
Agents or Distributors: Is There a Difference?

Often the term "agent" is used imprecisely to describe a wide variety of representational options available to the exporter. The proper use of the term, however, depends on whether the "representative" is working on a commission or on a principal basis, buying and selling on his/her own account. In the first case, the representative is referred to as agent, in the latter as distributor. Often the functions of both agent and distributor overlap, further blurring the distinction between the two. Before selecting the appropriate form of representation, it is important that exporters have a clear understanding of the terms and the roles each representative plays.

Agents

Generally, exporters can authorize an agent to enter into contractual sales agreements with customers on their behalf. Agents, many of whom handle several related but non-competing lines at the same time, normally work on a commission basis, but may prefer to work on a retainer, with a separate agreement regarding expenses. Agents can offer a variety of services including market intelligence, financing and transportation advice, customs clearance assistance, identification of potential customers, and collection support.

In finalizing the sale, the agent normally obtains the order and the exporter supplies the goods and invoices the customer directly, according to the prearranged terms of credit (i.e., letter of credit, sight draft, etc.). The agent normally receives his/her commission at the time of payment by the customer. The functions of the agent and the collection process vary from country to country, and are often adapted to suit local business, legal and cultural requirements.

Distributors

Typically, the distributor buys the exporter's product, stocks it in a warehouse (depending on the frequency of sales, cost and perishability of the product) and re-sells it to the customer. In Canada, such companies are referred to as wholesale or warehouse distributors. Under these conditions, exporters may need to provide the distributor with longer terms of sale and may wish to dictate the final price to the end user. Often, distributors are in