10 tips before you import

Importing stock from overseas is a lot more complex than picking up the phone, placing your order and waiting for the goods to arrive. There’s a lot to consider before you go ahead and place your first import order.

We’ve put together 10 tips to help you decide whether the allure of cheaper prices or better products from overseas is as good an idea as it might seem at first glance.

1. Is there a local market for the goods you want to import?

Importing for resale

You’ll need to make sure there is enough demand in your local market before you start to import goods for resale. Identify your potential target customers and conduct a survey to get a feel for whether importing will be profitable. If there is limited demand, you could end up sitting on a pile of stock that you’re not able to sell and making a loss on the deal.

Importing for use in manufacturing

If you’re planning to manufacture a new product, you’ll need to check there is sufficient demand for the end product to warrant importing some of the stock you’ll need. If you plan to import materials rather than use local suppliers for items already in production, it would be wise to check that current levels of demand are likely to remain the same or increase. If demand decreases, you could end up tying up too much of your working capital in import stock that sits on your warehouse shelf.

You’ll also need to conduct market research to establish what products your competitors are selling. It is a good idea to keep a list of product names, specifications and retail prices, to make sure your imports do have a competitive advantage or unique selling point that differentiates them from products your competitors sell.

How to research your market and competitors (/getting-started/taking-the-first-steps/how-to-research-your-market-and-competitors/)

2. Are you legally able to import these items into New Zealand?

Before you spend time, effort, or money on further research, you should make sure you’re allowed to import the goods you plan to bring into New Zealand. There are a number of restrictions on items you can import. These range from outright prohibitions, which apply to things like chemicals or medicines, to restrictions on particular products or items from particular countries.

You might need consent from the New Zealand Customs Service or the Ministry for Primary Industries, which deals with biosecurity concerns, to import some products.
There are also special rules that apply to importing cars, which involve the New Zealand Transport Agency.

The Ministry of Health deals with the importation of controlled drugs.


### 3. The costs of importing

You’ll need to find out all the costs and charges you’ll need to pay before you place an order with an overseas company. These costs could include:

- transport and insurance costs (depending on the trade terms you negotiate)
- GST
- customs duties and levies
- storage
- finance charges
- charges for services like the use of customs brokers or freight forwarders.

You’ll probably need to identify the correct customs clearance tariff for the goods you want to import to find out how much you will need to pay in customs duties. You’ll probably also need to supply the country of origin of the goods and the value (excluding shipping), to calculate the correct amount payable.

### 4. Is importing actually cost effective?

Once you have an idea of the final landed cost of an item, you’ll be able to check whether importing will be a cost-effective option for your business. There are a lot of additional charges you’ll need to pay over and above the cost per unit from a factory overseas, and these can add up. You’ll want to be able to make a reasonable return on investment after all these costs have been taken into account.
It's a good idea to get your accountant, business adviser or customs broker to go through your calculations to make sure you’ve accounted for all the costs you’re likely to incur.

5. Can you afford to import?

It’s important to make sure you can afford to finance the cost of importing. Importing is cash intensive for two reasons. The first is that given the high shipping or transport costs, it’s more cost effective to place a few larger orders rather than a number of smaller orders – so import orders are often large, and therefore expensive.

The second reason is that importing ties up working capital. The person you’re buying from will either ask for payment upfront or ask for a letter of credit or some other payment guarantee from your bank. This means you can’t access the money or use it to run your business in the time between placing the order and paying for it, which can spread over a number of months for some orders.

Run a cash flow forecast to make sure you can still afford to run your business effectively while you have money tied up for import orders. Speak to your accountant, bank manager, or financial adviser to double check you haven’t overlooked anything important.

Cash flow forecasting (/tax-and-accounting/business-finance-basics/cash-flow-forecasting/)

6. The risks of importing

There are more risks associated with importing than buying locally, and you need to be aware of these to manage them effectively. These include the following quality and delivery concerns:

- The distance between you and your supplier can be large. This means it is harder for you to check on, or deal with, issues like quality control.
- The delivery distance is further and the delivery time longer, which makes returning goods harder.
- Because of the time it takes to deliver, you might end up in a position where you have to accept inferior goods, simply because you can’t source the right quality replacement product in time if your supplier lets you down.

You’ll need to take care to find reputable suppliers, and only place orders on terms that give you cover against non-delivery and include penalties for late delivery or for goods that are not up to standard. It also pays to have alternative suppliers so you have a back-up if you need it.

7. Dealing with exchange rate fluctuations

Exchange rate fluctuations are another potential risk you could be exposed to as an importer. You’re probably buying goods priced in a foreign currency, which means exchange rate fluctuation can affect the final amount you’ll end up paying in New Zealand dollars. The rate could move in your favour or against you.
There are a few ways you can deal with this:

- Transfer the risk to the supplier by asking them to quote in New Zealand dollars.
- Purchase forward cover to protect you from currency fluctuations.
- Add an exchange rate risk to your margins and carry the risk yourself.

8. Choosing a reliable overseas supplier

The cheapest supplier is not necessarily the best supplier to deal with for imports. It's more important to find a reputable supplier. You want to find a supplier who you're reasonably sure:

- won't disappear overnight with your cash
- will deliver on time
- will deliver the products you have specified and at the level of quality expected
- will keep you informed if there are any problems or delays.

Ask to see a list of customers that your potential supplier supplies and contact them for references. Do a credit check on the company, and if you can, spend the money to physically visit them and inspect their premises, plant, and the quality of their output. If you’re not able to arrange a site visit, at least insist on samples before placing your order.

9. Dealing with overseas suppliers

Dealing with suppliers in a foreign country often involves a steep learning curve. You might be dealing with people who don’t speak the same language as you, and whose culture and values differ from yours. The potential for misunderstanding and miscommunication is much greater than when dealing with local suppliers.

Find out all you can about doing business in the country you plan to import from. Your industry association or local Chamber of Commerce might be able to give you some pointers, but the best way to find out all the ins and outs is to talk to people who are currently importing from, or exporting to, the country concerned. New Zealand Trade and Enterprise has useful country information for exporters, some of which will also be of interest to people importing goods from those countries.


10. Trading terms and customs requirements

Trading terms

Before you sign an import order, you’ll need to understand trading terms used by importers and exporters, and you’ll need to be sure that both parties have the same understanding of these terms.

To get to grips with terms like EX (ex works or ex factory, warehouse, or plantation), FAS (Free Alongside Ship), and FOB (Free on Board) is not as difficult as it might first
The International Chamber of Commerce has developed standardised rules for the interpretation of trade terms called Incoterms. Incoterms 2010 is currently used, but a revised edition, Incoterms 2020, is expected to come into effect in 2020. Your bank’s international trade department, a freight forwarding agent, or your local Chamber of Commerce should be able to help you with this.

**Customs requirements**

There are a number of customs requirements that you need to be aware of if you plan to start importing. It's a good idea to have a freight forwarder or customs broker help you with your customs entry of declaration paperwork. Assistance is available from the New Zealand Customs Service for first-time commercial importers, but all importers are expected to handle their own paperwork, or use a professional service provider for subsequent imports.

If you want to handle this yourself, the Custom Brokers and Freight Forwarders Federation offers training.

[New Zealand freight courses (external link)](https://www.cbaff.org.nz/education/courses) — Customs Brokers and Freight Forwarders Federation

**Next steps**

Things to do next include:

- Establish that there's a sustainable demand for the product you plan to import and that you can import the item legally into New Zealand and sell it at a reasonable profit, or use it in your manufacturing process to increase your margins.
- Draw up a list of reputable suppliers and ask whether they have the capacity and equipment to supply your import needs. Draw up a short list and have them supply samples to your specifications if applicable.
- Engage the services of a freight forwarding or customs broker to assist you with understanding the trade terms, and talk to your bank to understand the financial implications of the orders you are thinking of placing.
- Negotiate the terms of trade to protect you against non-delivery, later delivery, or goods that do not pass quality control tests. If the item is critical to your business, have a back-up supplier in place in case you need it.

**Rating form**

**How helpful was this information?**

Rate this

- [ ] 1 Star
- [ ] 2 Star
Related content

10-step business plan

(assets/Uploads/Documents/quick-focus-plan.pdf)

Quick-focus planning to make sure you work on the right things for your growing business — every day.

(assets/Uploads/Documents/quick-focus-plan.pdf)

Download now [PDF, 158 KB]

(assets/Uploads/Documents/quick-focus-plan.pdf)

Which laws apply to your business?

(compliance-matters/)

Use our Compliance Matters tool to find out the legal requirements you and your business must follow.

(compliance-matters/)

Start your search

(compliance-matters/)

Research your market

(getting-started/taking-the-first-steps/how-to-research-your-market-and-competitors/)

Knowing about your market and rivals is crucial, whether you’re starting, growing or well established.

(getting-started/taking-the-first-steps/how-to-research-your-market-and-competitors/)

Here's how

(getting-started/taking-the-first-steps/how-to-research-your-market-and-competitors/)
Ways to protect your name, brand and ideas

(find out more)

(find out more)