

8 tips for organising your ITO and BPO services exports to Europe

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While IT and IT enabled services export to Europe is not 'export' in the traditional meaning of the word, there are several things to take into consideration when you start exporting your product or service. This document consists of eight tips to successfully get your product or service on the European market. Most tips revolve around the paperwork needed for exporting, but there are also tips for getting a competitive edge on this promising market.

In this module we mention a few documents that are needed for exporting IT and IT enabled services to Europe, it is important to keep in mind that these documents are normally prepared by lawyers. You might come across these documents, but you do not have to be capable of drafting/writing one. You should be aware of the basic terms and implications and get a lawyer to draft them or check them.

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1. Certification

There has always been a debate within the sector, whether or not quality certification is important. If anything, it can show your commitment to your product or service and proves that you are a serious service provider focusing on your clients' needs, quality and continuous improvements.

The type of certification that is appreciated depends on the type of product or service you offer. For example, for software development in the automotive industry, ISO 26262 Part II or ISO/PRF PAS 21448 are very important.

Another type of certification is ethical and sustainable certification. Examples are Corporate Social Responsibility certification, Fairtrade Software and Impact Sourcing.

Tips:

- When you are considering a particular quality certification, ask yourself three questions before working out the details: Is it good for my company? Is it good for my clients? Does it have marketing value?

- If you (aim to) specialise in offering IT or IT enabled services for particular sectors, find out which certifications are relevant.
- **Check** if there are resources available that might provide your company with financial support to achieve quality certification. Contact your national IT association (for example or [BPESA](#) from South Africa, [Itida](#) from Egypt or [TAG Georgia](#)) or one of the business support organisations in your country responsible for (IT) export promotion.
- If you are an African IT or IT enabled service provider, take a look at the [#FastTrackTech Africa Initiative](#) by the International Trade Centre (ITC).
- Read more on certification for the IT and IT enabled outsourcing services sector in the [Buyer Requirements](#) module.

2. Long sales cycle/trust

As an exporter to the European IT outsourcing market, you will have to be prepared to sustain long sales cycles, often eight to twelve months between first contact and signing a contract. Moreover, European IT services buyers are usually quite cautious of selecting an IT service provider offshore. They will consider; various risk factors, business continuity, security, intellectual property protection, communication and references even before talking about the price. Building trust is very important.

Tips:

- Be there. It is very important that you meet face-to-face with your prospects and clients. Combine European trade event participation with meeting your clients as well as following up on any leads that you have already developed.
- To shorten the sales cycle, truly connect with new leads and try to spark a relationship quickly. If you have a mutual acquaintance, ask to be introduced.
- Show your capabilities and provide the best possible references that you might have.
- Know your clients' needs or problems and tailor your offer accordingly.
- With a long sales cycle, it is important to keep in touch with your nurture leads through the entire process; this makes it easier to make the sale when they are ready.

3. Make a memorandum of understanding

A memorandum of understanding (or MOU) is an agreement between two or more parties outlined in a formal document. It signals the willingness of the parties to move forward with a contract. It can be seen as the starting point for negotiations. A MOU is not legally binding (like a service contract or Service Level Agreement (SLA)).

Tips:

- Look at [templates of MOUs](#) to get an idea of how you want to shape your (future) MOU. You can include [binding and non-binding](#) provisions.
- Communicate to your (potential) client that you wish to draw up a memorandum of understanding.
- Work with a lawyer in drafting the MOU.

4. Intellectual Property Protection

Service providers that want to export IT and IT enabled services to the European market have to comply with legal requirements regarding intellectual property protection (IPP), data security and privacy. The European

Union has established specific rules covering these areas, but you also need to take into consideration each Member State's own regulations and specific laws. Often the contract contains clauses related to IPP.

Copyright is the most common way of IPP in software. Copyright is a legal way to protect an author's work. It is a type of intellectual property that provides exclusive publication, distribution and usage right for the author. This means that whatever content the author created cannot be used or published by anyone else without the consent of the author.

A Non-Disclosure Agreement (NDA) is a basic measure that protects the customers' intellectual property. The NDA has to be signed by both you and your client, but also (when relevant) by the developers that will work on the project who have access to the code/technology.

A Non-Compete Agreement (NCA) prevents the parties from revealing ideas and/or innovations to competitors. The idea is that as an agency or developer, you cannot enter a partnership with a potential competitor of your client for an agreed amount of time. It can be signed by both companies and individual developers.

Tips:

- If you are dealing with personal data, make sure that you familiarise yourself with the European laws on personal data protection to avoid (unknowingly) damaging your business. Read more about data protection legislation on the website of the [European Commission](#).
- Make sure you have effective security processes and systems in place. This can range from business continuity and disaster recovery to virus protection.
- Offer your customers the possibility to sign a Non-Disclosure Agreement and/or a Non-Compete Agreement.
- Verify to what extent your buyer requires you to implement a security management system like ISO 27002.
- Find and work with a lawyer from the country where your client resides to formulate the contract / NDA / NCA.
- When you are a contact centre service provider, and you have to let your staff work from home, make sure they have a [VPN connection](#). If you cannot arrange such a secure VPN connection, consider letting your staff live at the office grounds.

5. Contract terms or Service Level Agreement

Typically, a contract is a written agreement between two or more parties. It is enforceable by law. It outlines the products or services provided, duration, cost, resources, approach, and more. There is no specific contract clause for pandemics, such as COVID-19. The term 'force majeure' is a common clause, used to cover most extraordinary events or circumstances beyond the control of the parties. It essentially frees both parties from liability or obligation.

A Service Level Agreement (SLA) is also a commitment between a service provider and a client, but it is more focussed on performance measuring and service quality. There are three types of SLAs: Service-based, Customer-based and Multi-level or Hierarchical SLAs.

Service-based SLA: covers one service for all customers. In case you provide customer contact services for many customers, this type of SLA, the service level for the customer will be the same for all customers that will be using these services.

Customer-based SLA: an agreement with one customer that covers all the services used by this customer. It is like your contract with your telecom operator. You use voice services, SMS services, data services, all from the

same telecom operator. Similar to this, you as an IT service provider, provide several services for a business and the customers, and if all the service levels are documented in one service level agreement for the provided services, it will be a customer-based SLA.

Multi-level SLA: this agreement focuses on the organisation of the customer. It discusses all services you offer and their relationship with other (subordinate) services.

SLAs can be an important component of any vendor contract. It sets clear and measurable guidelines for the partnership. It makes sure you are on the same page from the start. It also provides recourse in case the obligations written in the contract are not met. It can protect your business and will give you peace of mind. The reason companies choose to write up an SLA is because you can revise an SLA without having to revise the contract. The contract can just refer to the agreed SLA.

Tips:

- Contracting terms are most often set by buyers. It can be difficult for outsourcing providers to set terms regarding flexibility. But you can negotiate the scope definition, what is in the scope and what not? Dedicate a chapter to change management. Are you able to put more or less people on a project if the project or the circumstances ask for it?
- Get a good lawyer in the country where most of your clients are located. Drafting a contract is a specialisation. A good lawyer can also help you to negotiate with your clients.
- Have a well-written draft contract and SLA at your disposal. Show this to your potential customers when negotiations reach this point and your client requests it. Many sample SLA contracts can be found online, for example at [SampleForms](#), [Template.net](#) or [Techdonut](#).
- Make background checks on your (potential) clients before you sign any contract. A lawyer can help you with this process as well.

6. International Payment

In IT and IT enabled services outsourcing, there are usually no export documents involved. The main payment issues occur in international payment depending on how local banks in DCs handle international payment. Issues are for example: if it is allowed to transfer money internationally, if it is allowed to transfer in different currencies, bank commissions, exchange rates and time to complete a transaction.

Preferred payment methods vary by country, so it is important to understand what is best for each market you are (aiming on) doing business with. For example; in the Netherlands, 60% of payments are by direct debit (an arrangement made with a bank that allows a third party to transfer money from a person's account on agreed dates, typically in order to pay bills) and in Germany 46% of payments are done by online bank transfer. However, most European companies probably prefer to work with a wire transfer (electronic funds transfer from one bank account to another, or through a transfer of cash at a cash office) as this is one of the more secure ways to receive payment internationally.

Tips:

- Investigate international payment before you sign the contract. You can read this [factsheet about International Payment](#) from developing countries, it focuses on the tourism sector, but it can still be useful. Being able to offer smooth international payment transactions does provide you a competitive advantage. So carefully select the right bank for your (international) business.
- Try to negotiate short-term transactions (moment between delivery and payment between zero to twelve months).
- Ask advice from your bank or Chamber of Commerce to understand the methods of payments better.

You can also purchase [several guides and practical documents on trade finance from the International Chamber of Commerce \(ICC\)](#). Alternatively you can enrol in [ICC online training on trade finance](#).

7. Payment terms

Payment terms vary from buyer to buyer and are related to the volume and value of the project, the type of partner, whether or not there is an agent in between, and what delivery terms apply. The most commonly used payment schedule in the IT and IT enabled services outsourcing sector is payment by instalment.

At payment by instalment, projects are paid by fixed instalments, for example: 20% up front, then 30% after delivering a certain part of the project, another 30% after finishing the second deliverable and the last 20% at project completion.

Related to this topic are possible penalties that might hinder or lessen payments. Conditions for payment should be discussed in your Service Level Agreement.

In general, the payment term will be 30 or 60 days after receipt of the goods or date of invoice. Occasionally a deposit or advance payment can be agreed upon. This happens for example in case of Fairtrade business relations. However, it can all vary greatly depending on the project and country.

When, for some reason, your work is delayed and you cannot meet the deadlines in the contract, it is very important to keep communicating. Let your buyer know you are having trouble meeting the deadline and how you are planning to deliver. Also, in case of a pandemic like COVID-19, communication is key. Do not fall silent.

If payment terms are not covered in the contract, you can refer to [European Directive 2011/7/EU](#). This Directive protects SMEs against late payment. Although in principle it does not apply to companies outside the European Union, you can use these terms as covered in the Directive as a guideline:

- If no payment term is agreed to in the contract (or General Terms & Conditions), 30 calendar days after receipt of the invoice
- If date of receipt of invoice is not determined, then 30 calendar days after receipt of goods and/or services
- If the invoice is received before the goods and or services, then 30 calendar days after receipt of the goods and or services
- If a verification or acceptance procedure is agreed to with regard to conformity, then 30 calendar days after the date that procedure is completed. A verification or acceptance procedure may not take longer than 30 calendar days
- Payment terms in Europe that are set in a contract are not allowed to take any longer than 60 calendar days unless otherwise expressly agreed

Tips:

If payment is done in instalments, try to negotiate the highest possible instalments (amount) as early as possible in the project.

And what can you do when the payment from your client is delayed? The recent pandemic increased this problem. An increasing number of European companies is struggling to pay their bills. Unfortunately, the jurisdiction lays mostly within the country of your client and not in yours (source country). It will most likely be very costly to go to court. You have to ask yourself if it is worth to go to court, before you take this step.

Carefully study the payment terms offered by your (potential) buyer, especially the number of days for deferred payment. European businesses normally expect payment terms of 30 days or more. If this does not suit you, try to negotiate a different term. Always include the payment term in your

negotiation in relation to the price, where an advance payment can justify a lower price. On the other hand, a long credit period can justify a higher price.

Study the [Directive 2011/7/EU](#) regarding payment terms and late payment regulations in case payment terms are not covered in the contract.

8. Support Organisations

There are a number of relevant government bodies and private sector organisations in your target markets in Europe that may be able to offer you support with regards to organising your export. Support organisations can help you with organising exporting your products and services to Europe. Even if they do not employ the kind of person you are looking for (for example a lawyer), they most certainly know trustworthy people in their network they can refer you to. Examples of support organisations are:

- European IT and IT enabled services (outsourcing) associations can offer support regarding your export to Europe. Examples of these associations are [Central and Eastern European Outsourcing Association](#), [Deutscher Outsourcing Verband](#), [EUBIS](#) and the [Global Sourcing Association](#).
- Business Support Organisations (BSOs) like [CBI](#), [SIPPO](#), [IPD](#), [Enterprise Europe Network](#) and [GEPA](#).
- The [European Union's import and export page](#) and [EU Trade Helpdesk](#) provide extensive information on import regulations and taxes in the European Union. For specific information on selling services to the UK, check out the website of the [UK government's Department of International Trade](#).
- The [International Trade Centre \(ITC\)](#) provides publications such as [How to Access Trade Finance](#), [Model Contracts for Small Firms](#) and ITC's [SME Trade Academy](#) provides online courses (some are free of charge).
- Your own Chamber of Commerce and Industry can provide you advice and information. Usually chambers of commerce and industry have staff specialised to deal with certain issues such as certificate of origin, trade agreements and legal issues.

Read our other studies regarding IT and IT enabled services outsourcing

- Tips for [Doing Business](#) with European Buyers – to find tips for doing business with European buyers in the outsourcing services sector.
- Tips for [Buyer Requirements](#) - needed to export your products and services to Europe.
- Tips for [Finding buyers](#) – to find tips for finding buyers for your products and services.

This study was carried out on behalf of CBI by [Globally Cool B.V.](#) in collaboration with Laszlo Klucs.

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