GO EXPORTING
Opening a World of Opportunities

How to find international **Distributor or Agent?**

Which is Best and How to Find One in International Markets?

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

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? Often the terms are interchanged. There are important distinctions which need to be carefully considered, however.

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.

Definition of a Distributor

- A company situated in your target country
- A specialist in your market sector
- Already has good contacts/customers
- Sells complementary products
- They will buy/stock your product in-country
- They handle sales & marketing in-country
- They follow up leads
- Close the sale in their name
- Handle the customer paperwork
- Agree payment terms with the customer
- Place the order with you
- Handle in-country logistics (depends on agreement)

Sounds like the ideal solution? As with anything there are positives and negatives to this kind of arrangement.

Positives

Distributor Reputation

Faster Market Entry

Customer Confidence

Takes on Credit Risk

Sell in Local Currency

No Language barriers

Local Customer Service

Negatives

Brand/ Identity Loss

Lack of Emphasis

Less Direct Customer Relationship

Difficult to change Distributor

What if they drop you?

Credit Risk

Positives and Negatives of working with a Distributor

A distributor may well have a strong name in the market, which will 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 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 the agent a commission for their efforts. Think of an agent as a commission only salesperson for your company.

Definition of an Agent

- A company or individual based in-country
- A specialist in your market sector
- Already has good contacts
- May represent complementary products
- Promotes your company and product
- Handles the sales process
- You handle the marketing
- The customer orders from you directly
- You agree payment terms
- You arrange delivery and invoice
- You pay the agent a commission on completion

Again, there are positives and negatives to using an agent, including some important legal considerations which we will consider in more detail later.

An agent should be able to offer the same connections to the market and introductions to the customers as a distributor. In the agent 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, 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. Under EU legislation, for example, an agent may have a claim against future earnings should you end the agreement. Be certain you know the implications of whichever option you choose and that your contracts are written carefully. Take appropriate legal advice.

Positives

Good Market Connections

Faster Market Entry

Brand Recognition

Customer Confidence

Direct Customer Contact

Credit Risk Spread

Language

Negatives

Level of Commitment?

Are you their priority?

You take the Credit Risk

How to handle local currency?

Legal Commitment

Agents Resources

You have marketing Costs

FINDING THE RIGHT DISTRIBUTOR OR AGENT

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.

How do you find the right distributor or agent in your target market? There are a number of ways to start your search.

Ways to Research

- Check Exhibitors & Conference Delegates
- Review Trade Association Members
- Web Search
- Trade Magazines & Directories
- Ask Potential Customers
- Commercial Section of Embassy
- Review Who Your Competition Work With
- Research Distributors of Complementary Products
- Directories such as Europages
- Use a Specialist Consultancy

Draw up a list and make an approach to gauge their interest. Be persistent. They may not respond to your first contact but keep going until they do. Whether that response is positive or negative, it helps to narrow down your search.

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.
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?

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 FastTrack 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.

Ways to Draw Up a Shortlist

- Send information and judge their interest
- Assess their market presence
- Ask for Customer & Supplier References
- Review their product portfolio
- Ask around about their reputation
- Do they have the resources to add products?
- Is their motivation to represent you genuine?
- Don't be dazzled by supposed Royal or Government connections

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.

Set clear expectations from the beginning and agree key performance indicators. Assess their actual performance over at least 3-6 months before formalising the relationship.

Contracts - Getting the Basics Right

- Agree Realistic Expectations
- Set Targets
- Agree Milestones
- Detail Responsibilities
- Set Pricing/Commission
- Minimum Stock Levels (if applicable)
- Marketing Spend
- Length of Contract
- Break Clauses & Conditions
- Payment Terms

Take the time to build mutual trust, you are looking for a long-term partner, not a quick buck.

If/when you do enter into a formal or exclusive contract, make sure the basics are right so there are no conflicts later on. Agree on pricing and commissions, sales targets, minimum stock levels (if applicable), payment terms, length of agreement and break clauses for low sales or conflicts of interest.

Make sure any exclusive contract is mutually exclusive! You don't want your distributor or agent representing a competitor also.

Remember making the right choice is critical to the success of your market entry strategy. It can be a complicated and time-consuming process. Take the time to do it right.

How we can help

Many businesses find it is preferable and more cost-effective to bring in an outside consultant, such as Go Exporting, to carry out this process on their behalf.

It frees up their staff to continue dealing with current customers, whilst the consultant does the research, utilises their local contacts and expertise to find the right partner in the target market. They bring fresh eyes for an unbiased view and many years' experience building global distributor/agent networks.

For this reason we developed our **PartnerTrack** service where we carry out the search, evaluate and approach the potential partners to help you select the right one(s) for your business.

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

For further information and a no-obligation discussion, please contact us today.

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