



EXPERT EXPORT GUIDES

**HOW DO YOU DECIDE
ON YOUR BEST
ROUTE-TO-MARKET?
DISTRIBUTOR OR
AGENT?**

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HOW DO YOU DECIDE ON YOUR BEST ROUTE-TO-MARKET?

Once you have decided upon your target export market the next key decision is developing your route-to-market strategy. How are we going to reach the market? How will we carve out a market share?

The first important factor is to **FOCUS**. You may well have identified more than one potential market. It is important to match your strategy to your resources. Our Resources Checklist discussed in Step One of our [7-Steps programme](#), which can be downloaded from our website or via the link, helps you to recognise the current capabilities of your organisation. We recommend you complete this important step in order to decide if we can effectively **focus** on one or more than one market at the same time.

Is your organisation ready to deal with more than one country, language, packaging, paperwork, customs regulations, number of additional customers, stock etc?

Do you have the people available to follow through on your plans? It will be counterproductive to try to enter more than one market only to find you cannot cope with the extra work and start letting clients in all markets down. This can and will affect your whole business!

Focus is key in gaining market entry. Spread yourself and your resources too thinly and you end up scraping the surface and never really getting under the skin of the market itself.

This is a recipe for failure. Focus your efforts on where you assess the best returns will be available based on the resources at your disposal.

Often the easiest way to enter a market appears to be through a local distributor or agent. This is a low risk strategy on the face of it, certainly from a fixed cost perspective.

What is the difference between a Distributor and an Agent? Apologies for going over this if you already know the distinction, but for those who are new to exporting there are important differences which need to be carefully considered.

A **Distributor** is a local company that will buy your product, market and sell it themselves. You rely on them to generate the leads and secure new business.

They are your customer in the target market. In fact, if you enter in to an exclusive agreement, they will be your only customer! You invoice them, they invoice the end user and take the corresponding credit risk.

Sounds simple right? Well yes and no. As with anything there are plusses and minuses to this kind of arrangement.

An **Agent** works very much in the same way in terms of promoting your product in the market, with the exception that they are working on your behalf and it is you that will invoice the end customer, paying them a commission for their efforts. Think of an agent as a commission only sales person for your company.

So, what are the plusses and minuses of each option? Let's look at it from each stage of the sales process.

From a marketing perspective there is a subtle difference. A distributor may well have a strong name in the market, which will quickly help you to gain market awareness and confidence in your product/service. Market entry can be quicker and penetration deeper due to the distributors' connections.

On the other hand, your identity and brand can become lost, with the distributor the stronger presence. The customer is used to dealing with them, you may not have a direct relationship at all. What happens if you decide to change distributor or they opt to drop your product? You could be back virtually to square one.

An agent should be able to offer the same connections to the market and introductions to the customers. In this case however as you are invoicing the customer, it is you they become used to dealing with, you have the contacts and greater control over the process.

With this benefit comes a minus however. It is you that takes on the payment risk, assuming you are offering credit. A distributor is taking on this burden and making credit decisions based on history with the customer, local practice etc.

A distributor may also overcome the currency issue too, as you can sell to them in your home currency and they can sell to the customer in the local currency.

On the other hand, you have all your credit eggs in one basket with a distributor and may well have a greater overall exposure.

So, which is the best option I hear you ask? The answer is, it depends! It depends on what type of product or service you are offering for one thing.

If you manufacture small components, electrical for example, you may well be better to use a powerful distributor such as RS Components in the U.K. They have the name, the sales outlets and pulling power to the customers. They can offer you the expectation of volume which may well be more important to you than promoting your brand.

If, however, you offer a technical product or service which requires a lot of input from your team to make a proposal, define the scope and install the system, then to a large extent it is your expertise, your name and experience which the customer will be buying. In this instance it may be preferable to have an agent whose role is to open doors, make introductions and ease the process.

This is particularly true if the value of the project is high and the payment terms based on project milestones for example.

The decision between agent and distributor is not always clear cut. There are subtle yet important differences. There are also legal distinctions, which vary country to country. Be certain you know the implications of whichever option you choose.

Whichever way you decide, the next critical factor is choosing the right distributor or agent. Get this wrong and it can severely disrupt your progress in the market.

Do not rush in, take your time to assess potential candidates, talk to more than one. Visit them, get a feel for the company, who their customers are. Do they really specialise in your market sector?

From your research into the market did any names keep coming up? Is there a stand-out candidate company you would really like to get on board?

Ask around. Check with potential customers if they would recommend anyone. Look at the exhibitors or delegates at recent or future conferences. Check the advertisers in relevant magazines or journals. Look at the members of any relevant trade association. Do a web search. Ask for support from the Commercial section of your embassy in the country.

In short, look at all possible avenues to create a target list of names to contact and explore. Approach them with details of your product or service and shorten the list to those who show the most interest, combined with required market presence and potential.

It is very important to choose carefully. This distributor or agent will be the face of your company in the market. You may well be judged by who you are associated with. Make sure they have a good solid reputation and a long-standing interest in your market.

Also look at their existing portfolio of products or services. Who do they already represent? Are they complimentary or competing? Are they operating in the right market sector? Do they appear to have a lot of products already for the resources at their disposal? Is this a concern?

A well-connected representative can be worth their weight in gold in helping you make entry in to the market. With the right connections they can fastrack you in front of the right customers, but beware those who promise amazing things when in reality they are either already fully committed, not in the right market space or have conflicts of interest.

It is not unheard of for a supplier to be tied up for years with a distributor/agent who either cannot, or deliberately does not, market it aggressively. Be wary of those who profess to be well connected or related to the Prince or Government Minister.

Once you have narrowed it down to one or two potential companies, suggest a loose working relationship to start with until you are both sure you are a good fit. See if they produce the goods, open the right doors and hopefully secure some orders before rushing in to an exclusive or long-term contract.

Remember making the right choice is critical to the success of your market entry strategy. It can be a complicated and time-consuming process. For this reason we developed our **PartnerTrack** service for our clients where we support them through the search and help select the right partners for their business.

PartnerTrack is a cost-effective way of starting your export journey to profits in your target market.



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