition label* + seaworthy export carton packaging*, with a carton gross weight of approximately 15 - 20 kg maximum.
- * Also depending on the kind of product you sell.
- Any special labelling and packaging requirements will cost extra*.
* More and more buyers would ask you to put their own logo label and/or swing tags or any other kind of tag on the product. In some cases, the buyer may ask for special (gift) packaging.

Specific Terms

Specific Terms refer to special situations where the general terms do not apply.

Customised Developments

A lot of buyers like to have their own designs executed or may like to have a variation on one of your own designs, adjusted to their taste. This way of working has been around for a long time. Nowadays, this kind of collaboration is becoming more and more popular, since buyers are increasingly seeking to differentiate themselves from their competitors and, therefore, require unique products. Also, it is a way of coordinating the design of different products from different suppliers.

However, customised developments can take a very long time and there are no guaranteed orders at the end of the trajectory. Therefore, it is very important to cover (at least part of) your costs. Furthermore, a financial contribution to the development process can help in ascertaining whether the buyer is serious or not.

Your terms with respect to customised developments could look as follows:

- On receipt of your customised development requirements, we will revert with:
 1. Cost of development project*
 2. Stages and time schedule for development and sampling
 3. Estimated selling price for the product involved
 4. Minimums required for sampling and production
 5. Order delivery time, if different from our normal time
 6. Questions, remarks and constraints, if any
- In some cases exporters develop the samples for free, but have the buyer pay for the courier costs involved in shipping the samples. This is, of course, something to reflect upon and could also depend on your relationship with the buyer and how you estimate the chances of success regarding the specific developments.
- On finalisation of the development project, the client is to send the sample project development costs in advance by (method of payment indicated*) and their courier account number for sample dispatch.
* See also the chapter on **Payment Terms**
- All sample courier costs will be for the client's account.*
* It is advisable to have these always paid by the buyer.
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- The development time schedule varies between ... to ... weeks* depending on the range and processes involved.
* Here you will have to estimate how long the average sample development will take.

Tip:

- At the end of your terms & conditions page, you can mention your standard quality specifications: qualitative material requirements and the care instructions that apply. You can also indicate all the documented test results that you already have in-house, as well as your compliance with EU regulations with respect to raw materials, dyes, paints etc.

Summary

What are the advantages of having your own terms & conditions?

Trading (or negotiating) on your own terms

Even though the buyer may not agree to all of your terms, at least you have put your terms on the table, which will give you a head start in the negotiations.

Less room for misunderstandings, assumptions and miscommunications

This is extremely important, especially in the event of a dispute.

Less time required in the communication with your buyers

Proper terms & conditions save a lot of time in the communication with your buyers, since they answer many questions any buyer might need to know the answer to.

More clarity in case of disputes

Professional impression

Having proper terms & conditions will show your buyer that you know what you are doing.



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