

How to use HS Code as a marketing tool

Marcus Machado
International Trade Specialist

According to WCO's statistics, "over 98 % of the merchandise in international trade is classified in terms of the HS". The Convention on the Harmonized Commodity Description and Coding System has 153 contracting parties and is the most used commodity coding system in the world. Doesn't matter if you are an importer, exporter, logistic agent or government agent, at some point in your business life you will get in contact with HS if you work with international trade related activities.

Traders usually understand goods classification in HS Code as a matter related to customs compliance, duties collection and trade barriers. The truth is that it transcends these aspects and can be a really powerful marketing tool. It is worthwhile to invest time, efforts and resources on goods classification and I am going to here are some reasons on why you should do it:

1. HS Codes can be used for market assessment: most of the trade statistics databases use HS Codes as the standard for data collection. Governments, International Organizations, and private agencies all cooperate with statistics on trade volumes, values, tariff and other useful information based on HS Codes. To be able to access accurate information about the goods you are trading, it is vital to have the correct HS Code in hands. Failing to have the accurate code will bring you irrelevant or inconsistent data to your research and can compromise your results. A trader needs the correct HS Code to properly assess markets on their research.

2. HS Codes can be used for price comparisons: countries that operate on HS based coding systems have the first 6 digit of national codes coinciding with other countries. If you have the correct HS Code it is much easier to classify your goods on the national code of the country you are exporting to. Since tariffs are usually based on commodity codes, you will need it to calculate duties and establish the landed costs of your goods on that country. Failing to get the correct code will result in miscalculation of these duties and can compromise your trades. It is important to get it right in order to know how your product will compare to others in terms of price on that market.

3. HS Codes can be used for market access evaluation: the principle is the same of the item above. You will need the correct commodity code in order to find out the correct procedures, documents and regulations on your product on the country of importation. The importance of this is to evaluate the viability and costs of compliance. A trader can use this information to find more accessible markets to their products or to work on compliance with local rules in order to place their products on that country.

4. HS Codes can be used as a service to your customers: as said before, HS Codes have multiple uses for traders and are needed for customs compliance purposes. If you are an exporter you can assist your customers to get to the correct commodity code. One can do that by providing the HS Code that better fits their product and also supply the necessary information for your trade partner to classify them. Brochures and data sheets can be improved to contain relevant information for goods classification. This kind of document is commonly used by customs authorities to base them on inspections and audits. Having this kind of information accessible can save your client time and money on these situations.

5. HS Codes are a matter of customs compliance: customs compliance is a necessity for international traders. It is required on customs declarations, import licenses, duties calculations, and many other activities. Getting it right will avoid you getting penalized by customs authorities for offenses to customs or tax regulations.

Source: <https://www.linkedin.com/pulse/how-use-hs-code-marketing-tool-marcus-machado>