



FAST FACTS 2007



FINDING A BUYER DISTRIBUTOR, SALES REP, OR AGENT?

OVERVIEW

How to go about finding an overseas buyer can differ from country to country based on traditional distribution channels. This document is meant to simplify and summarize the steps you should consider taking when you decide to export, and you have identified a viable target market.

Types of Distribution

Familiarize yourself with distribution channels in specific markets to determine which method is preferred by local buyers, and whether it is suitable for your product.

- Will the distributor sell your product exclusively, or along side competing products?
- Do you need to maintain your brand in distribution, or will you leverage a distributor's brand?
- Do you want to sell directly to end-users in addition to your agents' efforts, or will he/she be given exclusive sales rights?

Create Criteria

- Define the specific territory, duties, authority, responsibility, accountability and compensation for your local buyer.
- Research the market and costs involved in shipping and selling there.

Find Candidates & Identify Prospects

Evaluate each of their strengths and weaknesses: remember that your product must be sold on terms that are agreeable to you. The agreement you sign protects you and your product overseas.

TERMINOLOGY

Buyer: Usually referred to as the end-user of the exporter's product, like a retail store owner or a foreign manufacturer

Supplier: Another term for the exporter

Sales Rep: an appointee of the supplier

- An individual or agency in the U.S. or in the target market
- Actions generally do not bind the supplier; not authorized to write contracts
- Does not buy your product directly (does not take ownership)
- Helps get the sale by promoting product through in-country sales expertise or product knowledge
- Often handles several similar, non-competing, product lines
- Paid a commission as a percentage of the export sale; goods are shipped from supplier to the overseas buyer (end-user), not the sales representative

Agent: A company representative

- NOT THE SAME AS A SALES REPRESENTATIVE! Similar characteristics, but can make commitments on behalf of supplier, can issue quotes, can write contracts
- Agent agreement specifies if he/she has legal authority to obligate your company



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Distributor: An organization that buys directly from the supplier at a discount

- Stocks and maintains an inventory of supplier product that is re-sold for a profit
- An individual or a company with a facility/warehouse
- Much larger in-country distribution than an agent or representative
- Absorbs the risk of price fluctuations after purchase from supplier
- Can support product warranty and repair requirements
- Allows the buyer to receive goods quickly
- The exporter has less control over price and branding, but can leverage in-country penetration across full sales, marketing and distribution channels (Unzco) (TIA) (Jagoe) (Tradex)

STEPS TO FINDING AN OVERSEAS BUYER

1. *Direct vs. Indirect Exports*

Indirect exporters, or export management companies (EMC's), buy from domestic suppliers and in turn export full containers of mixed products. In essence, these "exports" are just like domestic sales since EMC's handle all export paperwork and shipping. This document focuses on direct exports only.

Direct exports are shipped to customers and distributors. Agents and representatives are paid commissions for sales generated and finalized. Distributors are given discounts on bulk imports, allowing them to save on shipping costs and to stock supplier product for in-country resale at a profit.

Questions to consider when deciding what type of distribution to use:

- (1) Through what channels are similar products sold?
- (2) Do you have enough capital, and what level of financial risk can you assume?
- (3) What degree of control do you want to retain over the marketing of your products?
- (4) When do you want your buyer to take title and physical possession of your products?
- (5) When, how, and from whom do you want to receive payment for your export sales? (Jagoe)

2. *Research Logistics, Tariffs, and INCO Terms*

To determine what commission an agent is paid or what price discount a distributor is granted, determine costs affecting the final, in-country price. Some items to consider include shipping and distribution/logistics costs, taxes and tariffs, cost of payment instruments like letters of credit and wire transfers, and even foreign currency fluctuations. Armed with knowledge of these criteria, you are better prepared to make contact with a prospective buyer in negotiating favorable pricing and/or payment terms.

3. *Determine Method of Reimbursement*

As you are selecting an overseas buyer, consider how you will reimburse him/her:

- If it is at a discount, you must select a discount rate
- If it is on commission, you must decide upon what value the commission will be based relative to the total value of the commercial invoice. This may include freight, insurance, and freight forwarder handling fees.



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4. Review & Screen Prospects

Find prospects through referrals, the Internet, industry directories, trade events & associations, and industry journals. Once you have a list of prospects, establish contact and determine those who are available and have interest in acting in that capacity.

The best method to begin screening prospects is face-to-face during trade shows and foreign travel. If this is not practical, initiate contact through letters, telephone, fax, or e-mail. If possible, communications should be drafted in the language of the foreign country.

The initial communication should include:

- Background information on your company and product details
- The type of representation or partnership you are seeking
- Information regarding your target market and end-users
- A deadline for securing representation in the local market

Have your legal counsel review this initial communication. Do not make an offer or imply a contract - this should only request a proposal. If you do not get a reply within 30 days, send a follow-up letter. If there is still no response, consider placing this contact on your inactive list. (TIA)

Suggested Must-Haves and Have-Nots for Distributors

Must Haves

- An established network of sales contacts
- Knowledge of local distribution channels and market
- Awareness of competitors
- A satisfactory number of years experience in the business

Have-Nots

- Competing product lines
- A multiple product line (this may signal less attention to marketing needs)
- Previous representation for a U.S. company is a plus. If they do, find out what kind of compensation arrangements were used. (Jagoe)

Verifying Distributor Background

- Identify directors, officers, key employees, shareholders and sub-agents at the distributor's workplace.
- Identify government officials, agencies or entities with which the prospect may be affiliated or related.
- Check his/her business reputation in-country by contacting the VEDP Trade Representative or the in-country U.S. Foreign Commercial Service.
- Conduct credit or reference checks with other suppliers or customers.
- Acquire a financial profile through firms like Dun & Bradstreet or Standard & Poors.
- Conduct a personal interview - this is highly recommended. (Jagoe)



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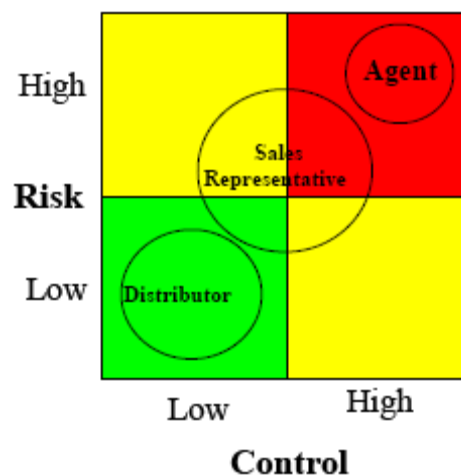
5. Finalize an Agreement

Be sure to have legal counsel in both markets review the agreement. In addition to the items that exporters should consider, the UNZCO guide suggests most representatives are interested in the company's pricing structure and profit potential. Representatives are also concerned with the terms of payment, product regulation, competitors and their market shares, the amount of support provided by the U.S. company (sales aids, promotional materials, advertising, etc.), training for sales and service staff, and the exporter's ability to deliver on schedule.

With representatives, agents, and distributors a contract is signed covering a specific time frame. It is important to note that while the contract is active you generally cannot sell directly into the territory involved without paying your agent a commission or your distributor a "penalty", even if they were not involved in the sale.

Distributor contracts with various suppliers may vary. For example, he/she may have some accounts or customers for which they are paid by commission, and others that they personally ship to and from the warehouse. Others may place an order and have it shipped direct to his or her in-country customer without stocking the product. (Unzco) (TIA) (Jagoe) (Tradex)

Exporter's Risk Level





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RESOURCES

Where to Find Distributors

The organizations below are very helpful for finding overseas buyers. Be aware that new websites appear frequently that offer services to find international buyers. It is advisable to do an internet search to find some of these websites. The VEDP can also help you to find and qualify buyers.

- International Directory of Agents, Distributors, & Wholesalers (Interdata)
www.importersnet.com/index.htm
- Federation of International Trade Associations: <http://fita.worldbid.com>
- Worldwide Access Network of Directories (WAND): www.wand.com
- Global Technology Network: www.usgtn.net
- Kompass: www.kompass.com
- Hoovers: www.hoovers.com

VEDP Partners Who Can Review Contracts and Agreements

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VEDP TRADE EVENTS

The VEDP hosts a number of trade events which offer Virginia exporters direct access to key contacts in potential target markets. To view all upcoming VEDP events, please visit the “Events” tab on our website: www.ExportVirginia.org

VEDP CONTACT INFORMATION

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Fax: (804) 545-5751
E-mail: ITR@yesvirginia.org
Website: www.ExportVirginia.org

ADDITIONAL RESOURCES

[VEDP FastFact- International Marketing](#)
[VEDP FastFact- Determining Duties and Tariffs](#)
[VEDP FastFact- INCO Terms Overview](#)
[VEDP FastFact- Payment Terms & Export Financing Resources](#)

WORKS CITED

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Hinkleman, Edward G. Dictionary of International Trade: Handbook of the Global Community. 4th Edition. World Trade Press.
Jagoe, John R. Export Sales & Marketing Manual 2006. 19th Edition. Export Institute. 2006. <<http://www.exportinstitute.com>>.
United States Department of Commerce and Unz & Co., Inc. A Basic Guide to Exporting™. 1998. <www.unzco.com/basicguide/toc.html>.

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