
Trading Houses...What Are They?

The trading house concept applies to a wide variety of companies with one thing in common: they serve as commercial intermediaries between Canadian-based producers and foreign-based purchasers or consumers of goods and services.

As intermediaries, they fall into two broad categories. Some act on their own account as merchants, actually buying and selling for profit and therefore taking title of the goods sold. Others act as agents on behalf of a third party, and do not take title to the goods handled but merely receive a commission or flat fee (or both) for services rendered.

Of course, in real life things seldom turn out to be quite so simple, and the line between the two categories often tends to blur. Many of Canada's trading houses function as merchants in some cases and as agents in others, depending on the type of product involved, the requirements of clients, the preference of the trading house itself, and a host of other factors.

According to a 1983 survey and contrary to popular belief, only 9 per cent of Canadian trading companies actually specialize as agents. Trading houses are often identified by the services they provide and may take any of the following forms:

- an export management company — a trading company which takes charge of all or part of the export function on behalf of a manufacturer;
- a buying house — a trading company which sources on behalf of offshore clients;
- a procurement manager — a trading company which sources for offshore projects;
- an export consortium — a trading company, owned by several producer firms, which assumes the export function on their behalf;
- an export co-operative — a trading company which manages export functions on behalf of its members; or,
- a corporate trading company — a trading company responsible for the exports of the parent company and its affiliates.

It should be noted that most trading houses are not only involved in exporting, but also in domestic distribution, importing, and third-country business (i.e., buying and selling in foreign markets).