

## Case study

# Contract negotiation with payment focus

We were engaged to assist a company poised to take on a new project where contract negotiations were threatening to have unknown impacts on operations and finance

## Company background

- A manufacturing company with over \$5m turnover that had been successfully improving profit margins by steadily growing its services and after-sales business
- More and more overseas customers were requesting services to be provided in their (overseas) locations, which meant the company was busy managing growing operational risks such as remote communications

## Project background

- Sales were in final negotiations with the buyer though discussion of the payment terms had been left toward the end of this period
- The buyer expected to issue an irrevocable letter of credit to cover the entire contract consisting of goods and services which consisted of a 60:40 goods to services split
- Buyer wanted to include discretionary clauses that the principal lead project manager would sign off before the issuing bank released funds specifically around the services component
- Initial version of the letter of credit covered only the major piece of equipment, approximately \$8m worth, but not all the supporting infrastructure, e.g. electrical switch gear
- This may have caused issues with the issuing bank as many components were implicitly included under the same letter of credit

## How we helped

- We were brought in to advise on the commercial nature of the letter of credit and quickly set to work specifying the letter of credit into a more tightly specified instrument
- Our solution was to recommend and support negotiations to push back on the buyer's expectation and build consensus that it would be a better option to separate the LC so it more closely aligns with contract deliverables
- Normally, the extra complexity of managing multiple export LCs under one contract would be prohibitive
- Using Exabler.com, our client's finance and operations teams could view the transaction's latest live status,

including viewing the LC documentation preparation as it happens and the timing of upcoming payments

- The buyer retained some control over the letter of credit milestone payments, but now the balance of risk was more evenly shared between our client and the buyer

## Benefits delivered

- ✓ The sales team was able to put a limit on payment risk toward the closing stages of the negotiation. Even though the resulting transaction ended up with multiple letters of credit these were more tightly specified, safer for our client, and ultimately in favour of the customer as it improved deliverability of the contract
- ✓ Incremental cost was minimised as drawing on the LC was relatively easy for major contract milestones – any delay in payment would require our client to use expensive working capital
- ✓ Economies of scale around the process were gained (due diligence for the same contract / customer) and an agreement with the bank to discount the letters of credit appropriately



Separate contract deliverables tied to payment milestones

## Critical business events on your export journey

- 1** Explore the Market: Understand the market with preparation and research - knowing what sells well and why is fundamental. Narrow down your target markets by ease of export versus your product suitability. Consult our 'Ease of Exporting index' for a steer.
- 2** Negotiate the Contract: Pricing the deal and getting the terms right can be decisive to the sale and critical to your business. An ability to move quickly is paramount, set up your calculations and get suppliers in line - know your export and financing arrangements well before delivery.
- 3** Navigate the Delivery: Celebrate your success but immediately plan to final delivery. Laying out key milestones, perhaps even tied to finance, and communicating to responsible stakeholders and export service providers will mitigate risk. Don't forget documentation!
- 4** Streamline and Repeat: The importance of relationship management with your buyer and the potential to win repeat transactions can't be underestimated, this is where you make your real return through streamlining and standardising activities. Invest in relationships.

### Exabler™ ([www.exabler.com](http://www.exabler.com))

Our proprietary tool gives directional guidance to help you fully cost single export deals to key destinations and eases the challenges of your journey. We broker deals with trade specialists to help you price and execute your deal. From insuring against credit risk to following documentary processes, Exabler will have you covered.

## About Parkway Logic

At Parkway Logic we seek new solutions to legacy challenges in international trade, providing actionable insight, automation and connected solutions to smaller exporters who are starting out or established. Whether you are exploring the market, negotiating contracts, navigating the export process or just looking to be better at exporting, we can guide you or even relieve the load. Through technology, process and supplier selection our aim is to improve the bankability of your business.

To learn more about how our solutions can, please visit [www.parkwaylogic.com](http://www.parkwaylogic.com) and or contact us via email at [info@parkwaylogic.com](mailto:info@parkwaylogic.com) or phone on 0208 144 0098.

© 2017 Parkway Logic Ltd. All rights reserved

## Who we are



### Ramin Takin

Ramin is adept at cross-border financing and delivering international orders, with contract values ranging from a few tens of thousands up to billion-dollar financings, he's seen the challenges that businesses face such as contract delivery deadlines, managing supply chain relationships and navigating the burdens of bureaucracy.

Ramin started his career with Citigroup London in international banking before moving to the Dubai IFC, then an oil services firm. There he had a pivotal role in transformational cross border deals, leading export financing, logistics and interfacing with small and large supply chain teams.

He has an MEng in Engineering, Economics and Management from University of Oxford and a PhD from Imperial College London.



### Christopher Woodington

As an intern at Cargill early-on in his career, Chris delivered web and financial control tech - a perfect introduction to the world of global trading. Here he saw how technology and data is crucial for informed decisions. Getting your international trade going takes time, effort and patience but it's important to focus on the right areas with your limited resource.

At Deloitte he worked on business change initiatives across FMCG, govt, capital markets, treasury and technology organisations worldwide. Time and again he led successful global change projects cross borders and organisation boundaries - all involving high levels of data and technology.

He has an MEng in Engineering and Computing Science from University of Oxford.

**Address**  
Office 7, 35-37 Ludgate Hill  
London EC4M 7JN

**Telephone**  
+44 (0) 208 144 0098

