

# Terms & conditions for suppliers of home decoration and home textiles

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Terms & conditions are a key part of any purchasing agreement or contract between you and your buyer. They provide clarity to all parties and save time. Having your own set of terms & conditions gives you a more secure bargaining position in the negotiations with your buyer. This study describes what these terms & conditions could look like, so you can use it as a guideline to develop your own.

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## 1. What makes terms & conditions so important?

Terms & conditions (or trading terms) form an integral part of an order contract. They include all the relevant general and special arrangements, provisions, requirements, rules, specifications and standards.

When a buyer places an order with you, that is an agreement or contract. Whenever you enter into any kind of agreement, both parties must be aware of and agree to the terms of that contract.

### Why should you have your own terms & conditions?

- Trading (or negotiating) on your own terms

Providing your own terms & conditions will give you a head start in the negotiations, even if your buyer may not agree to everything. If you do not have your own terms & conditions, you have to accept those of your buyer.

- Avoiding misunderstandings, assumptions, and miscommunications

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

- Saving time in the communication with your buyers

Proper terms & conditions answer many questions any buyer might have.

- Making a professional impression

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

Terms & conditions can be divided into two groups: general and specific terms. General terms apply to all orders, whereas specific terms refer to special situations where the general terms do not apply.

### **Tips:**

When you send your terms & conditions to a buyer, 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.

## **2. What are general terms?**

These are the most important general terms:

### **Order confirmation**

After your buyer has approved your quotation, you can send them a [pro forma invoice](#). However, before you can actually start production, you need to agree on a couple of points.

Your buyer should confirm the order as soon as possible, generally within a week after receiving your pro forma invoice. This also prevents issues with fluctuating raw material prices. If the order confirmation is delayed, prices may increase compared to your original quotation. Including this in your terms allows you to increase your unit price if raw material prices increase significantly during the period in which a buyer fails to confirm the order.

### **Example order confirmation terms**

- 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 a [...] % advance payment.
- Delay in order confirmation can lead to changes in unit prices subject to volatility in the supply of our raw materials.

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

### **Tip:**

Whenever you send a quotation or price list, mention the period for which these prices are valid.

## Payment

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. Most small and medium-sized enterprises (SMEs) need an advance payment to finance the purchase of raw materials and pay their employees.

Asking for a 100% advance will save you a lot of money in financing the production of your order. However, not many buyers are prepared to pay a 100% advance. If they are, they may want to negotiate a (higher) discount on the Free On Board (FOB) order value.

Requiring 50% advance and 50% Cash Against Documents (CAD) is a method that is safe for both the exporter and the buyer. CAD gives your buyer access to key export documents after your bank has received the payment. However, some buyers will not go beyond 30%. Others may not even be prepared to pay any advances at all and will pay only after receipt of the goods. A Letter of Credit (LC) is also relatively safe, but this can be costly.

### Example payment terms

- 50% advance & balance 50% CAD.
- 100% advance will result in 3% discount on the total FOB order value.
- All advance (and balance) payments are to be sent by [method of payment].
- Sample development costs can be sent by [method of payment].
- All bank charges in the client's country will be for the account of the client.

The system behind most international money transfers is [SWIFT](#). If you prefer another payment method, you can of course define this instead. You also need to specify that bank charges in your buyer's country will be for the buyer's account, since you have no control over – and insight into – these charges.

### Tip:

For more information on payment terms, see our [tips to organise your export](#).

## Lead times

You need to agree on a production and shipping schedule that is feasible for both you and your buyer.

In these terms, you have to specify how long it takes you to produce and ship an average-size order. You can also define only the production time and leave out the shipping time. Repeat orders are usually faster to produce – if not, you can leave this out.

### Example lead times terms

- The normal delivery period varies between [...] and [...] weeks after receipt of the advance payment, depending on the order assortment, the time when the order is placed, and the method of shipment.
- For repeat orders, the normal delivery period is [...] and [...] weeks.
- In view of the volatile prices of raw materials, repeat order prices need to be reconfirmed before order

placement. Prices will be maintained as far as possible.

## Minimum order quantities

Defining minimum order quantities (often abbreviated to MOQs) ensures that you generate enough of a margin to cover the costs of all the processes involved in producing and exporting the order. Your minimum order value should include adequate compensation for all the administrative work involved. You should also specify a minimum number of products per type. If a buyer orders a small number of various different products, the order becomes too complicated to produce efficiently and cost-effectively.

Especially buyers in smaller countries may ask for exclusivity. In an exclusivity agreement, you cannot sell that particular product to any other buyer in one or more specified countries or regions. The minimum order quantities must be high enough to compensate for this. You can also put a time limit on the exclusivity for a product.

### Example terms for minimum order quantities

- Minimum order shipment value is FOB [US\$/€ ...].
- Minimum order quantities are [...] to [...] pieces per different product, depending on the specific product.
- Minimums for exclusivity for a particular design in a particular country or region can be discussed, depending on the size of the region.

For initial or trial orders, you may choose to sell quantities below your minimums. This would be a strategic choice to facilitate the start of a successful business relationship.

## Design rights

It is important to mention that your designs are your intellectual property. As a company, you invest in design and product development. As such, your designs represent a certain value that needs to be recognised. Your design 'signature' can also be an important part of your image and identity, which need to be protected.

### Example terms for design rights

- Our company has the sole rights to all the designs of all its products. 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 in writing and will need to consider – among other things – distinct geographical location, specific sales targets/minimums and time limitations.

When buyers have created a design, or co-created it with your team, design rights may be (partly) theirs. The terms for customised designs are discussed in the section on specific terms.

## Labelling and packaging

Labelling and packaging are an essential part of the production process. If buyers require special labelling and packaging, all requirements and subsequent costs should be clear before you agree to an order.

Because you need to plan for labelling and packaging, you need to specify when the client must send you their instructions at the latest. Standard labels and export packaging (depending on the kind of product you sell) should be included in your price. More and more buyers ask for their own logo label and/or swing tags or any other kind of tag on the product. Some may ask for special packaging (such as gift wrap). Such special labelling and packaging requirements generally cost extra.

### Example labelling and packaging terms

- The client must send all labelling and packaging instructions at the latest within [...] weeks after the order confirmation.
- 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.
- Any special labelling and packaging requirements will cost extra.

## 3. What are specific terms?

### Customised developments

Buyers often like you to use their own designs or a variation on one of your designs, adjusted to their taste (“co-creation”). This kind of partnership has been around for a long time and is becoming more and more popular. Buyers are increasingly trying to differentiate themselves from their competitors and they need unique products to do so. This also allows buyers to combine the designs of products from different suppliers into a coherent range.

However, customised developments can take a very long time and there are no guaranteed orders at the end of the process. This makes it very important to cover (at least part of) your development costs. A financial contribution to the development process can also help to determine if the buyer is serious. The buyer should at least cover the sample courier costs. You can include a clause specifying that when a customised development leads to an actual order, the sampling costs will be deducted.

Sometimes exporters develop the samples for free, but have their buyer pay for the courier costs involved in shipping the samples. Whether you should consider this depends on your relationship with the buyer and how you estimate the chances of success for the specific developments. Another common practice is that importers pay for the samples and the transport, but receive a credit note once they order (certain quantities). Such arrangements can be specified in your terms.

### Example terms for customised developments

- The costs of customised developments will be for the buyer's account. When an order is placed for a customised development, the sampling costs will be deducted in the invoice, up to a maximum of [...].
- On receipt of your customised development requirements, we will respond with the cost of the development project, stages and time schedule for development and sampling, estimated selling price for the product involved, minimums required for sampling and production, order delivery time (if different from our normal time), and questions, remarks and constraints (if any).

- On finalisation of the development project, the client is to send the sample project development costs in advance by [method of payment] and supply their courier account number for sample dispatch.
- All sample courier costs will be for the client's account.
- The development time schedule varies between [...] and [...] weeks, depending on the range and processes involved.

## Customised labelling and packaging

More and more buyers would like you to develop special labelling and packaging for their products, especially when they have their own brand and/or their own outlets (retail chains). Like with customised product development, you must be clear about what you can and cannot do and what the related terms are.

It makes sense to start the development of customised labelling and packaging after you have agreed upon the product. This way, you avoid having to work on 2 development processes with no guaranteed outcome at the same time. Since orders with special labelling and packaging cannot be shipped before these have also been produced, you must include the production of labelling and packaging in your total lead time.

All these points and arrangements can be specified in your terms.

### Example terms for customised labelling and packaging

- Customised packaging, labels, stickers, tags, barcodes, and similar attachments to items will attract a surcharge, depending on the actual specifications.
- Customised labelling and packaging requirements may influence the lead time of your order.
- On receipt of your labelling and packaging requirements, we will respond with the cost of development, expected time required for development and sampling, cost of your customised labelling and packaging, minimums required for sampling and production, lead time if different from our normal time, and questions, remarks and constraints (if any).

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 European regulations with respect to raw materials, dyes, paints, etc.

### Tips:

Complete and combine the sample terms from this study to create your own set of terms & conditions.

Download our [sample PDF](#) for an overview what your terms & conditions could look like.

## 4. What are delivery terms (Incoterms)?

Shipping your products to Europe involves seven steps per shipment:

Export haulage – moving the goods from your location to the freight forwarder

Export customs clearance – having the goods cleared for export by the local customs authority

Origin handling – inspecting the goods, loading them into a container and then onto an export vessel

Sea freight – transporting the goods to Europe via a shipping line










Import customs clearance – having the goods cleared for import by the European customs authority

Destination handling – unloading the container and preparing the goods for collection

Import haulage – moving the goods from the freight forwarder to the buyer's location

With each step come costs that must be settled by either the exporter or the buyer. To avoid cost surprises and unnecessary delays, your contract must specify the rights and responsibilities of the exporter (you) and the buyer. These delivery terms, or [Incoterms](#), determine who pays for each of the steps. There are various types of Incoterms you can work with.

Figure 1: Incoterms

		 SELLER	 Export haulage	 Export customs clearance	 Origin handling	 Sea freight	 Import customs clearance	 Destination handling	 Import haulage	 BUYER
<b>EXW</b>	Risks									
Ex Works	Costs									
<b>FCA</b>	Risks									
Free Carrier	Costs									
<b>FOB</b>	Risks									
Free on Board	Costs									
<b>CIF</b>	Risks									
Cost Insurance Freight	Costs									
<b>DAP</b>	Risks									
Delivery At Place	Costs									
<b>DDP</b>	Risks									
Delivered Duty Paid	Costs									

Source: Globally Cool, GO! Good Opportunity & Remco Kemper

Your Incoterms depend on the type of buyer you work with:

- Importers/wholesalers generally prefer FOB or Free Carrier (FCA). Under FOB, you pay for transporting the goods to the port, plus loading costs. After that, the buyer is responsible. With FCA, you must clear the goods for export and hand them over to the carrier.
- Retail multiples may prefer Cost Insurance Freight (CIF), where you include the shipping and insurance charges in your quotation.
- Small retailers may ask for the goods to be delivered to their doorstep via Delivered Duty Paid (DDP) or Delivery At Place (DAP).
- Importers who consolidate orders at your warehouse or in your area often prefer Ex Works (EXW).

### **Tips:**

Study the rights and obligations of buyers and sellers for the different [Incoterms](#) and make this part of your negotiation. The delivery terms are part of the service and solutions you offer.

See Transporteca's [how-to guide on the shipping process](#) for a more detailed discussion of the seven steps.

This study was carried out on behalf of CBI by [Globally Cool B.V.](#) in cooperation with GO! Good Opportunity and Remco Kemper.

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