

- **In supply marketing**, a trading house has a formal or informal agreement to act as an international distributor (in one or more markets) for a Canadian supplier. This procedure is detailed below and much of this publication describes how to work with a trading house in this context.
- **In a demand sourcing/market driven/opportunity mode**, a Canadian trading house identifies a need for a product through its contacts, agents or representatives, and then sources for such an opportunity in Canada or elsewhere if competitive Canadian sources cannot be found.

A subsector of demand sourcing is project procurement, where companies respond to national or international tenders for projects or foreign government requirements.

If we combine the two primary modes according to whether they act as a principal or agent, the following chart provides examples, in general terms, of the major forms of trading houses.

	Principal	Agent (fee or retainer)
Supply driven	International wholesale distributor, export merchant or representative	Commissioned representative or agent, export management company
Market driven	Export merchant, buying house or agent	Commissioned agent / finder, foreign agent

The above chart is by no means inclusive and many exceptions do exist.

Trading houses may be operated in one or several of these combinations depending on their preference and the particular circumstances. Relationships with the supplier and mutual responsibilities of the supplier and trading house will differ in each situation. For manufacturers seeking a trading house to develop or to assist them in the development of markets, the two supply driven modes are appropriate. On the other hand, trading houses will frequently approach suppliers in sourcing for overseas spot transactions. While these opportunities should not be ignored, as they may develop into substantial future sales and/or market development