



WORKING WITH INTERNATIONAL AGENTS, DISTRIBUTORS AND CONSOLIDATORS

The role of international intermediaries in international trade explained



Foreword

When it comes to international trade, intermediaries can often have a central role to play in **facilitating and accelerating cross-border business** for brand owners and suppliers looking to enter or further develop existing international markets. The value in working with high quality, respected agents, distributors, consolidators (and usually a combination of all of these) should not be overlooked when developing your international footprint.

Since the Bolst Global team understands, works with and to some extent at times plays the part of being a trusted intermediary, we wanted to help our audience **understand the distinctions and workings of various types of intermediaries within international trade**. Whether you are a retailer, brand owner or manufacturer, the right intermediary can be incredibly valuable for your business.

Moreover, if you are limited in terms of internal resources, International trade expertise or don't have the means to set up a full operation overseas, working with intermediaries can help you to **get results much quicker** than trying to go it alone and do it all yourself.

You can leverage an intermediary's network, connections, expertise, and market knowledge, ultimately providing you with **new opportunities** around the world.

In this document, we will focus on the **role of international agents, distributors and consolidators** more specifically. We will give you the information and advice relative to working with each kind of intermediary that in turn will help shape your internationalisation plan and potential choice of route to market/international support you ultimately opt for.

We hope you enjoy this informative guide and do get in touch for any of your further international trade needs.



Victoria Boldison

Founder, Bolst Global

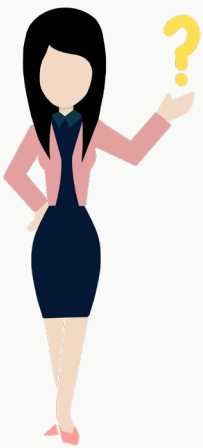
MAKING INTERNATIONAL
TRADE HAPPEN

AGENTS

Who are agents?

Advantages & Disadvantages

Who are agents?



Agents are usually **individuals who work on behalf of a product or range of products**, leveraging their existing on the ground relationships with distributors, retailers and other buying partners in a particular market or channel.

An agent is the person who **identifies, drives and sets up deals between buyers and sellers**. They handle the matchmaking and introductions, typically taking a commission on the value of the deal. Sometimes they also ask for a Finder's Fee and/or a retained contract for a period of time related to a specific project, particularly if it is complex and will take significant investment of time and effort to get business over the line.





Because agents don't ever take on the title of goods, the buyer and seller are able to negotiate contractual terms between themselves, meaning they have **more control over a deal and the finer details**.

This can be great for any selling party choosing to liaise with an agent, since if they only have to offer them remuneration for setting up a deal, this allows the seller to **maintain control and with minimal upfront investment**.

Since agents are responsible for creating an opportunity between buyers and sellers, this can be a **low risk, low-cost solution to entering new markets** and sometimes the preferred choice for brand owners.

Agents can also **relieve some of the pressure of entering new markets** by taking on project management responsibilities, navigating different cultures, and assuming some of the risk as an extension of your company.



On the flip side, there are some potential disadvantages of working with an agent. However, these can easily be addressed at the start of a partnership and here's how.

First things first, if you under incentivise the agent then they may simply **choose to prioritise other products/brand owners** in their portfolio that offer more attractive ways of collaboration or with whom they have a more positive working relationship. To ensure their business model is viable and optimise business opportunities this could also involve the agent **taking on many more products** too which again can dilute from a brand owner's perspective the possible chances of international sales.

There's also an **element of risk** for an agent, which could also impact the deal that they set up on your behalf.

For example, unless there is a prior agreement, there is typically **no long-term commitment** between agents, buyers and sellers. This sense of uncertainty can be difficult for agents to come to terms with, especially when we all know how long it can take to set up and begin international business.

In addition to this, there are occasions where buyers and sellers, initially introduced by an agent, may try to **circumnavigate an agent's involvement**, effectively cutting them out of the equation. As you can imagine, this can leave a sour taste and you could end up shooting yourself in the foot by alienating an agent who could be a fantastic partner for you again in the future. Moreover, from a legal perspective If you have entered into an agency agreement then you should be aware that the Commercial Agents (Council Directive) Regulations 1993 may apply to those parties involved and as a result **compensation to the Agent could be owed in some circumstances** too if the above situation does occur.



Take these factors into consideration and, if you find a great agent to work with, why not agree to some **mutually beneficial terms** to reduce the risk for all involved?

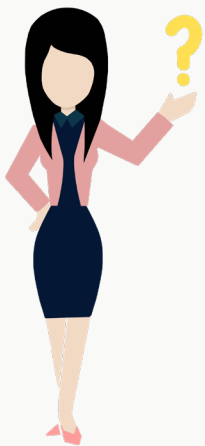
By actively **engaging** with your agent and genuinely **valuing and supporting** them you stand a much better chance of success of working together. Keep the Information and communication flowing as best you can!

DISTRIBUTORS

Who are distributors?

Advantages & Disadvantages

Who are distributors?



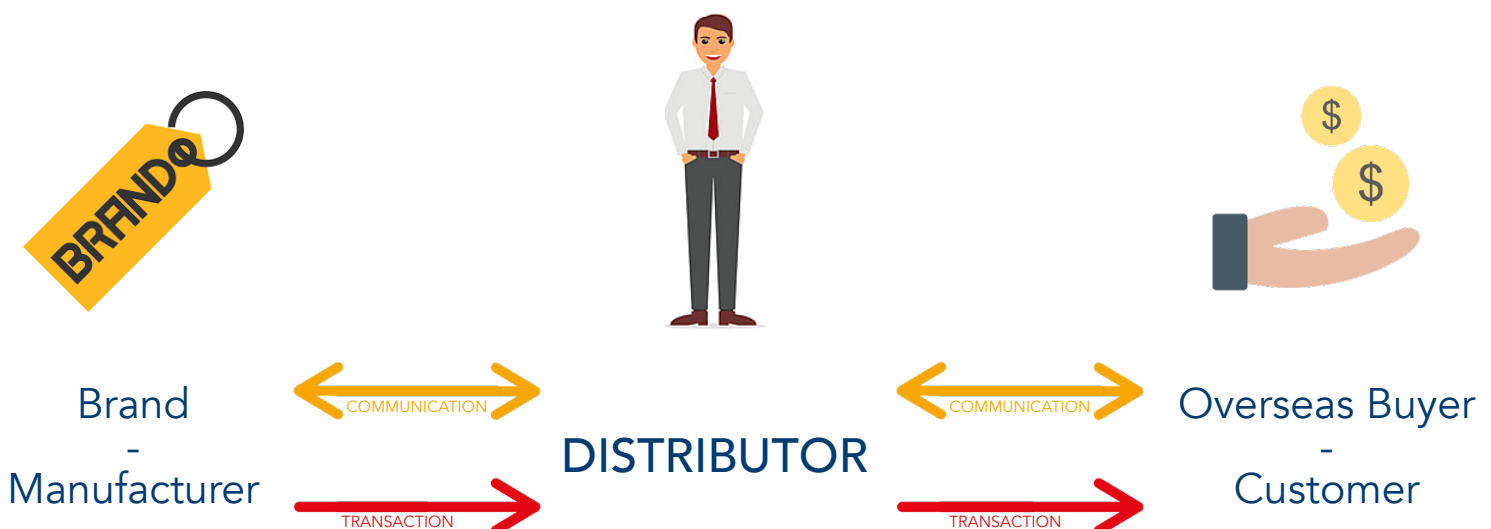
Unlike agents, distributors **take on the title of goods by buying directly from the supplier**. They bring products into the local market (or have them delivered, depending on the agreed Incoterms), can usually handle logistics, store the products in their own warehouse space, and distribute within the market.

Distributors **re-sell the products to local buyers**, adding a margin for themselves, and leverage their existing network to identify the right customer(s).

They typically **possess a portfolio of non-competing goods** and handle all the sales and marketing activities within their market, acting on behalf of the original supplier and as an extension of a brand owner's sales team on the ground in an overseas territory.

There are some similarities between distributors and wholesalers – another type of intermediary - in that they **buy products in bulk, and take ownership of goods**, however wholesalers tend to buy FMCG, large and/or well-known products.

Distributors tend to **work within a particular territory/region** whereas wholesalers can work with buyers around the world.





Since distributors know their market and their customers better than anyone else, brands can truly benefit from partnering with a distributor by **leveraging their expertise and specialist knowledge**.

If you're a brand owner or retailer looking to work with a distributor, then it's important to "shop around" to find the perfect fit for your needs.

A great distributor must **share the same values** as you, there should be **mutual trust**, and overall synergy in order for the relationship to work. Your chosen distributor should also be a **good fit in terms of product offering and sales channels**.

Once you find the right distribution partner, and the relationship is set-up correctly, you can again have a huge advantage over the competition by **gaining space in a new market**, with multiple, established, customer bases, for usually **less investment** than what it would cost you to set up and have a direct presence in that market. Don't be fooled into thinking that this is not without any cost to you as a brand owner and the support required/requested from one distributor to another will differ. You need to **ascertain the expectations** from the early discussions in terms of mutual support required by all parties. However, done correctly and with a great distributor, your brand can **gain traction quickly** and without having to employ your own boots on the ground.



Now, although working with a distributor sounds great, there are some potential disadvantages to consider.

Since the distributor handles all the direct communication with the end-customers, you may have **little control and knowledge** over who your products are actually being sold to in that market.

And, as a result of this, should the relationship turn sour, it can **prevent your brand from gaining traction or doing future business** in that market. Bear this in mind when selecting your distribution partner as the wrong partnership can have a hugely detrimental impact on your business.

This is where **international relationship building is so key** to long term success. It is an ongoing piece of work and the amount of time and energy this takes even once the deal is done should not be underestimated. Make sure you have the resources to support this.

Another thing to be aware of is that distributors work with many brands and/or manufacturers so that means there may be occasions where you need to **compete hard to get the attention of your partner**. Especially with the larger distributors who carry many hundred or even thousands of SKU's. This can be quite frustrating if you need things actioning quickly or are wanting to see traction with your brand fairly promptly.



As such, your **distributor selection strategy is important** here.

If you choose to work with a large distributor then you'll have to come to the realisation that you **won't be their primary focus** all of the time but you will have the opportunity for **large market exposure**.

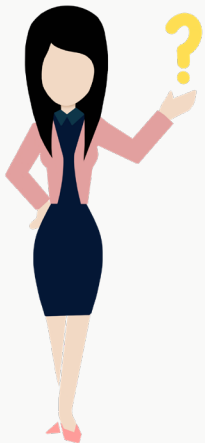
Opting for a smaller, more agile distributor may conversely give you **greater air time and focus** but they may **not have as wide a market reach** or still be in early growth stages.

CONSOLIDATORS

Who are consolidators?

Advantages & Disadvantages

Who are consolidators?

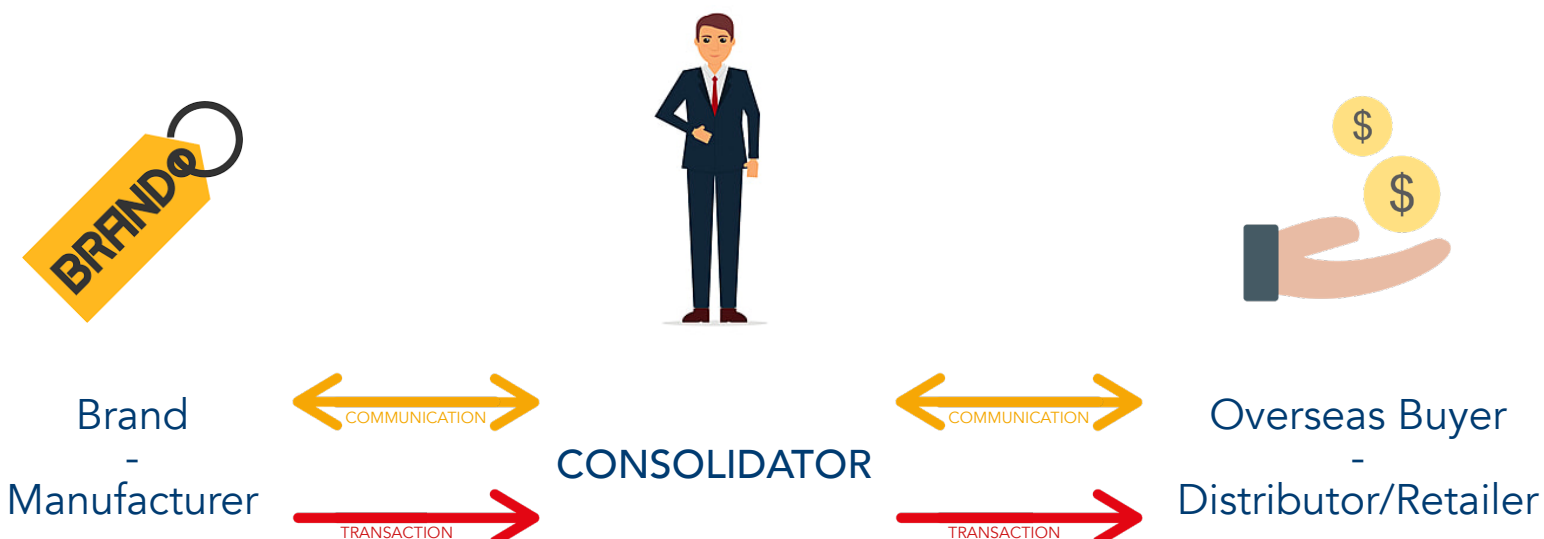


The final intermediary we're going to look at, who can help brand owners, retailers and manufacturers to connect, is consolidators.

Consolidators can be a great partner for both retailers and distributors to have if you're looking to **buy-in smaller quantities of products from several manufacturers in a particular territory**. Consolidators do exactly that, consolidate shipments on your behalf to make it much easier for you to focus on other things.

Working with a consolidator will also allow you to take advantage of **economies of scale** when it comes to transportation costs.

From a brand owner perspective then working with a consolidator can allow you **access to first time or incremental export sales in various global markets**. This is without having to actually transport the goods outside of your home territory nor liaise with overseas customers, despite the international exposure that it gives you.





The first advantage of working with a consolidator is that they **rarely ask for exclusivity**, so this does not limit you to work with one consolidation company or other partners in an overseas market.

Consolidators tend to be **based in the market where the goods originate from** and they use their existing overseas customer relationships to sell a myriad of products in large shipments. On top of handling the logistics, consolidators are also responsible for making sure export documentation is in order, and that any labelling, stickering or packaging is adjusted to meet the regulations of the receiving country.

In terms of cost-efficiency, a consolidator is able to **leverage reduced full carload (FCL) rates**, passing these preferential rates onto the buyers.

Since consolidators are able to work with smaller volume shipments, as an international buyer you are in a **low-risk position to test out new produce** to see whether there is demand or not. This is an advantage for both manufacturers and retailers as it provides **easy access to goods, with no long-term commitments**.



Some consolidators have well-established relationships with specific retailers so it's important to work with a consolidator who is happy to **disclose to some extent who their retail partners are/where their market coverage is**. If you are a brand owner you should ask the question and work hard to develop a good relationship with the consolidators you work with, otherwise, it may cause you problems later down the line.

There are situations where consolidators aren't willing to share this information with you, and therefore, if you're planning on working with other intermediaries, or plan to eventually go direct to the retailer, then this may **limit who you can sell to or how much interest the consolidator will have in your products as a result**. Be open and honest and consider how your route to market is affected with or without the involvement of consolidators.

It's important to have this conversation with your consolidator(s), even though it could be difficult, since there is **a need for overall transparency and for you to have some control over where your products are ultimately sold.**



In summary, working with a consolidator can be and usually is a **great starting point** for brand owners and manufacturers when it comes to exporting as they can **take much of the complexity away** for you.

As you develop your international footprint it is important to **consider the role** of your consolidator(s) in your overall export strategy and **plan** as it may be that through other international relationships and partnerships there can be cross over in a market that can cause future issues.

We would recommend **working with a small number of consolidators** with whom you can have a close collaborative working relationship rather than having too many that may ultimately mean you lose control of your supply chain and knowledge as to who and where in the world your products are going.



Now you know all about intermediaries, the marked differences and individual benefits, it's time to decide which one is right for you. Need further guidance on this? This is where Bolst Global can help and we would be happy to provide any **1-2-1 consultative advice** if required.

We also support both brand owners and manufacturers looking to **further expand or branch into new markets**, as well as retailers and distributors needing to **source brands or suppliers from overseas**.



What's more, we can **develop a hybrid solution** to suit Client and Customer individual needs, by bringing together a combination of intermediaries to maximise your reach. With that in mind, [get in touch with a member of our team today](#) to discuss your requirements. We would be very happy to help!