

FOREIGN DISTRIBUTORS

For the small to medium size exporter, the cost of shipping the product to the customer can be excessively high. For occasional shipments there may be no alternative, however where a significant number of similar items may need to be shipped to a unique market, a distributor may well be a valuable and cost saving component in the shipment process.

By using a distributor (sometimes called a fulfilment agent) you should be able to significantly reduce basic distribution costs by shipping in large volumes. Also packaging costs can be reduced, for example a 10kg package shipped to near Manchester, in England, the minimum cost for door to door service was about \$115, or 11.50/kg. For 250 kg shipped door to door to the same destination, the cost would be about \$300, or \$1.20/kg. Thus if you could expect to sell 25 of the units at 10kg within the UK market in a reasonably short time period, consolidation into a larger shipment and use of a distributor may be cost effective. Shipping by container load, say 1500 of the 10kg packages could reduce costs even further to about 20¢/kg.

Distributors could:

- Receive bulk shipments, maintain inventory control, undertake distribution to customers and issue periodic activity reports.
- Receive and consolidate individual consignments for forwarding.
- Act as a regional branch office.
- Assist with regional advertising and promotion.
- Negotiate favourable local rates, or piggy back business onto volume rates already negotiated.

It pays to carefully consider the relative merits of frequent small shipments vs less frequent large shipments via foreign distributors.

Distributors can also influence packaging decisions

Packaging costs may also be reduced. For example the 10kg package shipped as a single consignment would require a high burst strength carton (say 275 lb) with extensive internal packing for protection. Each carton would require export marking and labelling.

If large quantities are shipped by pallet, internal packing may be reduced to corrugated board, and the carton could be reduced to a less costly domestic 170 lb burst strength.