

than a direct sales force.

There are some sectors which use brokers less. Baked goods, beverages, produce, seafood, meats and poultry often are serviced by specialty distributors, performing both the functions of the broker and the wholesaler or distributor. With the exception of the larger national chains, which have their own warehouse and distribution systems, retail grocers buy from privately or co-operatively owned warehouses or distributors. The larger national chains have the capability of purchasing full truck loads direct from the producer.

There are notable exceptions to this network. For example, beer, ale and wine (over certain percentages of alcohol by volume), bypass the regular distribution networks and must be sold through the state-operated stores.

Agents or manufacturers' representatives can be authorized to enter into contracts with customers on behalf of the supplier and usually work on commission or retainer. They have the flexibility to call on individual customers, provide market intelligence, obtain orders and make after-sales calls. Brokers also pursue individual sales on behalf of the supplier and provide service to the client. However, in contrast to agents, brokers may also take title to product, warehouse and ship the item.

Wholesalers and distributors generally buy the product from the supplier, warehouse the product, and then sell and deliver it to the retail customer. Food distributors are similar to a food wholesaler, though on a much smaller scale. Distributors tend to deal more in specialty foods (meats, fish, ethnic), snacks, relatively high-end products or food service bulk goods. As most of the above-mentioned products will not be suitable to appear in every store of a supermarket chain, the wholesaler (supermarket buyer) would prefer to buy from an independent distributor who is capable of providing door-to-door shipments to suitable stores.

It is also possible to ship directly to chains

which operate their own warehouse and distribution centres.

Many non-traditional food retailers are moving into the retail food sector. According to a recent article, Wal-Mart, the largest retailer in the United States, is aggressively moving into the grocery business. As part of the trend toward industry consolidation mentioned above, the sheer size of Wal-Mart enables it to obtain more favourable prices from its suppliers than its smaller competitors. Wal-Mart has stated that it intends to deal directly with product suppliers rather than through the traditional broker network, which may enable it to undercut the competition.

When approaching a new and unfamiliar market, it is highly recommended that Canadian exporters use a food broker who knows the contacts and the competition and who will investigate the best way to introduce a product. To successfully penetrate a market, it is necessary to make calls at both the retail and wholesale levels to discuss prices, discounts, advertising, listings, warehouses, etc. As business practices are different from those in Canada (i.e. listings, co-op advertising, etc.), the food broker is the best equipped to navigate the intricacies of the complex food business in the U.S. Since there is no standard way to introduce a product into the market, the food broker must be patient, resourceful and imaginative. His commission will vary in accordance with the competitiveness of the market and the volume of business expected.

Retail Grocery

This is both the largest market and the most difficult and costly to penetrate. There is always fierce competition for shelf space. Most chain supermarkets charge a fee for a product to receive shelf space. These fees, or "slotting allowances", can range from \$2,000 to \$30,000 per SKU (Stock Keeping Unit). Furthermore, stores will also charge for advertising and promotion. As a result, distributors are finding it increasingly difficult and expensive to market their products in supermarket chains. In an