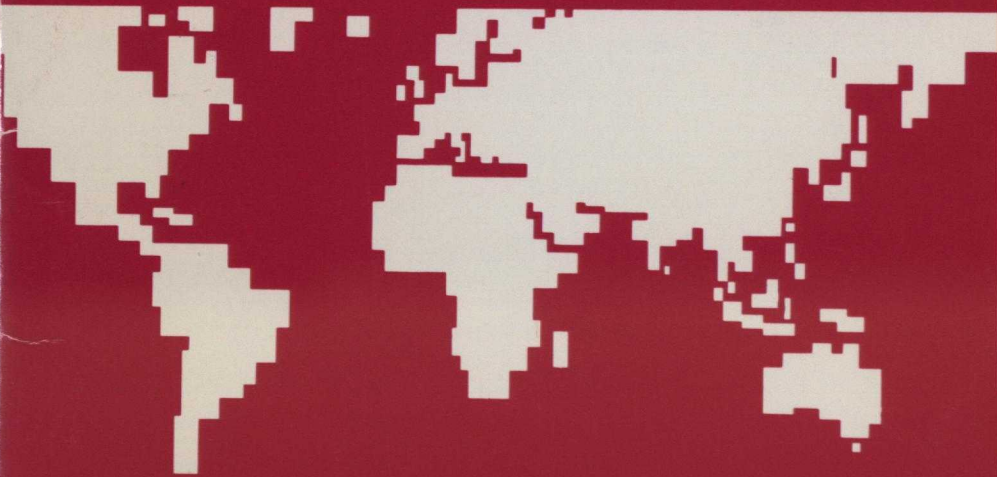


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*Selecting and Using
Foreign Agents and
Distributors*



External Affairs and
International Trade Canada

Canada

(Publié également en français)

Selecting and Using Foreign Agents and Distributors



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Dept. of External Affairs
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Foreword

This publication on selecting and using foreign agents and distributors is one in a series of publications aimed at addressing the distribution and transportation needs of Canadian exporters. Other publications in this series that are currently available include *Export Markets: The Trading House Connection, Selecting and Using Manufacturers' Agents in the United States* and the *Countertrade Primer for Canadian Exporters*. Forthcoming releases in this series include *The Exporter's Guide to Transportation, Documentation and Documentary Credits* and *Safe Stowage*.

Novice exporters are encouraged to study the publication *Export Guide: A Practical Approach* before embarking upon these more detailed and technical publications. The sources for all the above-noted releases are provided in Appendix B at the end of this book.

Exporters are invited to submit to the address below their comments regarding this publication and suggestions for others which may be useful to them in the course of improving their export performance.

Business and Transportation Services Division
External Affairs and International Trade Canada

Introduction

This publication is designed for exporters who, as part of their marketing strategy, are examining foreign market representation options, and for companies that have received an unsolicited proposal from a potential agent or distributor and require guidance in the assessment process.

The guidelines in this publication are intended to assist exporters in the following steps:

- identifying a number of potential agents or distributors;
- evaluating their suitability;
- developing and negotiating a proper contract;
- working with the agent or distributor to maximize results and mutual benefits; and
- terminating the arrangement, if circumstances require.

This publication is directed toward the use of foreign representation in countries other than the United States; the latter is covered by the publication *Selecting and Using Manufacturers' Agents in the United States* (see Appendix B).

The guidelines in this publication are just that — guidelines. While they are intended to cover as many potential products, markets and situations as possible, not all suggestions will apply to every situation. Exporters are advised to contact a Canadian trade commissioner in the specific market area to determine what considerations, if any, may apply to the appointment of an agent or distributor in that country (see the *Directory of the Canadian Trade Commissioner Service* listed in Appendix B). This publication is not intended to address the issue of developing a proper corporate export marketing plan or strategy. This subject is covered in the publication *Export Guide: A Practical Approach* (see Appendix B).

If you require additional assistance or have other export-related questions, please contact your local International Trade Centre (see Appendix A) or call InfoExport toll free at 1-800 267-8376.

Specific questions regarding this publication should be addressed to:

Business and Transportation Services Division
External Affairs and International Trade Canada
125 Sussex Drive
Ottawa, Ontario
K1A 0G2
Tel: (613) 996-1862
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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

a position to provide after-sales service, and should this be a requirement, the distributor's ability to provide such service will be an obvious factor in the selection process.

Locating an Agent or Distributor

Before negotiating an agreement with an agent or distributor, the exporter should have a good knowledge of his/her own firm's capabilities, potential and objectives in the particular market. The exporter should also develop a price list for the target market, preferably on a C.I.F.-basis and in a locally accepted currency — normally in U.S. dollars or a major European or Asian currency (see Appendix C for sample pricing procedure). As part of the export process, transportation options, costs, frequency of delivery, customs documentation, etc. should also be investigated thoroughly. A freight forwarder will be able to assist in this process (see Appendix A for information on the membership directory of the Canadian International Freight Forwarders' Association).

Many established business networks can assist exporters in locating a reliable agent/distributor. However, exporters are cautioned that, when developing a working relationship with an agent/distributor, there is no substitute for personal contact.

External Affairs and International Trade Canada (EAITC)

EAITC is a good starting point in locating an agent/distributor. Trade commissioners and locally engaged commercial officers in Canadian embassies and high commissions worldwide have access to the names of competent and reputable agents/distributors. In addition, trade commissioners (see *Directory of the Canadian Trade Commissioner Service* listed in Appendix B), together with geographic trade development officers in Canada (also listed in the above-noted directory), can frequently provide the names of successful Canadian exporters selling complementary products. These firms may be willing not only to share their representative, but also to provide a great deal of information on the competence and reliability of a particular candidate. Trade commissioners can also offer advice on any special conditions or legislation that govern the appointment of an agent/distributor in a particular market and which may be very important during contract negotiations.

When corresponding with a Canadian post abroad, exporters should include a corporate profile, product brochure and price list. Such information will assist the post to make appropriate recommendations.

Banks

Through their affiliates and correspondent banking relationships, Canadian banks have access to a large number of international business contacts. In addition, foreign banks operating in Canada have excellent contacts in their home markets. Introductory services offered by banks are normally free of charge and fairly expeditious. Where there is an urgent need to receive the names and addresses of suggested agents/distributors, banks are usually willing to issue the information by cable or fax, but sometimes request that the exporter cover the costs of the transmittal.

While banks are geared to provide financial information on agents/distributors, they are not in the business of providing an assessment of their selling or after-sales servicing abilities.

Chambers of Commerce

The Canadian Chamber of Commerce network links many of the world's chambers and boards of trade. By tapping into this network, exporters may be able to locate an agent/distributor who can best serve their particular interests in a foreign market. Companies or individuals recommended by a Chamber of Commerce are normally reputable and reliable.

Contact your local Chamber of Commerce or the Canadian Chamber of Commerce Head Office in Ottawa (Tel: (613) 238-4000) for further information.

Industrial or Trade Associations

Trade organizations that maintain an export advisory section can assist exporters in locating an agent/distributor by contacting their counterpart in a particular market. Many associations publish regular bulletins or newsletters which list companies in search of an agent/distributor and vice versa.

The Canadian Exporters' Association, either through its international offices or business ties, or through its own membership, can often make helpful suggestions. They can be contacted by telephone at (613) 238-8888 or by fax at (613) 563-9218.

Trade Shows

Regional trade shows are another good source for locating prospective agents/distributors. Participating manufacturers with complementary but non-competing lines may be willing to discuss their marketing arrangements.

Other Exporters

Association or industry colleagues in Canada can often provide valuable information about their own experience in the international marketplace and, providing there is no conflict of interest, may be willing to recommend their own agent/distributor.

Assessing the Agent or Distributor

Once a list of potential representatives has been developed, the next step is to assess their suitability. To narrow down the field, it is recommended that the exporter design a questionnaire and forward a copy to each prospective candidate. From the replies, the exporter will be able to draw up a list of questions for the personal interview.

The questionnaire should be prefaced with a short description of the exporter's company, its products and its goals in the foreign marketplace. Do not hesitate to follow up an inquiry with a telephone call. This will signal the seriousness of your intent. Although questions will vary according to specific product requirements, they should include:

- types of products the agent/distributor currently handles;
- names of other firms represented by the agent/distributor;
- date the company was founded;
- growth of the company over the last several years;
- frequency of regular company visits;
- after-sales service capability, if required; and
- names and addresses of credit references.

Based on the answers to the above questions, a short list of potential representatives can be developed and a more detailed list of questions prepared for the second round of the screening process. These should include:

- name, age, educational background, and work experience of senior executives and sales personnel;
- average turnover per product;
- average order size;
- number of calls per month per salesperson;
- number of annual visits to customer;
- potential of the product in the specific market;
- promotional arrangements and costs;
- current warehouse facilities;
- transportation arrangements; and
- names of trade associations to which the firm belongs.

The Personal Interview

Once a short list of potential representatives has been developed, the next step is to arrange a personal visit to the marketplace. However, before the visit, exporters should check the business and bank references provided by the distributor/agent. Reference checks can save time and money by eliminating those representatives with whom you share few business interests. If possible, the exporter should arrive several days in advance of the appointment(s) in order to survey the market and observe the local business environment. Should there be a trade show scheduled at the time of your visit — although not necessarily in the same field — it may be useful to attend as an observer to learn more about local business customs, packaging preferences, etc.

The exporter should also notify the Canadian embassy or high commission of the impending visit, so that the commercial officer can assist with final

details, such as arranging the time and location of the interview. Often, embassies can provide space for the interview or for the display of product samples and literature.

The purpose of the personal visit is to confirm the information collected previously, to explore further subjects that were not covered in preliminary correspondence, and to clear up any questions left unanswered or not answered satisfactorily on the initial questionnaire. How you and the agent/distributor interact personally is indicative of the potential success and longevity of the future relationship. The key to any successful business venture — and especially those which are carried out across great distances — is the ability of each party to communicate effectively and act interdependently as part of a team.

Although it is rare to sign an agent/distributor at the first meeting, the personal interview — because of the substantial travelling costs involved — should be conducted by a corporate official with the authority to approve the final appointment. In order to get a first-hand view of the company's operation, it is preferable to conduct the interview at the agent/distributor's own premises.

To evaluate the results of the interview objectively, each agent/distributor should be asked the same questions. All questions should be succinct and not phrased in such a way as to invite answers that the candidate believes you are seeking. Be aware of how the agent/distributor reacts to your questions or tries to under- or oversell the company's abilities.

Some additional guidelines have been set out below to assist you in developing a list of questions for the personal interview. Particular attention should be paid to those questions which relate directly to the market potential of your product and the agent/distributor's ability to represent you effectively.

Questions concerning the company

- number of employees;
- role of owner;
- expansion plans;
- number of branch offices;

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- present and projected sales;
 - type of facilities (warehouse space, outlets, method of inventory control, office equipment, communication facilities, etc.);
 - promotional material (corporate brochure, etc.);
 - financial position;
 - size of current inventory, stocking policies;
 - self-assessment of corporate strengths and weaknesses; and
 - capacity to service new accounts or lines.

Questions concerning customers, products and market

- geographic area and market sectors covered;
- names and lines of current customers;
- names and lines of other companies represented;
- promotional and marketing programs (trade shows, etc.);
- after-sales service capabilities;
- minimum sales levels;
- sales and payment terms;
- protection against local patent infringements; and
- customer education programs.

Follow-up

In contrast to this objective comparison of each distributor/agent, the next step is based on a much more subjective evaluation. How did the agent/distributor act during the interview? Was he/she enthusiastic, realistic, credible? What was the nature of the personal chemistry between you and the interviewee? This last question will, perhaps more than any other, be indicative of your ability to work together successfully.

Following the personal interview, write to the distributor/agent outlining all the important issues covered during the meeting and inviting comment on any discrepancies.

Negotiating the Contract

Often, companies approach business on an ad hoc basis, but later on decide that a contract would be useful for a long-term relationship. If the exporter chooses to conduct business without a contract, each quotation, purchase order and invoice must provide very clear and detailed information about the transaction.

There are not only two parties to each contract, but also two sides — the business side and the legal side. On the business side, the exporter and the agent/distributor should reach agreement on the objectives of the relationship and set them out in writing prior to negotiating and finalizing the contract. These preliminary documents can also serve as a work plan. Once there is agreement as to each party's responsibilities, legal advice should be sought to ensure that the following criteria are met in drafting a contractual agreement:

- the phraseology clearly and concisely sets out the objectives and each party's responsibilities in attaining them;
- the contract does not infringe the laws of either the exporter's or the agent/distributor's country; and
- the implications of the contract do not put either party at a disadvantage under the tax laws of either country.

The Essential Elements

In order to avoid any conflict, it is suggested that the contract cover the following issues:

- identification of the parties to the agreement;
- purpose of the agreement (one party agrees to appoint the other as an agent/distributor and the other agrees to act as agent/distributor, subject to the terms and conditions set out);

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- products to be represented by the agent/distributor (should also contain a clause stating that the exporter reserves the right to discontinue manufacture of any product upon due notice);
 - geographical and sectoral territory to be covered;
 - duties of the exporter (should include such issues as the exporter's right to deal with other agents or to sell directly within the territory);
 - duties of the agent/distributor;
 - exceptions, reserves, undertaking not to compete, or other restrictions;
 - appointment of sub-agents;
 - exporter's trademarks, patents and symbols;
 - exporter's method of quoting;
 - acceptance of orders by the exporter;
 - method of purchase and sale by the agent/distributor;
 - goods purchased on consignment;
 - customer complaints;
 - inventory and spares maintained in the market area;
 - force majeure — freeing the exporter from responsibility for late delivery caused by force majeure. The exporter shall advise the agent immediately and, when required and where necessary, supply a certificate;
 - optional or permissive clause allowing the agent to purchase goods elsewhere should the exporter be unable to meet competition or for any other reason be unable to supply goods;
 - commission or mark-up. Where the agent does not act as principal, the wording would deal with the percentage of sales commission and terms of payment. If the agent does act as principal, the wording should clearly state the exporter's right to determine mark-ups to ensure product competitiveness;

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- method of calculating commission and terms of payment;
 - promotional charges (should indicate clearly how the promotional costs will be borne by each party);
 - period reports (should cover the agent/distributor's responsibility for filing regular sales and activity reports and the exporter's responsibility for apprising the representative of changes and developments within the company or to the product line);
 - general conditions — that the agent shall not commence legal proceedings in the name of the exporter without his/her authorization and that the representative shall not divulge confidential information pertaining to the exporter's business;
 - duration (including timeframe covered by the contract, terms of renewal and of termination prior to expiry date);
 - conditions for early termination by either party and length of any notice periods;
 - termination indemnity;
 - return of documents and samples by agent/distributor;
 - breach of agreement — if one party is found guilty of not carrying out certain terms of the contract, the other party has the right to serve notice of termination;
 - law governing the agreement and dispute resolution (should include the applicable law governing the contract and the method of settling any dispute); and
 - assignment — the benefits and obligations of the agreement may not be assigned without the consent of both parties.

Two excellent publications on agency agreements are: *Commercial Agency: Guide for the Drawing Up of Contracts*, available from Chambers of Commerce (see Appendix A) and C.M. Schmitthoff, *Agency Agreements in the Export Trade* (with specimen agreements), 9th ed., 1990, available from The Carswell Company (see Appendix A). There is a charge for both these publications.

Potential Problem Areas

Despite well-laid plans and carefully constructed contracts, there are any number of situations which could require recourse to the contract for settlement. The following are among the more common examples:

- Was the agreement made with an individual, firm or both?
- Can the exporter find him/herself represented by a new agent if the original agent/distributor has the right to assign the contract?
- Which contract is considered to be the original for interpretation purposes? The one signed in the language of the exporter or that written in the language of the agent/distributor?
- Should the exporter wish to introduce a new product to the market, is he/she at liberty to appoint another agent/distributor?
- Is the agent/distributor representing the firm rather than a specific product?
- Is a commission payable if an order in the assigned territory originates from someone other than the agent/distributor?
- Is the exporter at liberty to sell to incoming buyers from the agent's territory who refuse to purchase through an intermediary?
- Is commission calculated on gross or net sales?
- Are discounts calculated on the gross or net value of goods?
- What is the agreed method of quoting?
- Who is responsible for payment of inward customs clearance, inspections and inland freight?
- Who is responsible for insuring goods in transit or held on consignment?
- If the exporter fails to meet delivery requirements can the agent purchase from an alternate source?
- What are the conditions for termination and what compensation is available for premature termination?

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- Is the agreement for a fixed time period and what is the renewal procedure?

It is highly recommended that specific clauses to cover any of these questions, as well as additional issues of importance to your company's welfare, be included in a comprehensive agreement. Exporters entering into any contractual agreement should first seek legal advice.

Support and Training

Successful business partnerships are built on trust and co-operation, which are strengthened by open and frank dialogue. Separated by thousands of miles, as well as by cultural and language differences, exporters and their representatives must develop an effective communications network.

The following are some suggestions for keeping the lines of communication open and for strengthening the relationship between you and your agent/distributor abroad.

Public Relations

Inform your current and potential customers of your new relationship. It might also be worthwhile to make an announcement to your industry colleagues. Consider the following options for spreading the news:

- Draft articles and press releases targeted to local media, regional and national trade journals.
- Send a letter to the agent/distributor's current and potential customers, announcing your new line and enclosing a product catalogue or other promotional material.
- During your next visit to the region, call on key customers who are likely to be volume purchasers with your representative.

News Bulletins

Bring your agent/distributor "closer to home" by issuing regular newsletters to keep him/her abreast of new developments and future plans. Whether you choose the visual appeal of a hard copy newsletter or the timeliness of a fax letter, take time in developing a communication vehicle that covers such

issues as staff appointments, new products and price changes, as well as personal news about foreign staff or major achievements in international markets. Include contributions from your agent/distributor — they provide an excellent means of cross-fertilization of news and ideas between you and your foreign representative.

Promotional Material

Not all sales literature produced by the home office is suitable for the international marketplace. Often it stresses the wrong points in the wrong language or loses its impact in translation. The key to producing effective sales material for a foreign market is to get your representatives involved. Ask for their advice. After all, they know the market best. Encourage them to contribute to the copy; when the finished material arrives at the agent's office, he or she will be much keener to use it.

Telephone, Telex and Fax

They are the key to modern-day communication, so use them to your advantage. Encourage telephone conversations between home-based officers and the agent/distributor; they allow for a much more personal approach than a letter. However, any important business details discussed over the telephone should always be confirmed by letter, especially where language differences could lead to misinterpretation. Telexes and facsimiles are preferred over letters, not only for expediency's sake, but because the direct link reinforces the representative's feeling of being more closely connected to head office.

Personal Visits to the Market — Make Them Count

The personal visit is the cornerstone of the successful exporter-representative relationship. Unfortunately, few exporters visit their agent/distributor often enough. When they do, however, they find that the visit allows them to review progress in the area, solve problems or detect potential problems, and stimulate and encourage the representative to increase sales efforts. It is important that each visit be made by the same company officer, as it takes time to build trust and mutual understanding between two parties when they meet only once or twice yearly for relatively short periods. Financial support for visiting foreign markets is available from the Program for Export Market Development, information on which is available from the International Trade Centres (see Appendix A).

Every sales tour should have clearly defined objectives. These may include:

- persuading the agent/distributor to take on a new line;
- revising the rate of commission;
- persuading the distributor to carry more inventory;
- advising the representative of the benefits of exhibiting at trade shows;
- persuading the representative to absorb more of the promotional costs; or
- setting new sales targets for the following year.

The agent/distributor should always be presented with a duplicate copy of any report that outlines what agreement has been reached on any of the above-mentioned objectives. If the agent/distributor fails to live up to this agreement, he/she can be reminded during the course of the year. The agent/distributor should also be recognized when he/she meets new targets established during the visit.

In order to maximize the benefits of the foreign visit, it is suggested that the exporter give two to three months' advance notice of the trip and confirm with the agent/distributor that the dates are convenient. The exporter should also ask the representative to prepare a list of possible calls to be made together with a view to strengthening contacts with established customers and breaking ground with new ones.

Bearing in mind that many representatives serve more than one client, the exporter should allow the agent/distributor and the customer time during the sales call to discuss other matters. This will prevent the distributor from feeling uneasy over the amount of time allocated to one account when, perhaps, other clients are breathing down his/her neck.

The exporter may also use the occasion of the personal visit to set up meetings with other contacts and to reply to inquiries received directly from the territory. When visiting foreign markets, it is suggested that the exporter go armed with the following information, which will demonstrate to the agent/distributor that he/she is well informed on current market conditions and will be aware of any laxity on the representative's part. Market knowledge should include: sales to date, compared to the same period in previous years and to progress in other territories; statistics on market trends; comparative market share by other competitors; and overall progress in the market (i.e., whether sales are up or down).

The foreign visit also provides the exporter with an opportunity to update individual client cards, which are invaluable should the relationship with the agent/distributor break down. Client cards should contain the following information:

- name of main company contact and title;
- address, telephone, telex and fax numbers;
- method of payment;
- payment experience;
- packaging requirements;
- order size and history;
- personal notes (birthday, number of children, hobbies, favourite restaurants, etc.);
- duration and subject of call; and
- follow-up required and date completed.

Incoming Visits

Not all problems can be sorted out in one short visit to your foreign sales territory. Often the best solution is to bring the agent/distributor to your headquarters to meet with the top executives. The incoming visit serves a multitude of purposes. It allows the agent/distributor to get a first-hand look at your operation and how such activities as accounting, shipping, design and production influence the marketing of the product. The visit can also be combined with technical training sessions or promotional seminars which will enhance the representative's own understanding of the product.

Conferences

Some exporters prefer to organize a conference to bring all their agents/distributors together at one time, often planning it to coincide with a new product launch. This occasion gives both the exporter and the various representatives the opportunity to exchange ideas, discuss and solve common problems and to plan possible multilateral business strategies for

the future. The conference is also an excellent opportunity to recognize those agents/distributors who have achieved tremendous sales increases. Through such recognition, the exporter clearly signals his/her awareness and appreciation of the representatives' efforts on the company's behalf.

Trade Shows

Participating with your agent/distributor at national or regional trade shows is another means of developing a closer working relationship. Ideally, however, your participation should coincide with a general visit to the territory because of the substantial travelling costs involved.

Motivating the Agent/Distributor

The key to maximizing sales to any offshore market is to find ways of motivating the agent/distributor. Some of the more successful methods include:

Contract Clauses

A legal agreement can serve as an action plan. Clauses can set sales targets, detail financial incentives and define penalties if targets are not achieved. Agreements can be phrased so that it is compulsory for an agent to bring in a set amount of new business annually, or face termination of the contract. Exporters can hold the agent to the terms of the contract, provided the market has not been saturated.

Bonuses

Without some type of incentive, agents may not try to increase current sales levels. One of the most effective ways of motivating an agent to meet or surpass sales targets, market new products or old products in new territories is to offer a cash bonus. Similarly, distributors can be motivated by volume discounts which would, in turn, bolster profit margins. Before offering a bonus, consider the tax implications. Cash is taxable; some other form of bonus may be preferable.

Assessing Performance

Often exporters know the least about those agents/distributors located in the most unsuccessful markets. In many cases, agreements have been terminated when, in fact, the fault lies not with the representative but with the exporter, the product or the competition.

Developing new markets is a long process and agents/distributors should not bear the brunt of cyclical difficulties. When a representative is wrongfully fired, it is often the principal's reputation that suffers. It is essential, therefore, to have a clear picture of the agent/distributor's performance before evaluating his/her worth. The review process can be achieved through comparative performance charts or by an objective assessment of the support provided to the representative.

Comparative Performance Charts

These charts not only record the company's overall progress in export markets, but, at the same time, permit the foreign representative to compare sales in his/her territory with the general trend. The comparison allows the agent/distributor to judge his/her performance against the norm, and should termination occur, it will not come as a surprise. Information contained in a comparative performance chart should include sales by product for each territory, the market share of the product in relation to the main competition, and the rate of sales increase by product.

Where there is a general loss in the average order size in favour of the same competitor in a number of markets, the exporter should look to his/her own product and support systems for the cause of the decline.

The Objective Assessment

Where the charts clearly indicate that the representative's performance is not up to expectations, it is preferable that the exporter determine whether all the proper support systems are in place, rather than suffer the consequences of wrongly terminating the contract. A regular objective assessment will provide the exporter with a much clearer perspective. The assessment should incorporate the answers to the following questions:

- What percentage of the agent/distributor's total revenue will be generated from representing the product?

-
- Is the time the agent/distributor allocates to promoting the product cost-beneficial in comparison to other products?
 - How frequently does a corporate officer visit the market?
 - Is there frequent and adequate communication from head office?
 - Does the agent/distributor have confidence in the product?
 - Is there satisfactory sales support in the area of pricing, new products, sales literature, and technical advice?
 - Is the promotional budget sufficient to match the efforts of the competition?
 - Is the exporter thoroughly familiar with the market and any problems the agent/distributor has encountered in the past?
 - Have previous problems been resolved?
 - Is the agent/distributor routinely brought to headquarters to be updated on new products, selling techniques and promotional campaigns?

Terminating the Contract: Reducing the Risks

If a thorough review of an agent/distributor's performance reveals that the contract should be terminated and a new representative found, the termination must be carried out in accordance with the terms of the contract, and both parties must fulfil their contractual obligations. After all termination risks have been identified, the exporter, along with the outgoing representative and the incoming agent/distributor, should determine who will assume responsibility for minimizing the risks.

Before announcing cancellation of the contract, the exporter should gather the following information:

- repercussions caused to the agent/distributor's total business by the loss of the account;
- stock in transit;

-
- stock on order (value and quantity);
 - estimated total inventory and time period for depletion;
 - advertising and promotional activities in progress;
 - special events and festive periods during the notice period; and
 - names of contacts for major accounts.

The exporter then has to assure him/herself that the incoming representative will fully co-operate with the risk reduction plan. For example, will the new agent/distributor purchase the former representative's stock? And will he/she assist in defraying the cost of recent promotional programs?

The exporter may wish to "sweeten the pot" for the new distributor by covering some of the costs associated with the transfer of stock. Stock valuation is often a point of contention because of differences in exchange rates between the time the goods were originally purchased and the actual date of transfer, and the impact of interest costs on the value of slow-moving stock which the new agent does not want.

The primary objective in any transition period is to eliminate all claims against the exporter by the outgoing agent. The secondary objective is to reduce the risks related to products out of stock, overstocking, price stability and delivery.

A Final Word

Companies seeking to enter the international marketplace indirectly through Canadian trading companies (see *Export Markets: The Trading House Connection* — Appendix B) or directly through agents and distributors must examine their relationship with their representatives very carefully. The success of any export operation depends on the quality and effectiveness of its representation abroad. A business is only as good as the people who represent it and, in the international marketplace, a sense of partnership is integral to achieving export goals.

APPENDIX A — Useful Addresses

Canadian Chamber of Commerce

Head Office
55 Metcalfe Street
Suite 1160
Ottawa, Ontario
K1P 6N4
Tel: (613) 238-4000
Fax: (613) 238-7643

Canadian Chamber of Commerce

Montreal Branch
1080 Beaverhall Hill
Suite 1430
Montreal, Quebec
H2Z 1T2
Tel: (514) 866-4334
Fax: (514) 866-7296

Canadian Chamber of Commerce

Toronto Branch
120 Adelaide Street West
Suite 2109
Toronto, Ontario
M5H 1T1
Tel: (416) 868-6415
Fax: (416) 868-0189

Canadian International Freight Forwarders' Association

Box 929
Streetsville, Ontario
Tel: (416) 567-4633
Fax: (416) 542-2716

The Carswell Company

2075 Kennedy Road
Scarborough, Ontario
M1T 3V4
Tel: (416) 609-3800

International Trade Centres

External Affairs and International Trade Canada and Industry, Science and Technology Canada have established **International Trade Centres (ITCs)** across Canada to assist first-time and experienced Canadian exporters by providing export publications, recruiting participants for trade fairs and missions, and providing a wide range of services to companies seeking export counselling, technology transfer or joint ventures with foreign investors. For further information contact the ITC nearest you.

ITCs are co-located with the offices of Industry, Science and Technology Canada except in the Northwest Territories and Yukon.

Newfoundland

International Trade Centre
P.O. Box 8950
Suite 504, Atlantic Place
215 Water Street
St. John's, Newfoundland
A1B 3R9
Tel: (709) 772-5511
Telex: 016-4749
Fax: (709) 772-2373

Prince Edward Island

International Trade Centre
P.O. Box 1115
Confederation Court Mall
134 Kent Street, Suite 400
Charlottetown, P.E.I.
C1A 7M8
Tel: (902) 566-7400
Telex: 014-44129
Fax: (902) 566-7450

Nova Scotia

International Trade Centre
P.O. Box 940, Station M
1801 Hollis Street
Halifax, Nova Scotia
B3J 2V9
Tel: (902) 426-7540
Telex: 019-22525
Fax: (902) 426-2624

New Brunswick

International Trade Centre
P.O. Box 1210
Assumption Place
770 Main Street
Moncton, New Brunswick
E1C 8P9
Tel: (506) 851-6452
Toll free (New Brunswick only):
1-800-332-3801
Telex: 014-2200
Fax: (506) 851-6429

Quebec

International Trade Centre
Stock Exchange Tower
800 Victoria Square, Suite 3800
P.O. Box 247
Montreal, Quebec
H4Z 1E8
Tel: (514) 283-8185
Telex: 055-60768
Fax: (514) 283-8794

Ontario

International Trade Centre
Dominion Public Building, 4th Floor
One Front Street West
Toronto, Ontario
M5J 1A4
Tel: (416) 973-5053
Telex: 065-24378
Fax: (416) 973-8161

Manitoba

International Trade Centre
P.O. Box 981
330 Portage Avenue, 8th Floor
Winnipeg, Manitoba
R3C 2V2
Tel: (204) 983-8036
Telex: 07-57624
Fax: (204) 983-2187

Saskatchewan

International Trade Centre
105-21st Street East, 6th Floor
Saskatoon, Saskatchewan
S7K 0B3
Tel: (306) 975-5925
Telex: 074-2742
Fax: (306) 975-5334

International Trade Centre
1955 Smith Street, 4th Floor
Regina, Saskatchewan
S4P 2N8
Tel: (306) 780-6108
Telex: 071-2745
Fax: (306) 780-6679

Alberta

International Trade Centre
Canada Place
9700 Jasper Avenue, Room 540
Edmonton, Alberta
T5J 4C3
Tel: (403) 495-2944
Telex: 037-2762
Fax: (403) 495-4507

International Trade Centre
510 5th Street S.W., Suite 1100
Calgary, Alberta
T2P 3S2
Tel: (403) 292-6660
Fax: (403) 292-4578

British Columbia

International Trade Centre
P.O. Box 11610
900-650 West Georgia Street
Vancouver, B.C.
V6B 5H8
Tel: (604) 666-0434
Telex: 04-51191
Fax: (604) 666-8330

Industry, Science and Technology Canada

Northwest Territories

Industry, Science and Technology Canada

Precambrian Building

P.O. Bag 6100

Yellowknife, N.W.T.

X1A 2R3

Tel: (403) 920-8568

Fax: (403) 873-6228

Yukon

Industry, Science and Technology Canada

108 Lambert Street, Suite 301

Whitehorse, Yukon

Y1A 1Z2

Tel: (403) 668-4655

Fax: (403) 668-5003

APPENDIX B — External Affairs and International Trade Canada Publications

The publications listed relate to exporting assistance available, general export guides and those specifically covering other forms of export representation. These are available by contacting InfoExport toll free at 1-800-267-8376, or your nearest International Trade Centre listed in Appendix A. Other publications covering country-specific marketing guides, sectoral studies, lists of trade shows and export assistance programs are also available from these sources:

Directory of the Canadian Trade Commissioner Service

Export Guide: A Practical Approach

Selecting and Using Manufacturers' Agents in the United States

So You Want to Export

Export Markets: The Trading House Connection

Council of Canadian Trading Houses Membership Directory

Countertrade Primer for Canadian Exporters

CanadExport. A bi-monthly trade newsletter with a national circulation of 54 000, it provides readers with information on international trade opportunities, new projects offering export potential, changes in government programs and assistance, forthcoming events (e.g., trade fairs, missions and conferences) and export success stories and winning strategies. To subscribe free of charge contact InfoExport.

APPENDIX C — Sample Export Price List*

1. Product Cost		Domestic Market	Non-U.S. Export Markets
Materials		\$ 3.15 c	\$ 3.15 c
Labour		5.35	5.35
Factory Burden		1.30	1.30
Administration		5.75	2.75
Total Domestic Market Selling Costs		5.25	N/A
Total Export Admin. Selling Costs		N/A	1.95
Advertising — Literature		1.05	.25
2. Export Cost	Total Product Cost >	21.85	14.75
Crating		N/A	1.30
Forwarding: i. Documentation		N/A	.60
ii. Product Insurance		N/A	.30
	Sub-Total >	21.85	16.95
Deduct: Duty Drawback		N/A	— .80
	Cost Before Profit >	21.85	16.15
Add: Targeted Profit		+ 2.20	+ 1.60
	Basic Selling Price >	24.05	17.75
Add: i. Federal Sales Tax		2.16	N/A
ii. Agents Commission Abroad (% of B.S.P.)		N/A	+ 2.67
iii. Bank Interest on Term Sale		+ N/A	+ N/A
3. Export Shipping Cost	Ex Works Sales price (C\$) >	26.21	20.42
Add: i. Inland Freight			+ 1.40
ii. Wharfage Charge			+ .35
	Total (F.O.B. Cdn. Port) (C\$) >		22.17
Add: i. Ocean Freight			+ 1.70
ii. Marine Insurance			+ .35
	Total C.I.F. (Cost Insurance & Freight Port of Entry) (C\$) >		24.22
	Convert (At a Current Exchange Rate) US\$		20.59

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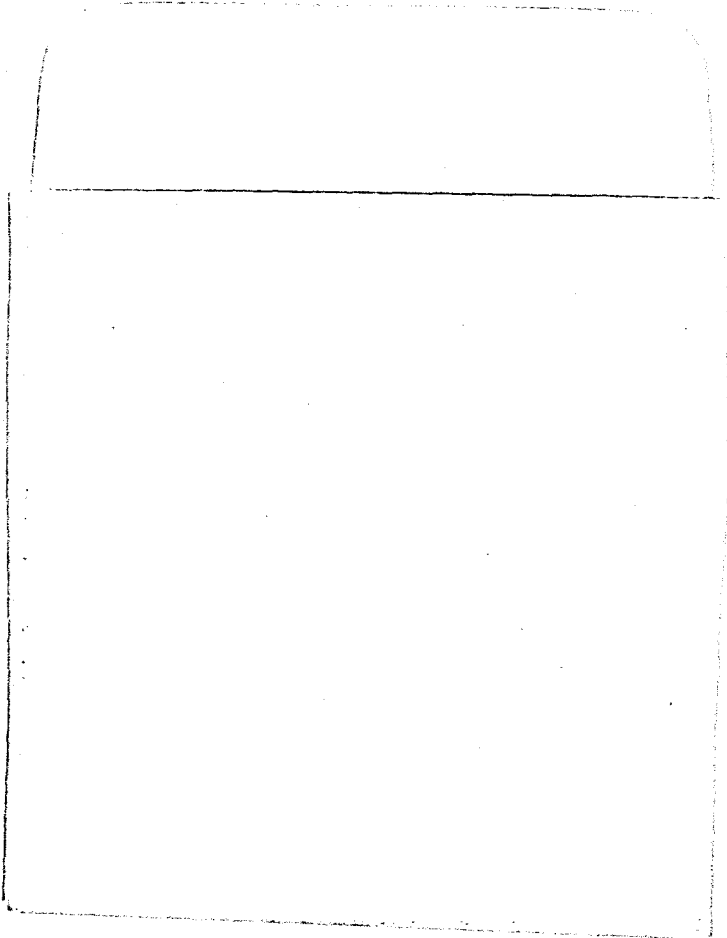
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Commerce extérieur Canada