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# **Export Markets: The Trading House Connection**

*The trading house sector's contribution to Canadian trade is substantial. In 1983 the export transactions of trading houses represented more than 13 per cent of total Canadian exports and more importantly 40 per cent of Canadian non-U.S. exports. Yet many manufacturing firms — both small and large — are still unaware of what trading houses can do for them. This brochure is intended to show that a judicious use of the services offered by these firms can expand sales abroad significantly.*

## **1 Trading Houses. . .What Are They?**

The trading house concept applies to a wide variety of companies which have one thing in common. They serve as commercial intermediaries between Canadian-based producers and foreign-based purchasers or consumers of goods and services.

As intermediaries, they fall into two broad categories. Some act on their own account as merchants, actually buying and selling for profit and therefore taking title of the goods sold. Others act as agents on behalf of a third party, and do not take title to the goods handled but merely receive a commission or flat fee (or both) for services rendered.

Of course, in real life things seldom turn out to be quite so simple, and the line between the two categories often tends to blur. Thus many of Canada's trading houses function as merchants in some cases and as agents in others, depending on the type of product involved, the requirements of clients, and a host of other factors including the preference of the trading house itself. In addition, trading houses are often identified by the services they provide. They may take any of the following forms:

- an export management company — a trading company which takes charge of all or part of the export function on behalf of a manufacturer;
- a buying house — a trading company which sources on behalf of offshore clients;
- a procurement manager — a trading company which sources for offshore projects;
- an export consortium — a trading company, owned by several producer firms, which assumes the export function on their behalf;