



FAST FACTS 2007



RESPONDING TO INQUIRIES & PROVIDING QUOTATIONS

RESPONDING TO AN INQUIRY

Inquiries regarding your products or services from potential customers in foreign countries can be quite different than what you are used to receiving from domestic sources. If you are new to exporting, you may have questions on how best to respond. This Fast Fact briefly outlines recommended responses.

The first step to take is to make a decision as to how you will respond. As a common commercial courtesy, and for your company's credibility, it is important that you do respond if only to thank them for the inquiry and explain whether or not you are interested. Consider what they may say to other businesses or trade associations they may belong to should they never receive a response. This is also an opportunity for you to gain insight or "commercial intelligence" since they may respond back with some comment about the market in-country or reference other companies doing business there. In any event, relative to the type of response you draft, you will need to allocate time and research. VEDP Trade Managers with offices in Abingdon, Harrisonburg, Lynchburg, Norfolk, Richmond, and Tysons Corner, are a phone call away. In addition, VEDP offices in Hong Kong, Mexico City, Sao Paulo, Seoul, and Tokyo can assist in responding to, and qualifying, foreign inquiries.

Responding to a reputable sales inquiry will require consideration of pricing, packaging, transportation and payment terms. Communicating these terms with an accurate quotation is essential before selling a product or service overseas. Your VEDP Trade Manager can also review with you some steps to take as well as using the appropriate International Commercial Term, or InCoTerm. **See VEDP Issues Fastfacts InCoTerms.**

A first glance, the inquiry should consider if the destination is subject to any U.S. sanctions (see the Office of Foreign Assets Control at <http://www.treas.gov/offices/eotffc/ofac/>). Looking at the "bad guy" lists offered by the U.S. federal government is also recommended to determine if the company or individual named on the inquiry has violated U.S. export regulations.

See: "Additional Resources" listed on page 5.

The destination referenced in a new inquiry can also serve as commercial intelligence – if you have never shipped there before, there may be a trend or a need developing in that country that your sales team may want to consider researching.

As you decide to respond to an overseas inquiry, before providing any sensitive information or entering into a financial agreement, it is important to consider who the person is you are corresponding with. Are they a graduate of a prestigious in-country university, in which case they may have classmates in other international firms or government that can serve as credit references as well as spread the word about your company. They may come from well-known families, for example in Mexico and Brazil various families have investments in many firms, but the individual firm may not show that on a financial statement. In any event, contacting your VEDP Trade Manager can help you outline your response in a timely and effective manner.



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If the inquiry does not include an actual physical address of the facility in the destination country, your response may request a clarification as to the final destination of your product. Since it's your product, you need to know if the customer is re-shipping it to another country and if any product standards are required there. You should also ensure the buyer is not planning to forward the product to a U.S.-sanctioned country. Your shipping documents would ultimately include the required Destination Control Statement, "These commodities, technology or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law is prohibited." (See Part 758.6 of the Export Administration Regulations (EAR) at the EAR Database: <http://www.access.gpo.gov/bis/index.html>)

The destination is also important to know at the outset since your freight forwarder may offer you lower rates to that particular destination and you, in turn, may be able to incorporate those competitive rates into your quotation to the buyer.

While your first impressions of an inquiry will indeed be an indicator to you, inquiries you receive may contain differences to be aware of, such as:

- Expect some inquiries to have grammatical or typographical errors, which may result from the writer knowing English only as a second language.
- Printing standards differ outside the U.S., so do not immediately consider the quality of the stationery as an indication of the wealth of the company.

Your reply should be clear and complete, and include an expiration date (if listing prices, or other terms, an inquiry may come back a year later and reference the same terms). The language used should be simple enough that someone who speaks English as a second language can understand it. Avoid using slang. For example, in your company it may be common to refer to a 20' container as a "box" or your business may readily use acronyms that an overseas buyer misunderstands. If you are converting from U.S. measurement standards to the metric system, be sure the numbers consistently match throughout your correspondence.

A reply should include the following main elements:

- A basic introduction about your company, its products/services, including information that would let the potential customer know that you will be a reliable supplier. For example, a reference to previous export sales, or domestic sales/partners – if publicized in your company brochure or website.
- Your company's policy on exports should be stated, such as abiding by all U.S. Export Administration Regulations.
- Your production policy, such as if an advance payment before an order is processed is required and any production lead times involved.
- A request that they reply with credit references and names of other U.S. firms they have done business with.



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THE PROFORMA INVOICE AND QUOTATION TO AN INQUIRY

The Proforma Invoice is a common way to respond to an inquiry and can serve as a draft for the Commercial Invoice if the terms are agreed upon. Simply stated, a Proforma invoice is a quotation or an “offer” to sell, as opposed to a “bill” of sale, and is issued by the exporter before a shipment. The Proforma Invoice is an organized quotation itemizing the shipment/sale criteria. It is issued before the shipment and allows the buyer to review the document and ask for any changes or ensure that it reflects what has been discussed with the exporter's sales representative or manager.

The buyer can also use the Proforma Invoice at their bank for any financial services. For example, if the buyer is to open a documentary credit (Letter of Credit) or send a wire transfer for any advance payment due, the Proforma Invoice is a document that they can use, and at times be required by their bank, to initiate an advance payment or open a Letter of Credit.

The Proforma Invoice can look like a Commercial Invoice (the bill of sale, issued by the exporter at the time of shipment, showing among other things what is being sold, the parties involved, prices and payment terms, etc.), but titled as a Proforma Invoice.

In some cases, if the initial Proforma Invoice is correct and accepted by the buyer, the information can be easily transferred to the Commercial Invoice, preferably as an exact duplication of the wording and numbers used, (which should also match the Packaging List for product and quantity description). [See VEDP Issues FastFact - Export Documentation Overview](#)

The two top criteria to consider in forming the quotation or Proforma Invoice are: quantity and destination. If either are missing from the initial inquiry, your response may very well be to confirm receipt of their inquiry and request the prospect to clarify the quantity and destination they have in mind (this may help avoid complications in your pricing structure – you might inadvertently quote them on one barrel or box of product which you sell at X dollars for Z quantity since you keep that in inventory, but then they turn around and ask for a 20-foot container full of product which you price higher regardless of the math involved in how many boxes or barrels because of extra costs you have in packaging or loading, or it may be the opposite, and is priced lower for larger quantities). Furthermore, the quantity referenced in an inquiry is essential to evaluate as it may relate to your company's “lead time” or product availability. Similarly, the product description should be clearly explained (they may have referred to your product by a generic name or an English translation of it).

Before responding to an inquiry or forming a Proforma Invoice, the exporter needs to consider the packaging requirement and if the quantity involved fits your company's standard packaging process or if it may require special packaging/added costs.

A response to an inquiry should also clarify if the goods are palletized and the cubic dimensions weight of the packages/cartons involved, and if it fills a 20' or 40' container. If it is in a container, does it need bracing?



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Some destinations/countries may require “heat treated” certification of wood pallets, or some buyers may require weather-proofing the shipment if the product is easily damaged by extreme cold or extreme heat. You should consider if these are extra costs to you.

See VEDP Issues FastFact - Foreign Standards

The destination will also affect the payment terms you offer. For example, a country risk report may suggest offering sale terms by Documentary Credit (Letter of Credit) only, or it may be in that country importers are accustomed to open account terms.

See VEDP Issues FastFact – Payment Terms and Export Financing

The Proforma Invoice should be in U.S. dollars. This is for your convenience, since if the invoice is quoted in a foreign currency, changes in the exchange rate over time may be a risk to your collections or accounts receivable. **See VEDP Issues Fastfact Foreign Exchange and Currency** The Proforma Invoice or quotation should also note if your products are of U.S. origin and state/certify that the information is “true and correct.” Ultimately, a file should be set up for all international inquiries you receive and Proforma Invoices you send. This file may turn into a prospects list as your export business grows.

A sample Proforma Invoice is included at the end of this publication, from the [Basic Guide to Exporting](#) available at: <http://www.unzco.com/basicguide/index.html>



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ADDITIONAL RESOURCES

- **Journal of Commerce, Handbook for International Trade:** <http://www.ioc.com/handbook/exportdocuments.shtml>
- **Global Trade Tutorial:** <http://www.tradeport.org/tutorial/>
- **Denied-Parties List:** These individuals have violated Department of Commerce regulations. They are barred from importing U.S. products. <http://www.bis.doc.gov/dpl/thedeniallist.asp>
- **The Entities List:** This list says what you cannot do with each of them, unless you first obtain a BIS export license. <http://www.access.gpo.gov/bis/ear/pdf/744spir.pdf>
- **The Unverified End-User List:** This list shows individuals who have bought a controlled product. The U.S. government cannot verify what they have done with the product. http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified_parties.html
- **Specially Designated Nationals List:** This list includes terrorists, front groups for terrorists, embargoed governments, drug dealers and other rogue individuals and organizations to whom exports from the U.S. are banned. <http://www.treas.gov/offices/enforcement/ofac/sdn/>
- **Debarred-Parties List:** This list includes individuals who have acted illicitly with military equipment. Exports of items on the U.S. Munitions List are barred to these individuals. <http://pmdtc.state.gov/debar059.htm>
- **Proliferators Lists:** These lists show foreign persons who are known to have participated in the proliferation of chemical/biological weapons, nuclear activities or missile technology. In some cases, this list also prohibits exports of all items, whereas in other cases, it prohibits only exports of Munitions List items. In some instances, it also prohibits imports into the U.S. <http://www.state.gov/t/isn/c15231.htm>

VEDP TRADE EVENTS

For a complete listing of VEDP's international trade events, please visit the "Events" tab on our website: www.ExportVirginia.org

VEDP CONTACT INFORMATION

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WORKS CITED

United States Department of Commerce and Unz & Co., Inc., A Basic Guide to ExportingTM
1998. <<http://www.unzco.com/basicguide/toc.html>>

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SAMPLE PROFORMA INVOICE

PROFORMA INVOICE/EXPORT ORDER					
SHIPPER: Tech International 1000 J Street, N.W. Washington, DC 20005 Ph. 202-555-1212 Fax 202-555-1111			PROFORMA INVOICE NO. Col.91-14 DATE July 12, 1997		
CUSTOMER: Gomez Y. Cartagena Aptdo. Postal 77 Bogota, Colombia			COMMERCIAL INVOICE NO. DATE 		
SHIP TO (if different than Customer): 			CUSTOMER REFERENCE LTR DATE July 9, 1997		
NOTIFY (Intermediate Consignee): 			TERMS OF SALE CIP Buenaventura, Colombia (INCOTERMS 1990)		
			SHIP VIA AIR EST. SHIP DATE 60 DAYS FROM RECEIPT OF ORDER AND LETTER OF CREDIT		
PART NUMBER	UNIT OF MEASURE	QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL PRICE
2-50	EA	3	Separators in accordance with attached specifications	\$14,750.00	\$44,250.00
14-40	EA	3	First-stage Filter Assemblies per attached specifications	\$ 1,200.00	\$ 3,600.00
custom	EA	3	Drive Units - 30 hp each (for operation on 3-phase 440 v., 50 cy. current) complete with remote controls	\$ 4,235.00	\$12,705.00
					TOTAL EX WORKS Washington, D.C. domestic packed...
					\$60,555.00
					Export processing, packaging, prepaid inland freight to Dulles International Airport & forwarder's handling charges
					\$ 3,115.00
					TOTAL FCA WASHINGTON DULLES AIRPORT
					Estimated air freight and insurance
					\$ 2,960.00
					TOTAL Est. CIP Buenaventura, Colombia
					\$66,630.00
Estimated gross weight 9,360 lbs. • Estimated cube 520 cu. meters Export packed 4.212 kg. • Export packed 15.6 cu. meters					
1. All prices quoted herein are US dollars. 2. Prices quoted herein for merchandise only are valid for 60 days from July 12, 1997. 3. Any changes in shipping costs or insurance rates are for account of the buyer.					
ADDITIONAL CHARGES FREIGHT <input type="checkbox"/> Ocean <input checked="" type="checkbox"/> Air <u>INCLUDED</u> CONSULAR/LEGALIZATION _____ INSPECTION/CERTIFICATION _____ SPECIAL PACKING _____ <u>INSURANCE</u> <u>INCLUDED</u>			TERMS OF PAYMENT <input checked="" type="checkbox"/> LETTER OF CREDIT Bank _____ <input type="checkbox"/> DRAFT Terms _____ <input type="checkbox"/> OPEN ACCOUNT Terms _____ <input type="checkbox"/> OTHER _____ CURRENCY OF PAYMENT <u>US Dollars</u>		
<small>Form 15-330 Printed and Sold by UNZCO 700 Central Ave., New Providence, NJ 07974 • (908) 631-3088 • (908) 665-7866 Copyright © 1997 UNZ & CO.</small>					

PROFORMA INVOICE