

Your invaluable foreign partner

You depend enormously on your foreign partner, and rightly so. A good foreign partner can save you months and even years of hard work and many business trips before you even begin to reap the benefits of your export efforts. A good partner acts as a shortcut as well as a liaison. In fact, he is an extension of your company in his country.

Still, you need to ask yourself if you really need a partner. The following few rules and guidelines can help you make an informed decision.

You need an intermediary in a foreign country if:

- you are not familiar with the language, culture, market and business environment of the target country;
- the product/service has a relatively short life cycle, which calls for accelerated marketing to an already established customer base;
- the business relationship involves personalized after-sales service;
- the customers/users are not receptive to foreign companies;
- inventory is involved.

Conversely, you can go it alone if:

- the customers/users prefer to deal directly with the manufacturer (exporter);
- you want to retain tight or total control over the product delivered (e.g. products that come with a guarantee);
- you export complex products that require the company to be close by, i.e. in direct contact with the user (e.g. capital goods);
- you cannot find intermediaries who fulfill your requirements.

What makes a good foreign partner?

The intermediary who will act on your behalf (or on behalf of your company) in the new country can have appealing advantages but can also pose risks that are sometimes difficult to assess. Thus, the intermediary can be a rare pearl or a thorn in your side.

A foreign partner can use his sales force, customer base, knowledge of the market and local business practices, reputation and financial resources to help with your export project. Conversely, he can also turn your life into an endless nightmare. Although unintentionally, your partner can cause your business to be forever banished from this market, or worse, his failures can reflect on your image or market.

The fact that your partner acts in good faith does not necessarily make him a good business partner. The following questions will help you find the right match.

- Is your business vision compatible with your partner's?

- Is the prospective partner already familiar with your products and industry?
- What is his area of specialty (field of competence)?
- Are his claims consistent with his abilities and achievements?
- What can he offer you that you cannot do yourself?
- Does he insist on territorial exclusivity?
- Will he be allowed to sell the competition's products?
- What is he looking for in a business relationship?
- Does he also view you as a partner?
- What is his reputation in his market?
- How does his sales force measure up?

Some companies will team up with the first person they meet in the target country just because he can speak English in addition to the local tongue. However, being a native is no guarantee of business acumen.

Selling yourself

Many an international business plan calls for finding a good partner in the target country. Yet frequently no suggestions follow on how to go about this. You must ask yourself certain questions before beginning the search: What type of partner is best for my project? How do I find him? And how do I convince him to team up with my company?

Once you have found the right person, the next step is to sell him on the idea of coming aboard. What makes you stand out? Reciprocity and equitable profit sharing is the key to a long-term business relationship. Make sure to mention this in your sales pitch.

Agent, distributor, wholesaler... variations on the same theme?

The partner's rights and obligations, and terms and conditions of the association will vary with the type of intermediary selected. As a general rule, a manufacturer's or sales agent operates on a commission basis and has no ownership title to the goods transacted. His role is basically to promote and sell the exporter's products and to regularly report on customers and the target market. For his part, the distributor (usually based in the foreign market), buys and resells the goods according to a price structure established with the exporter (or set by the distributor himself). The ties between exporter and distributor are fairly strong, and exclusivity and non-competition clauses are not uncommon between the partners. Wholesalers buy the merchandise from the exporter and resell it on their own terms. Their obligations to the exporter are essentially limited to paying for the goods. Wholesalers are not required to provide their suppliers with information and can procure their goods from other national or international sellers. A variety of other types of partnership can also be contemplated depending on the nature of the project and the company's needs (e.g. broker, franchisee, co-investor).

Before your first meeting with the potential intermediary, you must prepare a profile of the ideal candidate and a list of responsibilities, for example, canvassing, selling, negotiation, transaction settlement, market analysis, after-sales service, technical assistance and payment collection.

Where are they hiding?

There are a number of ways to find a partner. The names of distributors, agents and brokers can be obtained from industrial directories, the Internet, industry associations and some foreign ministries and trade delegations. Attending trade fairs in the target country and asking your clients or suppliers for referrals can also help you in your search. Finally, you must make sure the person you select provides good references from credible sources.