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Supporting Foreign Agents of Manufacturers

Provisional Contract With Agent Should Give Sufficient Time to Show Results—Some Considerations in Framing a Long-Term Contract—Quotations Should be Cost, Insurance and Freight—Longer Term of Settlement Required—Foreign Business Too Often Sacrificed to Fill Domestic Orders

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(This is the third of a series of articles on Practical Exporting, the first of which was published in The Monetary Times of November 12, 1920)

ASSUMING that the Canadian manufacturer has definitely decided to give a foreign agent an opportunity to represent him in the agent's local territory, there are many things to be considered by him before he can feel that he has offered his products in that territory on a satisfactory basis.

Contracts

From the manufacturer's standpoint, the question of making and signing an agency contract is of no less importance than to the agent himself. In the first place, any contract should be on a term basis to give the agent the protection he requires, but the first contract should be a provisional one, terminable in a given time if sales results are not forthcoming. It is suggested that a minimum of six months and a maximum of twelve should be the time limit for the original provisional contract. Such time limit should be from the date the agent is actually in possession of samples, prices, catalogues, discounts and all the data necessary for him to commence a sales campaign. Otherwise, a considerable part of the time limit may be consumed in getting the "munitions of war" on the ground.

In considering the time limit, thought should be given to the sales season in the agent's country. For instance, if samples of straw hats arrive late in the spring the agent cannot be expected to book orders until buying commences for the second following summer.

The justification for a long-term exclusive contract is obviously governed by sales made during the short-term provisional contract. Just what such sales might be can only be decided upon by the manufacturer when he studies the agent's reports, the competition and the population of the country. Furthermore, the first six to twelve months' work on the part of the agent is largely of the missionary type, and even a few trial orders in that period will correspond very favorably with big orders three years later.

Provision for Long-Term Contract

Assuming that the manufacturer approves of a certain agent, the long-term contract should embody various clauses for the agent's protection, a few of which are suggested:—

(a) One clause should state the term of the contract, preferably irrevocable for three years, except by mutual consent, with the additional provision that it be automatically continued for two-year periods, provided that annual sales for a specified amount result. Such a clause justifies the agent in organizing his territory, employing sales staff, advertising, etc.

(b) Another clause should state that all enquiries from the agent's territory will be referred to him, and that he will be protected on commissions on all sales made to his territory, regardless of any orders that may be received direct from buyers.

(c) Another clause should specify to what extent the manufacturer is prepared to supply free samples and literature to the agent or his customers, and how much the manufacturer will contribute towards advertising expenses.

(d) Another clause which the agent should be entitled to is payment of part-commissions on bona fide orders from A1 buyers, but which for several reasons (not the fault of the agent or of the manufacturer's factory troubles) cannot be filled. From the manufacturer's standpoint, this is undoubtedly a penalty clause, but as long as he leaves the impression with the agent that he can fill orders, the agent continues to spend time and money to obtain them, and is entitled to at least part of his remuneration.

The Export Manager's Work

No manufacturer of small articles would think of sending out salesmen who were not equipped with samples, price lists and order forms. If he has catalogues, these are also provided to customers, but the same equipment for an Ontario salesman will not do for the South African agent, and it is the duty of the export manager to prepare the literature for his foreign agents in such a way as to meet the requirements at Cape Town, Havre, Calcutta or Yokohama, as the case may be.

Probably the most important thing required by a foreign agent is prices made up, c.i.f. at his nearest ocean port. It will be readily appreciated that a factory price at an inland Canadian town means nothing at all to a buyer in Paris, France. The agent naturally studies the subject of ocean rates, but knows nothing of Canadian railway rates, and, at the best, can only give very approximate quotations to his prospective customers, with the result that he wastes his time. The Parisian buyer immediately tells him that his English, American and other competitors quote delivered prices at French ports, and until he is prepared to do the same he need not call. The points to be considered in making up delivered prices at foreign ports will be taken up in a later article of this series, with ample illustrations.

Longer Term for Settlement

The next point with regard to prices is the question of terms of settlement. Just as the manufacturer quotes a dis-