### Foreign distributors

Unlike agents, distributors actually purchase your product or service and resell it to local customers. Often, they set the selling price, provide buyer financing, and look after warranty and service needs.

A bonus is that the distributor can usually provide after-sales service in the foreign market. On the other hand, using a foreign distributor may reduce your profit margins and result in a loss of control over your product and/or price.

## Choosing an intermediary

Canadian Trade Commissioners abroad, trade associations, business councils and banks are useful sources of information. Talking with other Canadian exporters or potential foreign customers can help you identify prospective agents or distributors.

Once you've developed a list of candidates, you should visit the market to meet with them. Talk to several firms and be very sure to check their references to make sure they are reputable.

You can also protect yourself by entering into a limited-term trial agreement. If the foreign intermediary does not meet your expectations, you can find an alternative once the trial period is over.

To evaluate a prospective intermediary in detail, use the checklist below. Be sure to tailor it to your company's particular needs and the characteristics of your chosen market.

**Size of sales force**

- How many field sales personnel does the agent or distributor have?
- What are its short- and long-range expansion plans, if any?
- Will it have to expand to accommodate your needs properly? If yes, would it do so?

**Sales record**

- Has its sales growth been consistent? If not, why not? Try to determine its sales volume over the past five years.
- What are its sales objectives for the next year? How were they determined?

**Territorial analysis**

- What territory does it now cover?
- Is it consistent with the coverage you're looking for? If not, is it willing and able to expand?
- Does it have any branch offices in the territory you wish to cover? If so, are they located where your sales prospects are greatest?
- Does it plan to open additional offices?.

**Product or service mix**

- How many product or service lines does it represent?
- Are they compatible with yours?
- Does it represent any other Canadian firms? If so, which ones?
- Would there be any conflict of interest?
- Would it be willing to alter its present product or service mix to accommodate yours, if necessary?
- What would be the minimum sales volume needed to justify handling your lines?
- Do its sales projections reflect this minimum figure?
- From what you know of the territory and the prospective agent or distributor, is its projection realistic?

**PITFALL**

**Poor distributor relations** – the exporter treats foreign agents or distributors as minor partners, giving preference to domestic distribution channels.

**TIP**

The Internet may give you another market entry strategy – online sales and marketing via the Web. Chapter 9 examines this possibility in detail.