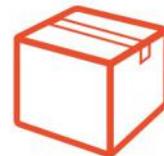


# Selecting an Agent or Distributor Partner

A Guide for Irish Food and Drink Companies  
when Servicing the UK Market

December 2013



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# 1. Introduction

The UK is Ireland's major market for food and drink products and is often an Irish company's first target when looking to export. The retail food and drink market in the UK is very diverse, containing major multiples, discounters, independent retailers, forecourts, food halls, farm shops and garden centres.

The sector has also become multi-channel offering online, home delivery, gifts and hampers as alternative means of fulfilling consumer demand. There are many niche product categories including fresh, organic, whole food, fine food and ethical. The foodservice sector is equally varied, containing major delivered wholesalers, cash and carries, pub and restaurant groups, coffee and fast food chains, and high profile restaurants.



The selling processes and supply chain structures vary for each of the customer sectors. It is fundamental to recognise that servicing a major multiple, such as Tesco is very different to targeting farm shops as a sales channel.

It is important that food producers use appropriate research to identify their preferred routes to market and their target customers. Once established, this will give greater clarity to the type of support that will be required for the sales, marketing and distribution activities that will be required to achieve listings, grow the business and make profits.

For many of the major retail and foodservice customers the supply routes are determined by the customer, often through the use of third party consolidators or logistics service providers. The supplier may not have a lot of choice in the supply routes from factory to shelf. Once a listing has been achieved, the task moves to one of ensuring that the customers' shelves are kept full, through a challenging environment of promotional activity, NPD and service KPIs.

Servicing the independent and more specialised customers is different in the fact that there are many potential customers with a multitude of final delivery points. It is unlikely that a small Irish supplier will service these customers directly and will seek an intermediary to act on their behalf. The purpose of this document is to give Irish suppliers an insight into the decision making process when considering employing agents or distributors to support their business development strategy in the UK. For further advice or support please contact Bord Bia's London office on +44 (0) 207 307 3555.

## 2. Outsourcing Services Available

It is worth considering all of the tasks that a supplier will need to undertake when developing business in the UK, some of the key ones are listed below:

### Sales and Marketing

- Identify target sales channels and target customers
- Obtain listings and negotiate terms of trade
- Ongoing account management
- Develop promotional and NPD strategies
- Account planning and forecasting
- Channel strategy and category management
- Gather market and customer intelligence
- Managing promotional spend and performance analysis
- Attending meeting the buyers events and exhibiting at trade shows
- Merchandising service
- Sales representative services
- Managing promotions
- Training retail or foodservice staff on how to handle the product
- Provision of weekly sales reports



### Sales Administration

- Order capture and processing
- Order tracking, including proof of delivery
- Service monitoring
- Invoicing, credit control and bad debt management
- Financial status and performance reporting



## Logistics

- Transport products from Ireland to a selected UK warehouse
- Stock and pick or cross dock products at the UK warehouse
- Transport products from the UK warehouse to the customer
- Factory gate collections
- Manage information on product flows and proof of delivery
- Detailed performance reporting
- Handling returns and damaged products



The supplier needs to evaluate which of these tasks it wishes to outsource and which it is happy to undertake itself.

Given the geographical distance and expensive sea crossing, it is most likely that the whole logistics tasks will be outsourced. The selection of a haulier and the procurement of the transport from Ireland to the UK are usually undertaken by the supplier. Warehousing in the UK and the transport to the customer is usually outsourced.

### 3. Types of Agent or Distributor Partners

For the sales, marketing and distribution functions there are a number of possible partner relationships that can be considered. Each type will offer a portfolio of services and may involve different commercial frameworks.

The terms Agent and Distributor are often naively interchanged. This can be confused further when potential partners act as both Agents and Distributors on behalf of different clients. The definition becomes clear when an Agreement is signed, which is either an Agency Agreement or a Distributor Agreement. Within an Agency Agreement the agent does not take title to products and will either be paid a percentage commission, a salary or a retainer. Within a Distributor Agreement the Distributor takes title to the products and will buy at one price and sell at a higher price and hence make a margin. The legal rights of Agents and Distributors are different and should be considered carefully.

There are different types of agency and distributor agreements:

- **Exclusive** - where only the agent or distributor represents the supplier and the supplier cannot enter into contracts with other agents or distributors
- **Sole** - where the supplier may not appoint other agents or distributors but may also contact customers itself
- **Non-exclusive** - where the supplier can appoint other agents or distributors and also seek customers directly

Suppliers should take extra care if considering setting up an online business as well as employing agents or distributors.

#### Sales, Marketing and Distribution Agents

Sales, Marketing and Distribution Agents offer to take responsibility for all of the sales, marketing and logistics tasks within the UK. Initially, they will work with the supplier to identify the target customers and then seek listings. The agency will maintain the relationship with the customer, which if a major retailer they will provide a national account management role. The agency will offer a menu of support services that the supplier can tailor to their own needs and budget.

A few Agents manage their own warehouse and transport operations, but the majority partner with their preferred logistics service provider (LSP).

Agents usually have a small number of clients and try to avoid overlaps and hence conflicts in the product ranges that they are managing.



An Agent does not normally take title to products and works on a percentage fee, a salary or retainer in line with the services agreed. An Agent can be appointed to manage a clearly defined geographical territory (eg UK, GB, England) or sales channel (eg Retail Multiples, Retail Independents, Foodservice). Provided the geographical or channel agreements are clearly defined, more than one non-exclusive Agent can be used within the UK.

## Broker

The role of a Broker is the same as an Agent. The Broker does not take title to products and will be paid a percentage commission, salary or retainer. Some Brokers get involved in logistical support others don't. The term Broker is used more commonly in the USA.

## Distributors

A Distributor is a company that usually takes title to products and is then responsible for sales, marketing and logistics tasks within the UK. The Distributor will maintain the relationship with the customer. Most Distributors operate their own warehouse and transport, but some may partner with their preferred logistics service provider (LSP).



Distributors usually have a small number of clients and try to avoid overlaps and hence conflicts in the product ranges that they are managing.



If a Distributor Contract is used, the Distributor will take title to the products and will look for a discount on the final price to the retailer.

A Distributor can be appointed to manage a clearly defined geographical territory (eg UK, GB, England) or sales channel (eg Retail Multiples, Retail Independents, Foodservice). Provided the geographical or channel agreements are clearly defined, more than one non-exclusive Distributor can be used within the UK.

## Importers

Traditionally an Importer is a company that acts as an agent or distributor for a range of products from one or more countries and usually has specific customer channels established. A good example would be an importer of Italian food and drink products, for sale into Italian restaurants.



An Importer will usually take title to the goods and will negotiate a buying price with its suppliers to allow it to make a margin when the products are sold. When importing products from non-EU countries, the Importer takes on further responsibilities in terms of customs, tax and product registration.

There is no specific relevance to a company being described as an Importer when dealing with food and drink from Ireland to the UK. An Importer can be described as a Distributor whose clients are all in a different country.

## Wholesalers

A Wholesaler is a company that buys product from a supplier, its agent or its distributor and then sells at a margin to smaller retail or foodservice outlets. The wholesaler will have its own warehouse and will either offer a delivery service or a cash and carry centre where small businesses buy and collect their own supplies.



A wholesaler is different to an Agent, Broker, Distributor or Importer in that they will not actively seek new business on behalf of specific suppliers. A wholesaler will have a large product range, usually described in the form of a catalogue and price list.

In the UK, a number of large national wholesalers (eg Booker, Brakes, 3663, Palmer & Harvey) manage contracts on behalf of smaller retailer groups or foodservice chains. There are also many regional wholesalers who may specialise in particular product categories (eg alcohol, health foods, snacks, meat) and temperatures (ambient, chill, frozen).

Although wholesalers may not be as focused on specific products or suppliers, they often offer a good route to market for small or specialised retail stores or foodservice outlets.

## Logistics Service Provider

A logistics service provider (LSP) will undertake the physical tasks of warehousing and transport to the customer. The LSP will manage the storage of products and order picking in response to customer orders. The LSP will operate their warehouse on a shared user basis, which means that the costs of the warehouse, transport, systems and management will be shared across a number of clients.



The charging structure will be based upon a tariff which will reflect the scale and complexity of the tasks involved. Typically this is structured into separate charges for storage, picking and transport. The payments to the LSP will either be made directly by the supplier or through the agent or distributor, if there is a partner relationship in place.



An LSP does not take ownership of a client's products and is not involved in any sales or marketing activities on behalf of the supplier. Sales and marketing is the responsibility of the supplier, its agent or its distributor.

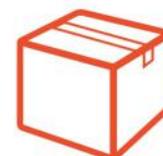
An LSP will provide services within specific temperature ranges of ambient, chilled or frozen and will often manage products from competing suppliers. LSPs are usually employed within defined geographical areas. With the permission of the client, the LSPs often subcontract some transport operations to other service providers either on a national or geographical basis.

## Consolidation Services

Some LSPs have structured their operations so that they act as consolidators on behalf of major retailers. This means that they receive deliveries and manage stock on behalf of many small suppliers and deliver combined or consolidated loads to the retailers' distribution centres.



Given the diversity of potential customers and the wide range of outsourcing solutions, a supplier has a number of options or combinations for developing business in the UK. The solution could evolve over time as more experience is gained in the UK marketplace, as it has for Clonakilty and Glenilen (see Case Studies in Appendix III). Some of the options are presented below:



### Possible Outsourcing Strategies

#### 1. Outsource everything to one company

- Outsource sales and marketing to an agent or distributor
- Use the agent's or distributor's own warehousing/ transport or their partner LSP

#### 2. Keep sales and marketing in-house

- Deal directly with large multiple accounts
- Sell through wholesalers for small accounts
- Use a selected LSP for warehousing and transport

#### 3. Mixed Solution

- Deal directly with large multiple accounts
- Use distributors or wholesalers for small accounts on a regional basis
- Use a selected LSP for warehousing and transport.

## 4. Selecting an Agent or Distributor Partner

It is important that suppliers undertake extensive research when selecting either an agent or distributor partner. What works well for one company may not be the best for another.

It is advisable for suppliers to talk to a number of agents and distributors before choosing the most suitable operator. This will also allow confirmation of what services are best outsourced and which should be kept in-house.

In order to appoint the most suitable partner there are a number of key steps to follow:

- **What is the target market?** Be very clear on which markets are to be targeted, taking into account the company's strengths and weaknesses.
- **Gather background information:** Collect as much background information as possible in order to have adequate knowledge when selecting the best candidate. Using the internet for initial research is useful and, if designed properly, the websites should define what "space" the companies wishes to operate in
- **Talk to the trade:** Hearing the experiences of others can help the right decision making. Don't be afraid to talk to other suppliers, buyers and store managers.
- **Research the market:** The best way to see how an agent or distributor handles products in the market place is to take a look at its overall performance. This will also give an idea of how the supplier's own products could fit into its portfolio.
- **The checklist:** To gather all relevant information needed there are a number of key questions which will need to be asked, including length of time in business and sectors serviced (See Appendix I. for an example checklist)
- **Compare and contrast:** To decide on the ideal partner, you need to compare the qualities of all prospective candidates. A good way of doing this is a comparison table, which lists the key qualities of each of the operators (see Appendix II.)
- **Deciding on the agent or distributor:** The decision making process can be complex due to the diversity of the services offered. It may help to prioritise the services offered and make the decision based on the agent or distributor who provides the offering best suited to the supplier's product, needs and market.
- **Use Bord Bia's Information Services:** Bord Bia maintain information on the majority of agents, distributors and wholesalers in the UK. This can be an invaluable source of options to be considered.



When selecting a partner it is important to be confident. The prospective agent or distributor will be looking for clients who have the ability to grow their businesses. Emphasise the company's key attributes and what can be brought to the partnership.

Once established, it is important to review the agent or distributor and the level of services provided on a regular basis.

## 5. Commercial Considerations

Given the wide range of options of service and suppliers' circumstances, it is no surprise that there is no single figure that represents the margin expectations of agents or distributors. The final figure will be the result of a detailed assessment by the agent or distributor of the tasks to be undertaken and the negotiating position of the supplier. Below is a list of some of the parameters that will influence the discussions:

Parameter	Agent's or Distributor's Margin Expectations		Comments
	Lower	Higher	
Size of business being managed	Large	Small	Economies of scale
Customer base complexity	Multiple DC	Small drop DTS	Number of accounts and delivery points to service
Services required	Sales & Marketing only	Sales, marketing & distribution	Logistics is large element of cost
Ownership of stock	No ownership	Take ownership	Higher costs and risks when owning stock
Complexity of product range	1-5 skus	20+ skus	Wider range required more work for the same volume
Product requirements	Ambient	Chill or frozen	Chill and frozen have higher logistics costs
Retail intensiveness	Average	Competitive	Some categories require more attention at store eg merchandising
Brand owner involvement	High	Low	Will the brand owner share the work to be done?
Marketing investment by brand owner	High	Low	Will the brand owner invest in the brand eg advertising, promotions
Level of brand's existing presence in market	High	Low	Brands with good market share are easier to manage
Level of new brand development	Low	High	Pioneering new brands is expensive
Value of products	High (eg whiskey)	Low (eg water)	Many costs not dependent on price of products
Sales Order Management	Simple	Complex	How will orders be captured and processed

Based upon the above parameters, the range of margin expectation can be between 6% for large suppliers, with established brands and substantial marketing support to

25% for small, new entrants with no product listings and little money to spend on advertising.

It is feasible for a supplier to suggest an incentive based framework, where extra payments are made if the agent or distributor exceeds targets on sales value, new customer acquisitions, additional listings or any appropriate measure of increased business.

It is very difficult to benchmark logistics costs as a percentage of sales value between suppliers or across distributors. Some logistics costs, such as transport, pallet handling or storage are charged at a pallet level. Automatically products with larger cases sizes (ie less cases per pallet) will incur a higher cost per case. When picking case quantities, logistics service providers will often charge more for products with larger cases. When converting cost to a percentage of sales value, the selling price of the case becomes important. This is the whiskey versus water conundrum. The example below shows how the percentage of sales value is different for various costs and selling prices.

<b>Calculation of Distribution Costs as a Percentage of Selling Price</b>		
	<b>Selling Price per Case</b>	
<b>Distribution Cost per Case</b>	£20	£40
£1	5.00%	2.5%
£2	10.00%	5.00%

These factors should be taken into account when agreeing charges with agents, distributors or logistics service providers.

# Appendices

## I. Agent or Distributor Checklist

As there are a number of key points to consider when choosing a new distribution partner, it is a good idea to have a relevant checklist. The list will depend upon each supplier's requirements. Some areas to evaluate are:

### Agent or Distributor Checklist

- Time in business
- Sectors serviced (retail, foodservice, multiples, specialist, etc)
- Type of contract relationship (eg Agent vs Distributor)
- Coverage
- Facility
- Sales structure
- Payment terms
- Sales information
- Trade feedback
- Delivery requirements
- Charges
- Market research
- Extra charges
- Accreditations required
- Conflicting lines
- Transport
- Targets
- Key account responsibility
- Overview

## II. Comparison Evaluation Scorecard

The Comparison Evaluation Scorecard below has been set up as a simple spreadsheet. The boxes in yellow represent data input by the supplier, which is then used to calculate the weighted scores for each company being evaluated. The selection criteria shown are only examples and the supplier is free to describe their own. It is best to limit the number of criteria to about 10, otherwise the task becomes too unwieldy. The Importance column represents the relative criticality of each criteria to the

Selection Criteria	Importance	Score (out of 10)			Calculated Weighted Score		
	%	Company A	Company B	Company C	Company A	Company B	Company C
Level of established business	15%	8	5	9	1.20	0.75	1.35
Relevance of sectors serviced	15%	8	4	9	1.20	0.60	1.35
Geographical coverage	10%	7	5	8	0.70	0.5	0.80
Experience of sales and marketing team	10%	8	7	8	0.80	0.70	0.80
Administration systems	5%	5	5	6	0.25	0.25	0.30
Forecasting and planning systems	5%	6	4	8	0.30	0.20	0.40
Reporting systems	5%	5	6	7	0.25	0.30	0.35
Logistics solutions	10%	9	5	4	0.90	0.50	0.40
General IT solutions	5%	7	5	8	0.35	0.25	0.40
Charges (eg target margin)	20%	5	8	3	1.00	1.60	0.60
<b>TOTAL</b>	<b>100%</b>				<b>6.95</b>	<b>5.65</b>	<b>6.75</b>

### III. Case Studies

#### Glenilen Farm

Alan Kingston's family have been tending the same dairy farm in the lush hills of Drimoleague in County Cork for generations. In 1997 his wife Valerie started making cheese-cakes from the milk and selling them at the local country market. The business soon grew as word spread, and the range was extended to include yoghurts and other dairy products. In 2009 the family started approaching London stores regarding distribution in the UK.



Their first UK customer was luxury department store Selfridges, who were keen to stock Glenilen's yoghurts. Selfridges only accept chilled deliveries from two distributors, as access to their central London store is difficult, and Glenilen soon established a good relationship with one of these, Marigold. The refrigerated Ireland to UK transport was handled by McCulla. Tadhg O'Donovan of Glenilen, remembers the early days of exporting very well:



"We were working on Day 1 for Day 3, so typically the products were despatched Monday morning and arrived on Wednesday. With just half a pallet a week going to the UK in the first year, and a relatively short shelf life product, stock control was critical."

That soon changed in 2010, when Glenilen got a listing in 700 Tesco stores for single serve desserts, and volumes exploded to 12 pallets a week. This had to go through a consolidator, Oaklands, who worked with Caffreys in Ireland, so Glenilen started to use Caffreys for the Ireland to UK transport. This gave them much shorter delivery times, as Glenilen delivered the products to Oakland's depot in Ashbourne near Dublin, leaving Cork at midday on Day 1, and the products were in Oakland's Redditch consolidation centre near Birmingham at 7am on Day 2, 6 days a week. This has been improved further in the last year or so by using Musgrave's distribution network to get the products from Cork to Dublin, so Glenilen only have to deliver to Cork.

Glenilen now delivers 10-15 pallets a week to Tesco, Morrison, Waitrose, Ocado and Booths, all through Oakland. The orders are taken by Glenilen, with Oakland often seeing them at the same time. Marigold serves 25 accounts in stores in the South East of England, with 1-2 pallets of yoghurts every week. Marigold is a vegetarian company so cannot carry products containing gelatine. Glenilen also have a number of food service distributors.

This year Glenilen has taken desserts out of the multiples to focus on yoghurts with longer shelf life. The company are now developing a new range of desserts with longer shelf life, for launch in 2014.

“We were so delighted when we got the listing with Tesco for desserts, but with hindsight I would have argued for yoghurts to avoid the shelf life issues” says Tadhg.

UK Market	Sales and Marketing	Ireland to UK transport	UK storage and distribution
Independents	Glenilen	McCulla then Caffreys	Marigold
Multiples	Glenilen	Caffreys	Oaklands

## Clonakilty Black Pudding

Clonakilty Black Pudding was developed in the early 1800's and is now known throughout Ireland, but in 2010 when Cal McCarthy started researching the UK market, it was only available in a few independent stores in the UK.

Cal's first step was to visit the UK and look at black puddings on the retailer's shelves there. He says

"When we looked at other products in the UK, it was obvious that our packaging was not up to it, so we revamped and up graded our packaging. Then we were ready to approach the supermarkets. We started with Budgens, researching their business, and buying some Nielsen data so we could show that although Clonakilty had a tiny market share, we were a player in the market."



Once Clonakilty had secured a listing with Budgens, they had to find a logistics company to store the products in the UK, and deliver them to the Budgens' distribution centre on a daily basis. Having looked at various options, Clonakilty chose Oakland International, a decision they have stuck with:

"Oakland has been very supportive and very good to us" says Cal. Clonakilty's Ireland to UK transport was soon changed, as they found the first company they used to be unreliable and expensive. They are now using Southgate Distribution and McCulla for refrigerated transport from Ireland to the UK.

Cal did find that Budgens work differently to other UK multiples, as they had to sell to each store individually. So Clonakilty put a sales representative on the road who visited the 60 top Budgens stores. This activity was supported with launch offers and online banner adverts.

Clonakilty then approached other multiples, meeting the buyer, following up with emails and phone calls, and is now listed in Tesco, Waitrose, Ocado and Morrisons. Clonakilty felt that they wanted to undertake the selling to the major accounts themselves rather than use the services of a sales and marketing agent or distributor.

Clonakilty's profile in the independent sector continues to grow, and is handled by O'Kane Irish Foods and Rowcliffe, with Rowcliffe dealing with the London food halls and department stores. For Rowcliffe, Clonakilty deliver the products to Dublin every Thursday, from where Rowcliffe collect them and transport them to the UK. Clonakilty deliver directly to O'Kane in the UK separately. Clonakilty prefer to deal directly with the multiples, so has a written contract with both Rowcliffe and O'Kane Irish Foods stating that they are not to approach named multiples.

But Cal is not resting on his laurels “We know we need to constantly review where we are, getting alternative prices and making sure we are getting value for money from our transport and distribution suppliers.”

UK Market	Sales and Marketing	Ireland to UK transport	UK storage and distribution
Multiples (Budgens, Tesco, Waitrose, Morrisons)	Clonakilty	Southgate and McCulla	Oaklands
Independents	O’Kane and Rowcliffe	Rowcliffe and Skeath	O’Kane and Rowcliffe