

The Organization for Sales in Foreign Countries

Individual and Group Representation—The Question of Staff—
Exclusive Agencies—How the General Agents Should be Paid—
Independent Sales Sometimes May be Worked Up to Large Total

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*(This is the fourth of a series of articles on Practical Exporting, the first of which was published in
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A PREVIOUS article in this series has dealt with various initial means by which the manufacturer could get into the foreign field with his products, ultimately boiling down the result to a decision on branch offices, agencies, or individual customers obtained through advertising, etc.

1. Branch Offices

There are two distinct forms of foreign branch offices which have been tried by Canadian manufacturers and which have proved successes in some cases and failures in others. One is the branch office of the individual manufacturer and the other a branch office of a group of manufacturers of the same or allied products. There are also possibilities of having one foreign office with salaried staff representing a geographical group of manufacturers, for instance, those of one Canadian city, but this would probably develop more into a board of commerce representation rather than a successful sales organization.

(a) The Individual Manufacturer's Office

Some years ago a member of a wealthy Canadian firm went abroad with a bold policy of branch offices and salaried staffs. To-day, that firm's factory premises would cover a large farm and their annual output always runs from 50 to 60 per cent. export business, and the balance domestic, although their name is almost a household word in Canada. This is, of course, the most outstanding case of the success of foreign branch offices among the Canadian manufacturers, but probably only because others have not yet made such a bold bid for export trade and also because the majority cannot afford to experiment.

The decision on the forming of a branch office in a certain country can only be made advantageously by a personal visit to that country by a responsible head of a firm or their export or sales manager, as suggested previously, but certainly, as a general rule, it may be taken for granted that the initial introduction of goods should be through competent agents. If a branch is subsequently desired, the terms of the agents' contract must be met to mutual satisfaction before the office can be opened. This is sometimes done through a basis of compensation to the agent and occasionally by the absorption of the agent in the capacity of branch manager. The latter has a great deal to commend itself as the agent knows his old customers and the trade peculiarities of his own country. On the other hand, a branch manager sent from the head office or factory in Canada has probably got an accurate idea of factory conditions and an intimate knowledge of head office policies, besides being filled with the esprit de corps of his firm. However, if the agent is a capable executive he can probably be brought over to Canada for an intensive training with very satisfactory results.

The question of the branch manager's staff is also important. In England, a complete Canadian staff would prove satisfactory, but this is not the case in countries of a different language. In India, for instance, no white man can successfully approach the native buyers, and sales staffs invariably include native "brokers."

However, all foreign branch offices should have a man trained by the manufacturer on the staff in a responsible position.

(b) The Group Manufacturers' Office

To successfully operate a group sales office abroad the most important thing is to have every member of the group thoroughly understand the basis of operation and co-operation before a foreign manager is appointed or an office opened. Assuming that a group of apple packers undertook to open an office in France, they must co-ordinate their policy of export sales and arrange the distribution of orders as well as expenses. Each must be prepared to fill his orders as received by the group office. Furthermore, the group office must be careful to see that each member of the group is given every opportunity to get his fair proportion of business or jealousies will soon break up the group. The first benefit of group operation is, of course, economy in the foreign office overhead. The greatest benefit, however, is that the foreign manager represents such powerful principals that he is able to undertake big contracts, arrange exhibits, etc., and generally do things on a bigger scale and more effectively than his competitors.

2. Exclusive Agencies

Next to the salaried branch offices, the favorite basis of representation is by an exclusive agent. The selection of that agent is always a difficult problem and opinions vary considerably as to what kind of man or firm forms the best representative. Most manufacturers desire a man who is more or less of a specialist in their line. For instance, a manufacturer of woollen piece goods prefers an agent who has been "born and brought up" in textiles. However, such a qualification is only part of the battle. Probably the most important qualification is character and clientele. The agency which has the entree to the big buyers will eventually produce bigger sales than a smaller concern which has more technical knowledge of the goods, but lesser influence, for the excellent reason that the actual buyers have their own opinion of samples and prices without being told their own business by a salesman. Therefore, if the product is good and prices meet competition, the principal duty of the agent is to get a favorable hearing, and it is easier for a well-established house to get this than for an unknown agent, regardless of the latter's technical knowledge. Of course, a combination of character, popularity and experience is ideal.

The question of the agent's financial status is a minor matter if he is acting as a broker only, and for most purposes a manufacturer is better represented by a broker than by a jobber or trader. The latter system resolves itself into the manufacturer having only one customer and, no matter how many sales he makes to his agent, he could rest assured that the agent's trading profit has killed a good deal of the market which would have developed had the agent been a broker and quoted the manufacturer's prices to all the jobbing and wholesale houses he could get into.

With regard to the "exclusiveness" of an agent, it may be taken for granted that not one agent out of a hundred will attempt to sell goods in a market where his buyers are at all liable to receive the same samples and quotations from a rival. He could not afford to advertise, as he would be assisting his rivals by every penny he spent. Neither would he send out a sales staff on such products, as they would undoubtedly earn more by working on the products for which they knew they were protected on all sales.