

Choosing And Managing Your Distributor

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We'll be talking about...

- The advantages and disadvantage's of using distributors (and other routes to market)
- Selecting distributors
- Motivating distributors

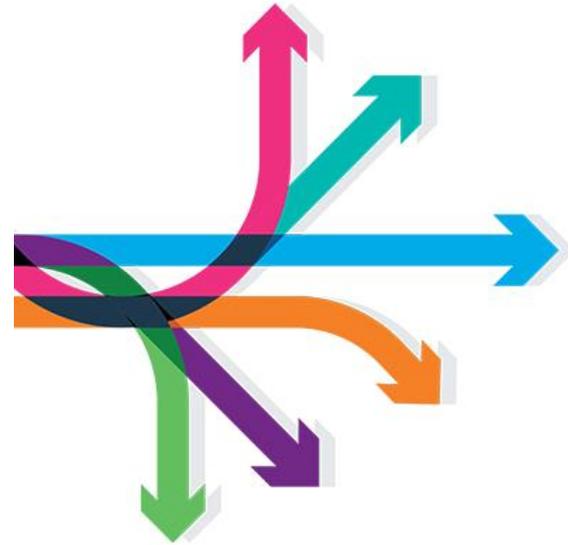
The Advantages And Disadvantages Of Using Distributors

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Some routes to market

- Direct
- E-commerce
- Agents
- Distributors



Distributors

Advantages

- ✓ More controllable credit risk
- ✓ Simplified logistics – reduced pressure in dispatch
- ✓ Stock available in market
- ✓ Better end user support
- ✓ Local promotion

Disadvantages

- ✗ Extra margin in chain
- ✗ You may be lost in their range
- ✗ Possible cost in supporting promotion
- ✗ Less control over pricing
- ✗ New products may clash
- ✗ May not cover all market sectors

E-commerce – websites & marketplaces

Advantages

- ✓ Relatively low cost of set up
- ✓ Potentially direct pricing
- ✓ Hits many markets
- ✓ Many platforms and online marketplaces available

Disadvantages

- ✗ Suitable only for some products and services
- ✗ High dispatch costs
- ✗ Credit issues, card costs and market place costs
- ✗ How to promote/make known?

Distributors

- Located in the target territory (or in Ireland?)
- Allocated distribution rights for the territory or country
- Actively involved in the marketing and branding of related products
- Provides after sales and customer care
- Buy for their own account and hold stock
- Gain income from the resale of the principal's products



Terminology

- Middle East – a distributor is often called an agent
- USA – an agent is called a manufacturers' representative
- Reseller – (often used in software industry) is a distributor
- Wholesaler – a 'trader' who buys and sells a whole range of products

Selecting Distributors

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Selection process

1. Job spec and ideal candidate profile
2. Create a long list using desk research (or advertise, use a specialist consultant, etc)
3. Narrow down the list (check company profiles, compatibility with your products, etc)
4. Interview
5. Select and take up references
6. Contract (trial period?)



What skills are you looking for?

- Good contacts in the market
- Knowledge of the market and trends
- Knowledge of competitors
- Ability to promote the product
- Communicate in the local language and yours
- Good 'ambassador'
- Problem solver



Desk research

- Speak to contacts and Bord Bia
- Competitors' websites
- Exhibitions (visits/catalogues)
- Trade journals
- Trade Association lists
- Internet searches
- Maintain country files for future reference



Screening questions

- Product range/complementary products
- Is the product commercially competitive?
- Customer care skills
- Communication, office & home
- How long have they been established
- Territory
- Technical services
- Training
- Product development

Interviews (in market)

- Check your company's products/services fit into their range?
- Location, impression of office and/or warehouse
- Financial status, bankers name and address
- Establish existing performance
- Product range, competitor knowledge
- Market knowledge
- Accomplished at selling?
- Forecast?
- Existing principals, take up references

Legal issues

- EU Directive on agents
- USA Federal law on distributors
- EU Competition law
- Anti corruption legislation
- Agency and distributor agreements – www.iccbooks.com
- We strongly advise you take legal advice

Anti bribery guidance

www.antibriberyguidance.org

The screenshot shows the website for Transparency International UK, specifically the 'Global Anti-Bribery Guidance' page. The page features a blue header with the TI logo and navigation links. Below the header is a main content area with a search bar and a grid of eight categories of guidance. The categories are: Top Level Commitment, Risk Assessment & Planning, Policies & Procedures, High Risk Areas, Managing Third Parties, Communications & Training, Monitor & Review, and Reporting. Each category lists specific topics covered in the guidance.

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Global Anti-Bribery Guidance

Best practice for companies in the UK and overseas

TOP LEVEL COMMITMENT	RISK ASSESSMENT & PLANNING	POLICIES & PROCEDURES	HIGH RISK AREAS	MANAGING THIRD PARTIES	COMMUNICATIONS & TRAINING	MONITOR & REVIEW	REPORTING
1. Top Level Communication & Culture 2. Governance 3. Collective Action & Other Enabling Factors	4. Risk Assessment 5. What is Bribery?	6. Financial Controls 7. Human Resources Controls	8. Facilitation Payments 9. Gifts & Hospitality 10. Sponsorship, Donations & Community Investment 11. Conflicts of Interest 12. Political Engagement	13. Managing Third Parties 14. Contractors & Suppliers	15. Communications & Training	16. Whistleblowing 17. Monitoring & Review	18. Reporting

Contracting with a distributor

- Details of each party
- Purpose of the contract
- Details of product
- Geographic territory
- Prices and terms of payment
- Product liability
- Intellectual Property
- Stock levels and turnover
- Minimum order size
- Termination
- Force majeure
- Assignment and amendment
- The Bribery Act
- Law and arbitration

Duties of the distributor

- Represent the principal and apply best business practice
- Keep the principal informed about local regulations and requirements
- Not to sell directly competing products?
- Pay for products and services on the agreed due date
- Confidentiality
- Train their sales force
- Detail the distribution network for the territory or country

Duties of the principal

- Refer all enquiries to the distributor
- Supply conditions of sale for the distributor to pass on to his customers
- Provide promotional material
- Update the distributor on a regular basis on new products and their specifications
- Recommend required training and provide all support

Motivating Distributors

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What motivates you (the principal)?

- Market penetration and increase in market share
- Growth and volume of sales
- Increased brand awareness
- Efficient distribution and delivery of goods to customer
- Profit

What motivates the distributor?

- Control of the market
- Spreading risk between suppliers and sectors
- Cost control
- Security of tenure
- Short term profit
 - Fair rewards (cash, cash and more cash)
 - Enhanced rewards for targets achieved

Trust

- Build and maintain good relationships
- Good communications
- Regular phone calls
- Scheduled visits as part of your export strategy

Professionalism

- Excellent administration – copies of all enquiries, quotations, invoices, correspondence, statements
- Training for your distributor
- Training for your staff
- Understanding different cultures

Developing the relationship

- Set clear and realistic targets
 - Financial
 - New sectors
 - New customers
- Monitor targets - are they making money?
- Pass on good sales references
- Visit once a year (at least)
- Don't forget to say thank you!



Developing the relationship

Product development

- Ask for input
- Show ideas
- Samples
- Technical support

Territory development

- Visits
- Plan well
- Set objectives – orders, stock, new lines
- Have something new to show them

Conclusion and termination of contracts

- Notice periods
 - Distributors six months
 - Agents three months
- Fixed term contracts
- Compensation/indemnity
 - USA for distributors
 - EU for agents



Changing poor performers

- Meet to discuss poor performance
- Agree plan of action
- Send plan of action to distributor
- Offer training and support
- Ongoing monitoring and communication





Questions?

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