particular sectors, such as agri-food or telecommunications, and some focus on particular foreign markets.

Trading houses are often used by new exporters that do not want to sell directly to foreign customers or go through the process of finding a foreign agent or distributor.

Direct Sales

Selling directly to foreign customers may yield higher margins than selling through an agent or distributor and may also mean lower prices for the customer. In addition, it allows the seller to benefit from closer contact with end users. But direct distribution can also have disadvantages. Since the company will not have the services of a foreign intermediary, it will have to take the time to become familiar with the foreign market and the export process. Building a direct sales force can also entail a significant commitment of time, effort and especially money.

Partnerships

Another option is to develop some form of partnership abroad that can help you overcome the challenges of doing business internationally.

There are many advantages associated with partnership arrangements. A local partner can complement a company's capabilities, providing the expertise, insights and contacts that can make the difference between success and failure.

A well-structured partnership offers concrete benefits to both parties:

- each company focuses on what it does and knows best;
- partners share the risk;
- partnering extends each party's capabilities into new areas;
- ideas and resources can be pooled to help both sides keep pace with change;
- small firms can use partnering to take advantage of economies of scale;
- through partners, a company can approach several markets simultaneously;
- partnering can provide a firm with technology, capital or market access that it might not be able to afford on its own;
- both parties can transform the synergy gained into a competitive advantage.

Developing a Partnering Strategy

There are three basic steps in developing a partnering strategy:

- deciding whether or not partnering is appropriate for your company;
- defining the form and structure of the partnership that best suits your needs;
- finding a partner that meets your criteria and complements your strengths and weaknesses.

Before investing time and money in finding a partner, make sure that partnering makes sense for your company. If your needs can be satisfied in-house within a reasonable time frame, a partner may be unnecessary. If the problem is financial, you may be better off looking for investors instead of partners. But if, after going through these options, there is still something missing — special expertise, local market presence — then partnering should be considered.

If you determine that a partnership may benefit your company, the next step is to define its form, structure and objectives. Start by defining your company's goals and determine your own ability to achieve them. Then, define what you expect from a partnership.

There are many different types of partnerships to choose from, including joint ventures, licensing, cross-licensing, cross-manufacturing, co-marketing, co-production, and franchises. *(See Section 10, Glossary.)*