

Chapter

11

Agency

In international trade, big manufacturers often establish branch offices to promote and sell their products. Branches can operate if the law of the country permits it and the volume of business is sufficient to keep a full-time working staff busy most of the day. As branches require a substantial capital expenditure, they lie beyond the means of the majority of traders.

Thus, the agency system has been adopted to handle a great volume of import-export trade. It mainly refers to a marketing method of selling goods or products such as life and health insurance, by which an agent represents the principal (supplier/manufacturer) in transactions with other parties.

A company can obtain information about agents through the internet, from a Consulate, a Chamber of Commerce, or from various Trade Associations or banks. Nowadays, they advertise directly in Trade Journals or on the Internet. In selecting and appointing an agent, one should take full account of the following:

- The potential of the market which is to be exploited.
- The agent's ability to market the supplier's products and the particular advantages the former can offer.
- The agent's familiarity with the conditions of the local market, his/her reputation in commercial circles, his/her valuable connections etc.
- The agent's premises and mainly the display facilities offered by his/her showrooms.

All agents work for their principal, usually pay all expenses of administering their agencies, and receive payment (commission) for their services. They

can be *selling* (or *commercial* or *mercantile*) *agents* – who, under *sole* or *exclusive* rights, operate on a contractual basis and sell a specified line of merchandise, or the manufacturer's entire output – and *buying agents* – who, under the instructions of a buyer, purchase goods at competitive prices, negotiate the shipping and insurance rates, and secure the best possible deal for the buyer.

Most letters/emails of the Agency Business refer to: a) finding an agent, b) offering an agency, c) asking for an agency, d) accepting or refusing an offer, e) submitting a report of an agency.

A letter or email seeking a prospective agent should be polite, detailed and to the point. It should explain who you are, where you are based, what you manufacture and what type of agent you are interested in working with.

Once you have received the information you want and have decided on the persons you want to appoint, you write to them directly explaining how you obtained their contact details and offering your agency. It is important to give details about the type of agency you can offer, e.g. sole agency, the area within which the prospective agent can operate, the commission and financial support for advertising s/he is likely to receive, delivery time and method of payment. You can also include contractual information, specifying length of the agreement, settling of disputes etc., though a draft contract is mostly sent after the two parties have agreed on the establishment of the agency.

When submitting an application for an agency, you should include information about your own business, about the manufacturer and his/her products and possibly the terms on which you normally operate with other principals. Emphasis should be given on your know-how and expertise, your business ability and status in commercial circles. The manufacturer/exporter has to be convinced that you trade in a growth market, where the new products can sell well and yield return.

Some routine letters/emails covering the Agency Business are provided in this chapter.

Manufacturer's Request for an Agent (Addressed to Chamber of Commerce)

Date

Name/Title

Business/Organisation

Address

City

Post Code

Country

Dear sir/madam

We are one of the leading manufacturing companies in the field of processing Greek olive oil, olives and cheese. Our company is also well-known for its dry figs, peaches and tomato paste.

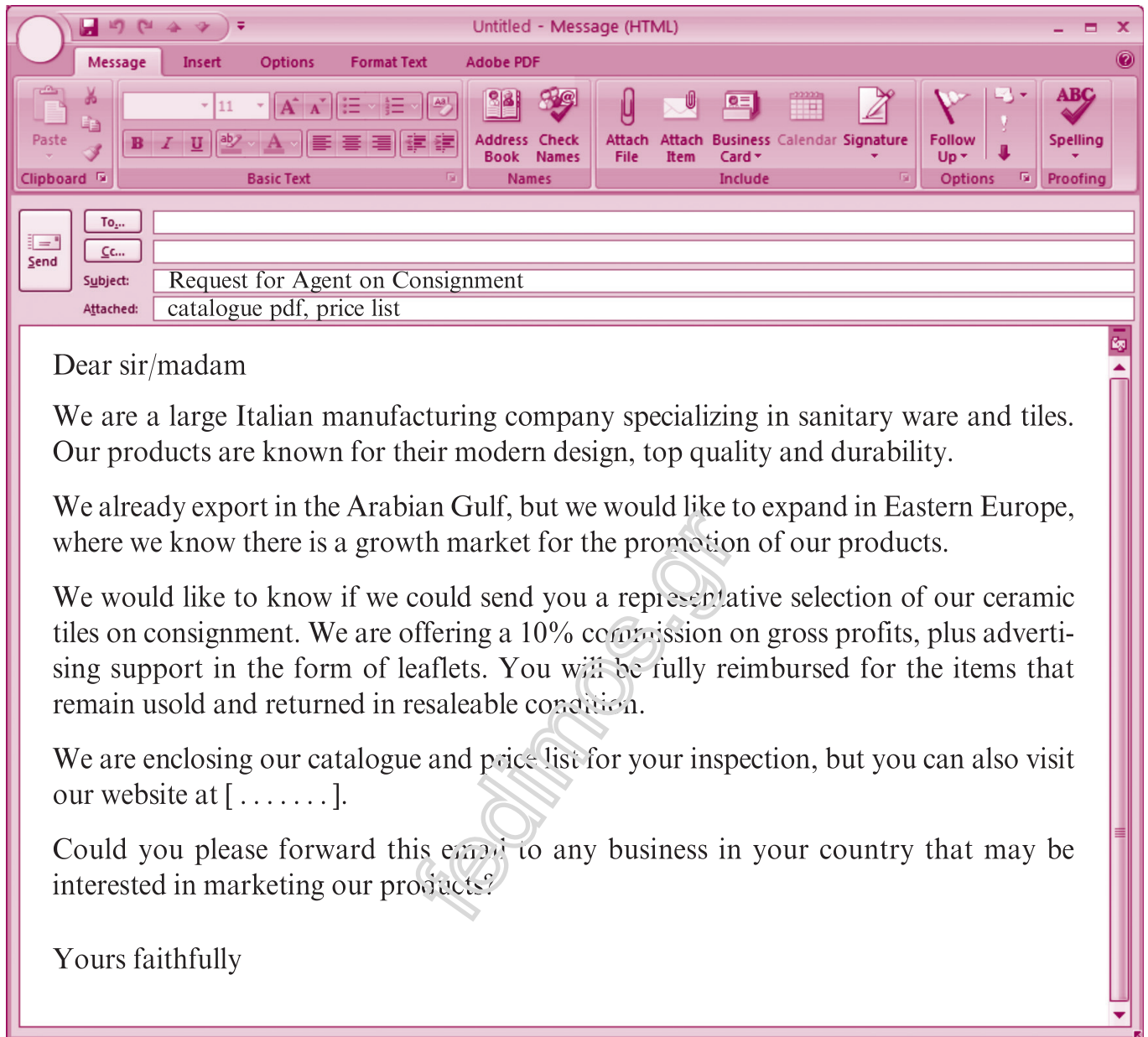
We operate in Greece and Cyprus and we are thinking of promoting the export of our products in the German market. We are looking for an established import company specialised in the supply of food products in Germany.

We should be grateful if you could send us a list of possible agents. We look forward to hearing from you at your earliest convenience.

Yours faithfully

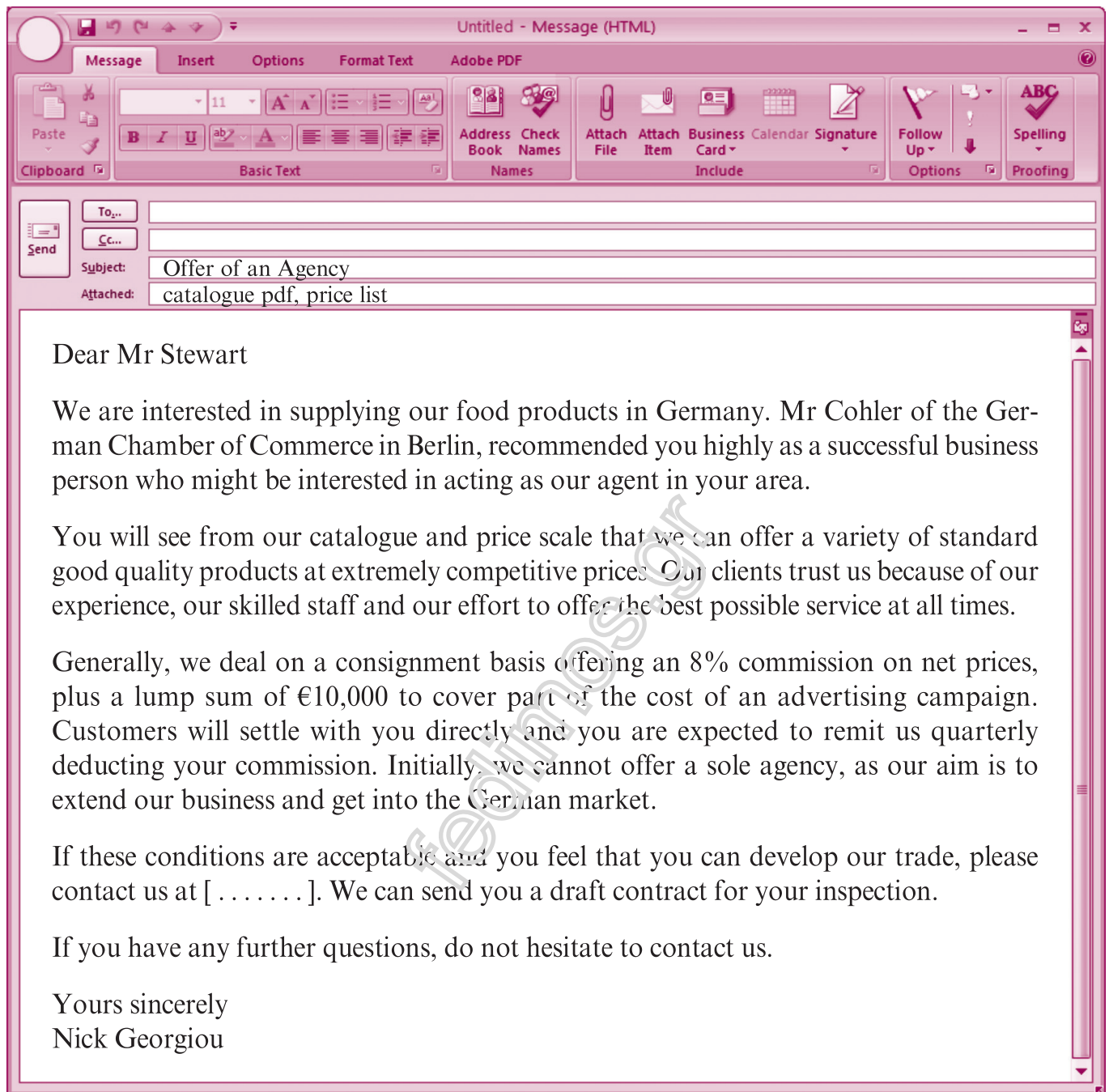
1. Who is writing the letter to whom? For what reason?
2. What is the manufacturer specializing in?
3. What is s/he looking for?

Manufacturer Offers Merchandise on Consignment



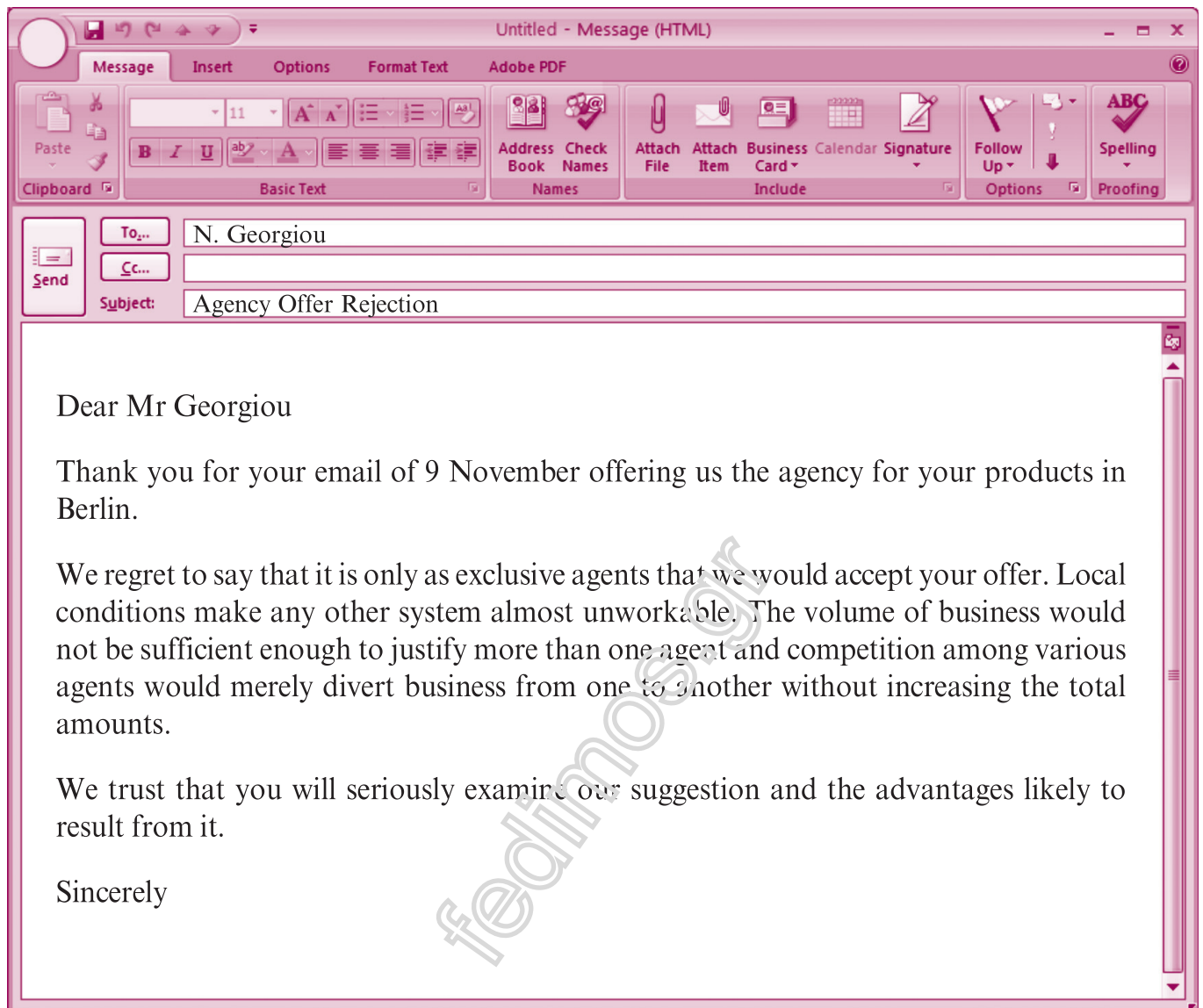
1. Who is writing the email to whom? For what reason?
2. Does the manufacturer offer an exclusive agency?
3. Where does the company export at present?
4. What commission will the prospective agent earn?
5. Find the words in the above email that mean the following:
 - a. Get bigger:
 - b. Refund:
 - c. Earnings not taking costs into account:
 - d. For a commission:

Manufacturer's Offer of an Agency



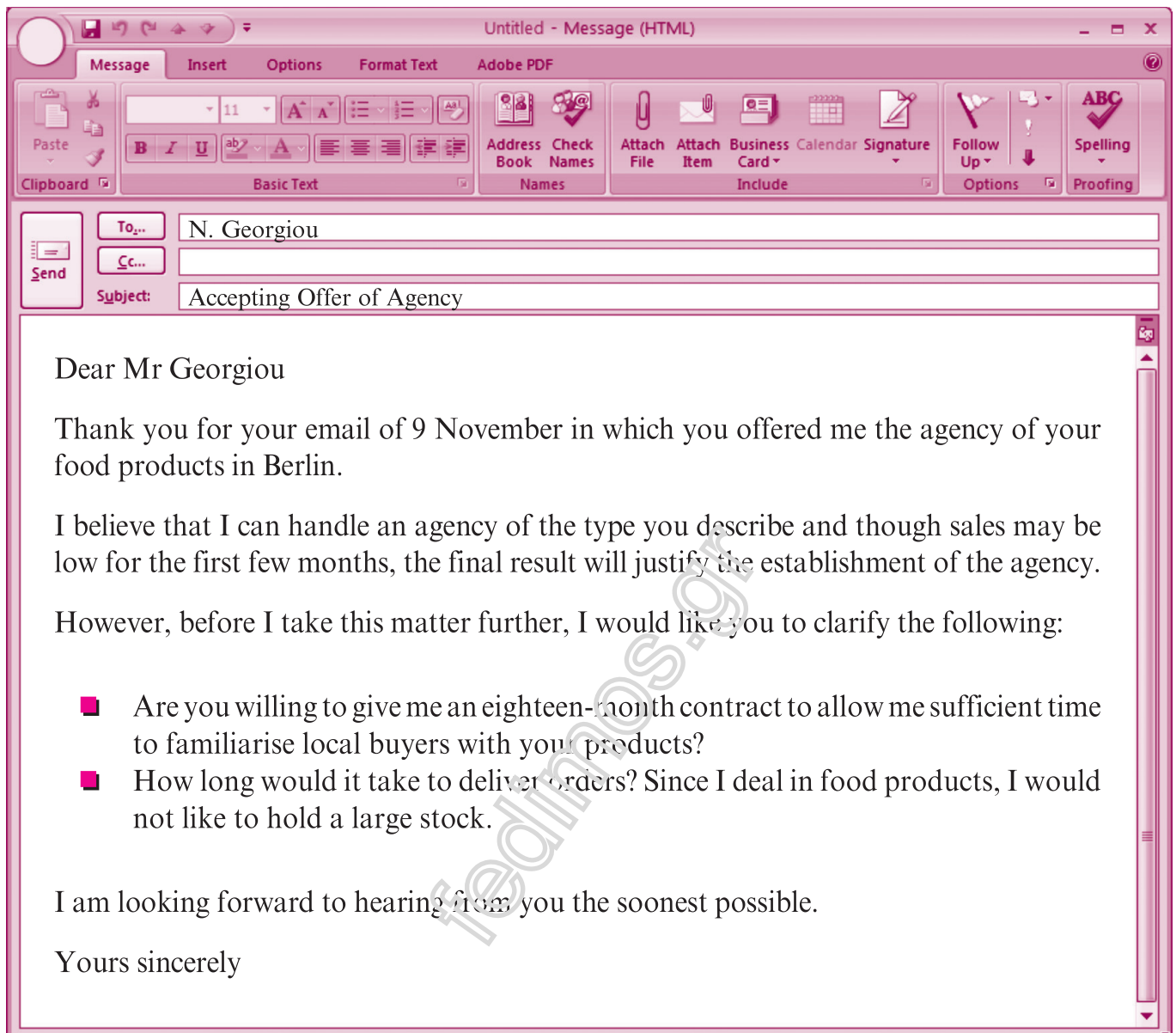
1. Who is writing the email to whom? For what reason?
2. Who recommended the agency to Mr Georgiou?
3. Are they offering the prospective agent any additional help?
4. Find the words in the above email that mean the following:
 - a. Money paid once:
 - b. Pay an account:
 - c. Transfer:
 - d. Fee:

Negative Reply to a Manufacturer's Offer of an Agency



1. Who is writing the email to whom? For what reason?
2. Why do the agents operate only on exclusive rights?
3. Find the words in the above email that mean the following:
 - a. Change direction:
 - b. Impractical:
 - c. Amount:

Positive Reply to a Manufacturer's Offer of an Agency



1. Who is writing the email to whom? For what reason?
2. What are the terms the prospective agent suggests?
3. Find the words in the above email that mean the following:
 - a. Trade:
 - b. Inventory:

Letter Offering Terms of Agency

Date

Name/Title

Business/Organisation

Address

City

Post Code

Country

Dear

Thank you for your email of 10 December. As you requested, we enclose a draft contract for the agency agreement.

The sole agency will be for the area of Milan, where you can only distribute our perfumes and toiletries and no other product manufactured by us.

As a sole agent you are offered an initial one-year contract, which is subject to renewal by mutual agreement. As this can be considered a trial period, you are only required to hold a representative selection of samples.

The agency will be on a 10% commission. 3% extra commission will be paid if you exceed sales of €100,000 a year.

Your accounts will be paid by 60 days bill of exchange.

All goods will be sent FOB and all orders will be executed within 3-5 weeks, subject, of course, to availability of stock. All products should be packed in strong wooden cases and no responsibility for any damage will be borne by us, once the goods leave our warehouse.

You are not allowed to pledge or mortgage our goods to anyone, at anytime, for any reason whatsoever.

Disputes, if any, will be settled with reference to EU law.

You are at liberty to terminate the agency provided you give us 60 days notice in writing.

If you find the above terms and conditions acceptable please return to us two copies of the agreement duly signed and stamped.

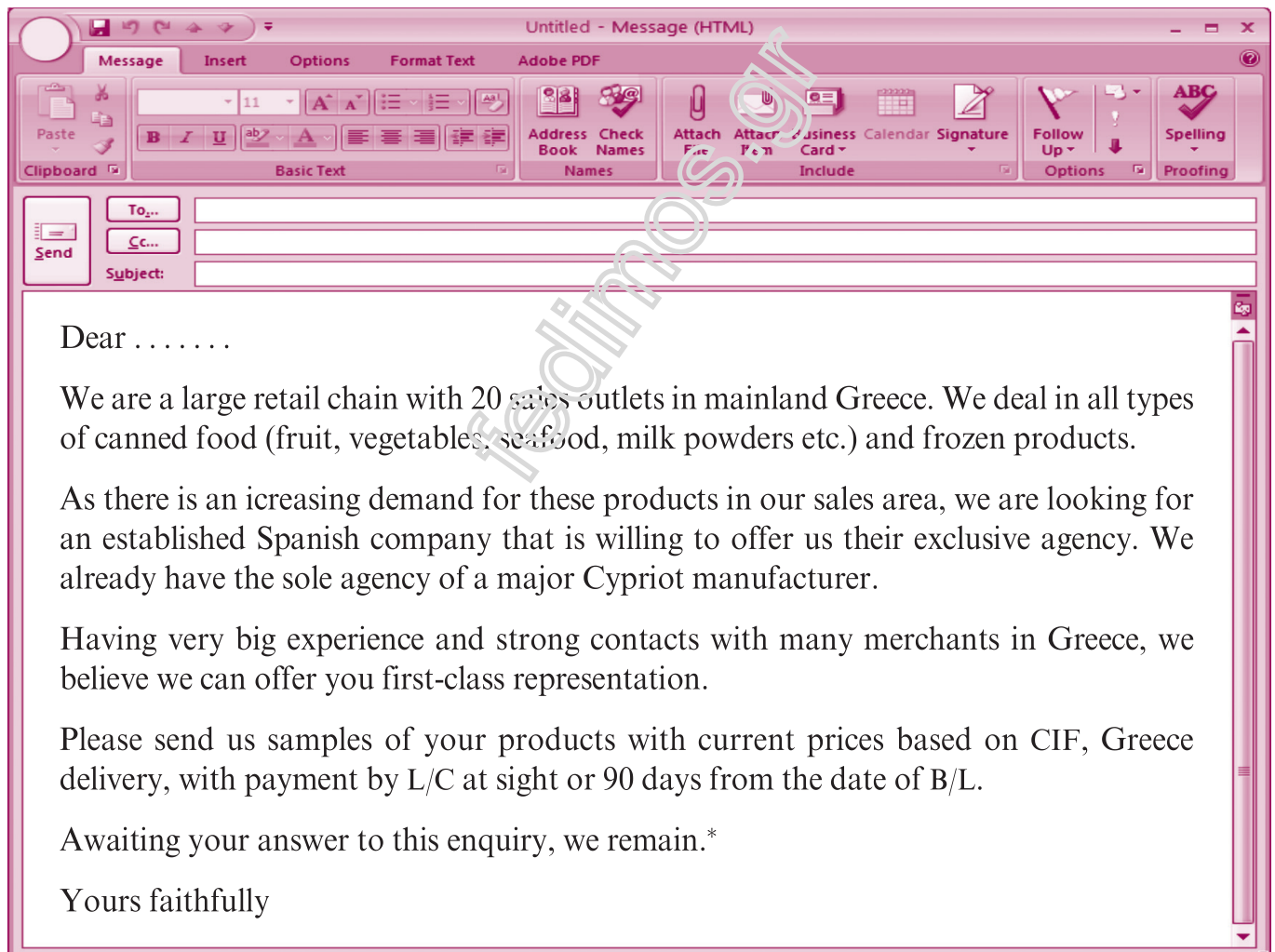
Yours faithfully

- 1. Who is writing the letter to whom? For what reason?**
- 2. What is a draft contract?**

3. Find the words in the above letter that mean the following:

- a. An agreement that allows you to borrow money from a bank by offering sth of value:
- b. Resolve, reach an agreement:
- c. Allowed, entitled:
- d. Rightly:
- e. Preliminary version of a piece of writing:
- f. Give out, deliver:
- g. Reciprocal:
- h. Consensus:
- i. Test of the performance:
- j. Go over:
- k. Deal with, carry:
- l. Thing given as security for the fulfillment of a contract:
- m. Disagreement:

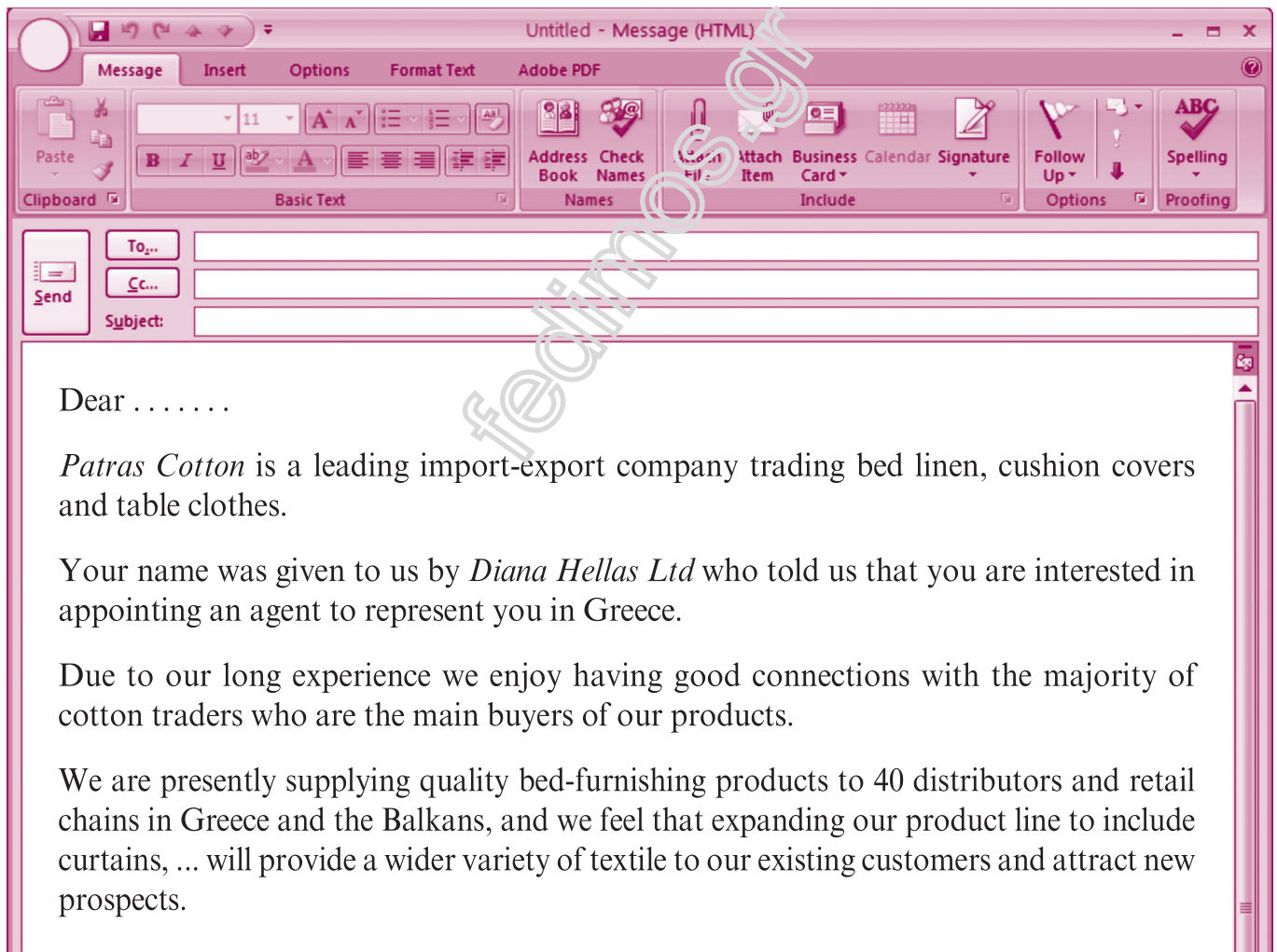
Importers Request for an Agency



* we remain: a very formal expression, very rarely used

1. Who is writing the email to whom? For what reason?
2. What are the strong points that may convince the exporter to offer the agency?
3. What terms of agency does the importer suggest?
4. Is this email formally written?
5. Explain what the phrase *at sight* mean.
6. What do the following abbreviations stand for?
 - a. L/C:
 - b. CIF:
 - c. B/L:

Offer to Act as an Agent



(to be continued in the next page)

(continued from the previous page)

We can operate as exclusive distributors, or del credere agents on an 18% commission, with an additional 2% when our annual turnover is in excess of €200,000.

All publicity material shall be supplied to us at your cost.

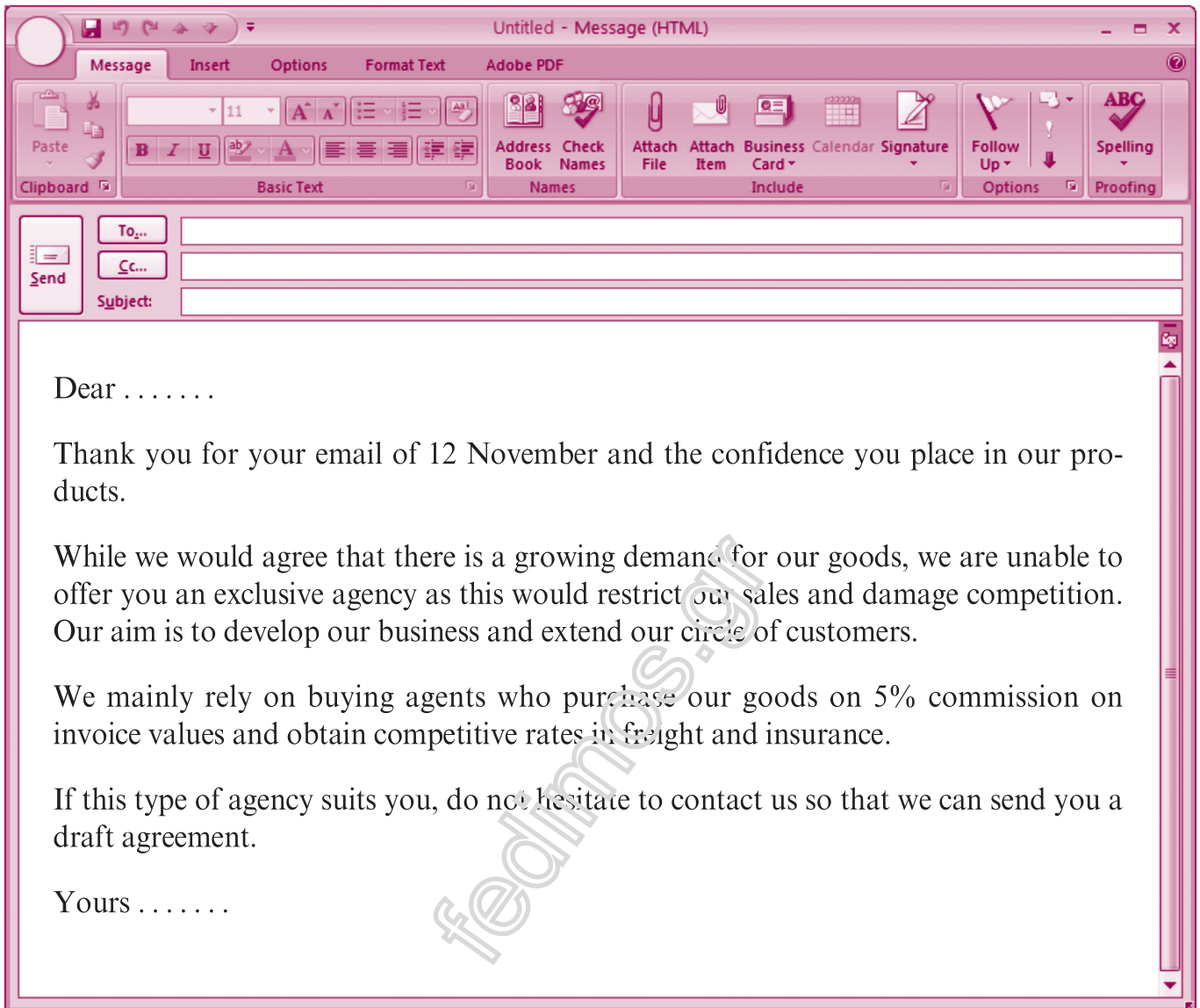
We would expect delivery FOB within 4-6 weeks of receipt of order. Any loss occurring at any stage until receipt will be borne by you.

If our terms and conditions are of interest to you, we would be pleased to take on an initial one-year contract to represent you.

Yours

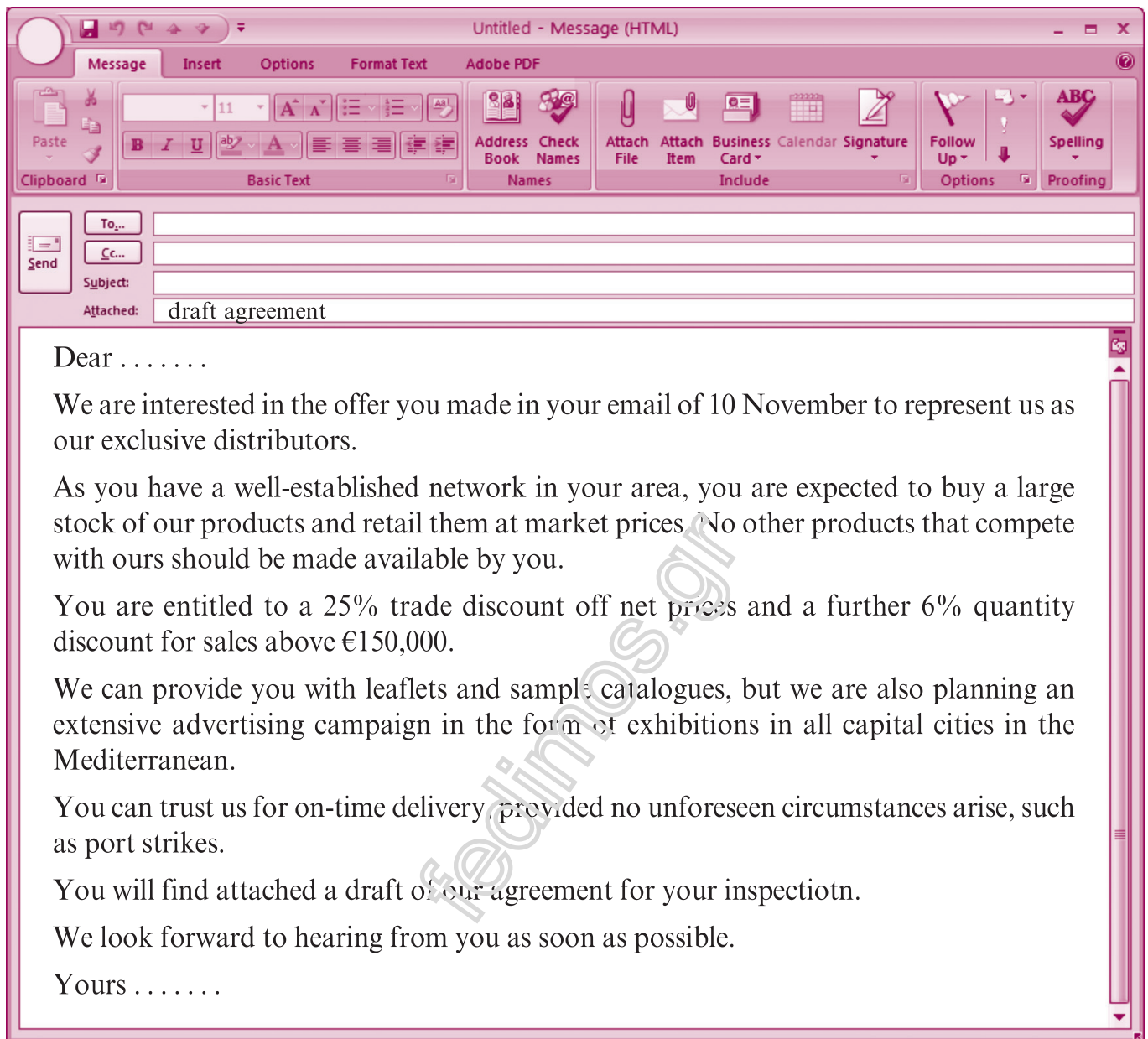
1. Who is writing the email to whom? For what reason?
2. What do we mean by publicity material?
3. Find the words in the above email that mean the following:
 - a. Designate:
 - b. Amount of money taken by a business in a particular period:
 - c. The appointee who receives higher commission and guarantees customers' debts:
 - d. An outlet in which several locations share a brand, central management and standardized business practices.
 - e. Agent who supplies goods to retailers:
 - f. Type of cloth, woven fabric:

Negative Reply to a Request for an Agency



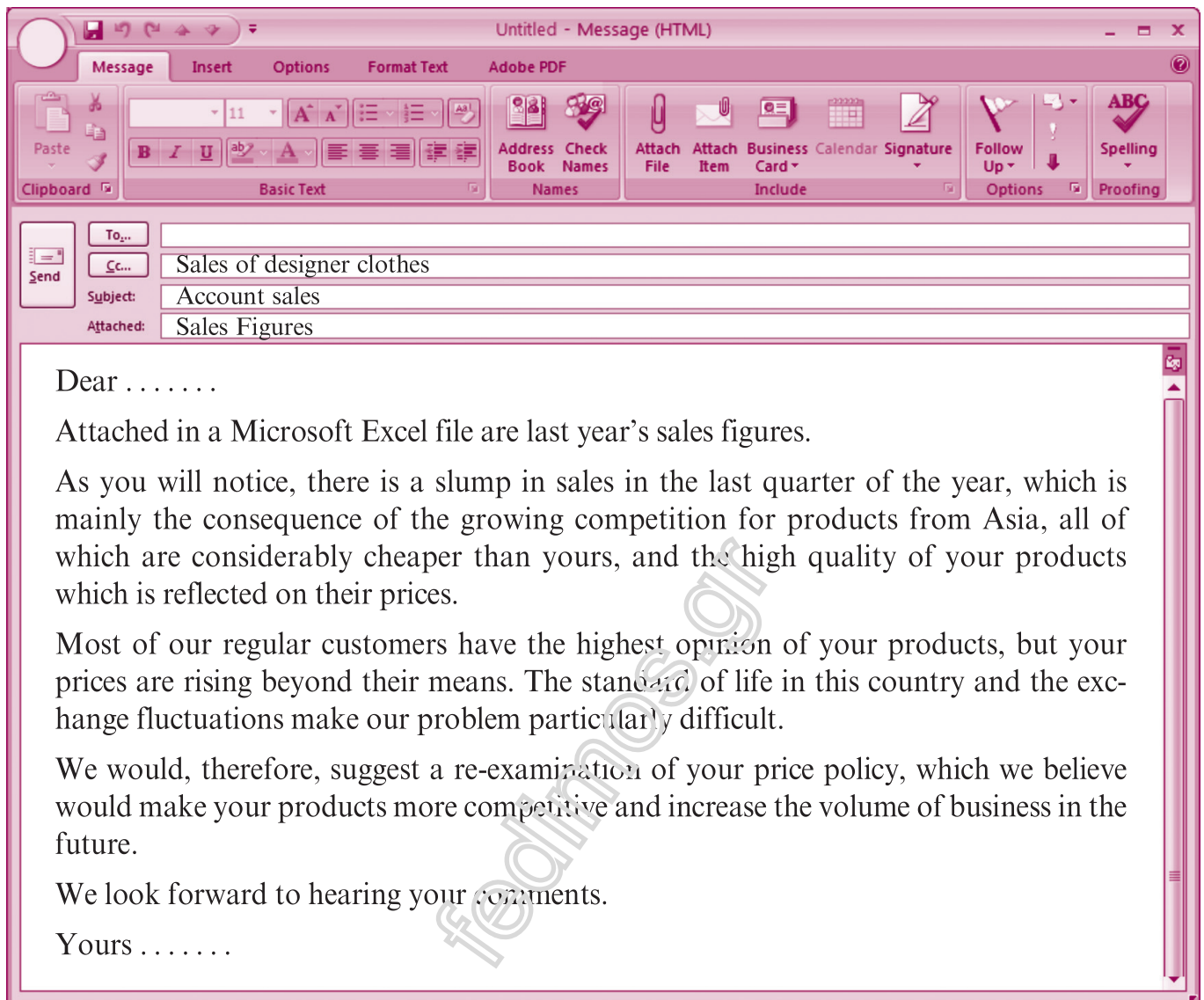
1. Who is writing the email to whom? For what reason?
2. Why does the exporter deny the offer of the agency?
3. How does s/he usually trade?
4. Explain what a buying agent is.
5. Explain what a selling agent is.

Positive Reply to a Request for an Agency



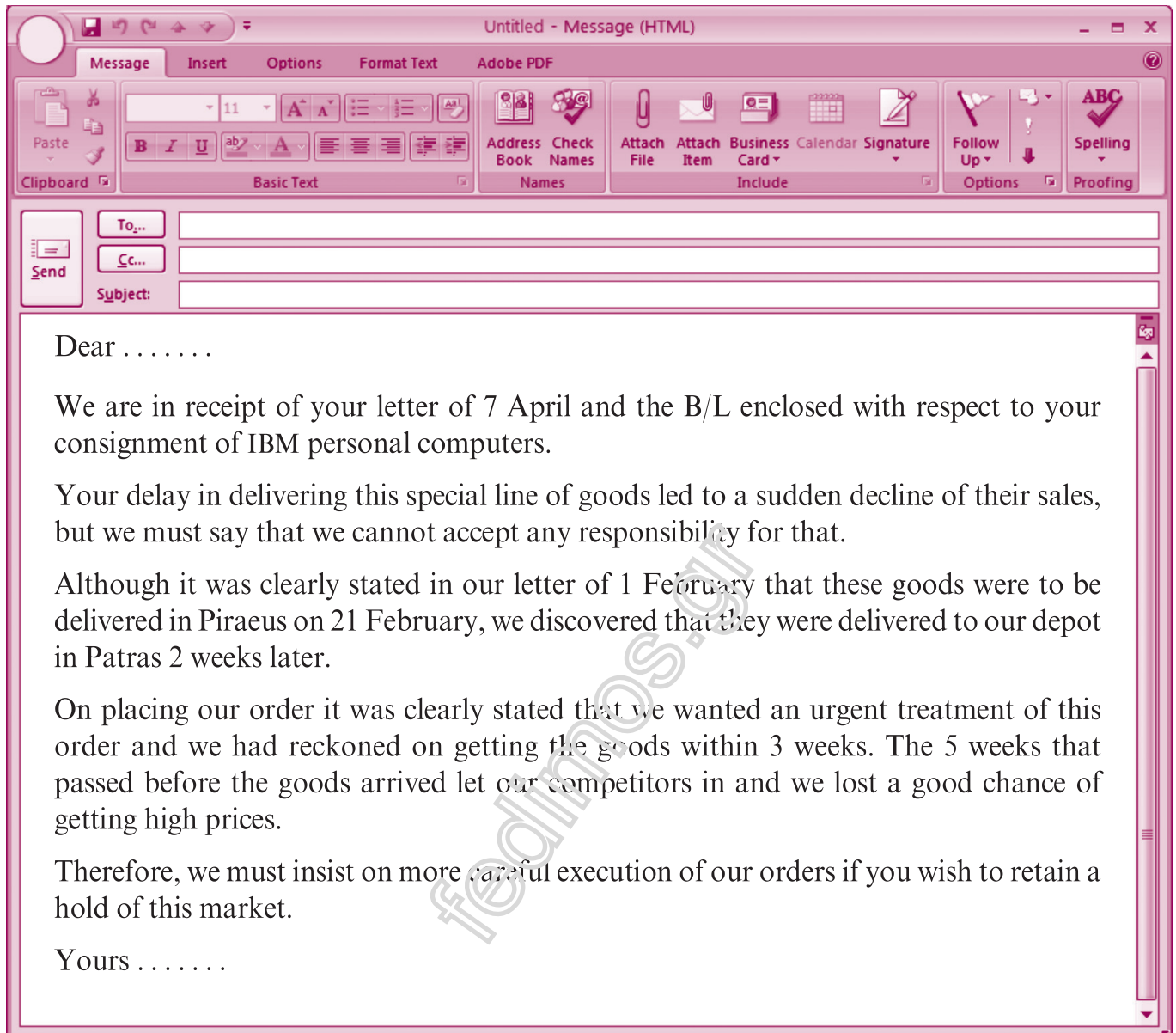
1. Who is writing the email to whom? For what reason?
2. Specify the terms of agency.
3. Find the words in the above email that mean the following:
 - a. Amount taken off the usual selling price of goods when they are sold by a manufacturer or wholesaler to a retailer:
 - b. Volume discount:
 - c. Deserving special treatment:
 - d. Unpredicted:
 - e. Refusal to work:
 - f. Scrutiny, careful examination:

Agent's Report



1. Who is writing the email to whom? For what reason?
2. Comment on the tone of the above email.
3. How does the agent express his/her dissatisfaction?
4. Find the words in the above email that mean the following:
 - a. Έκθεση πωλήσεων:
 - b. Amount of sales of sth within a particular time frame:
 - c. The price of a country's money in relation to another country's money:
 - d. Variation, shift; change:
 - e. Income; financial resources:
 - f. Mirror, throw back:
 - g. Plummet, downturn:
 - h. A statement showing the net result of a purchase made by one person on another's account with commission and all other charges included:

Agent's Complaint of Slow Delivery



1. Who is writing the email to whom? For what reason?
2. What is attached to this email?
3. What is the tone of the email? How does the agent express his/her complaint?
4. Find the words in the above email that mean the following:
 - a. Batch of goods delivered to someone; consignment:
 - b. A place for the storage of large quantities of goods:
 - c. Hold on to; keep possession of:

Useful Sentences

- Our aim is to identify a good performing company which will have sole distribution rights for the whole of Italy and will establish a highly profitable market.

Στόχος μας είναι να εντοπίσουμε μια αποτελεσματική εταιρεία η οποία θα έχει αποκλειστικά δικαιώματα διανομής (των προϊόντων μας) σε όλη την Ιταλία και θα εγκαθιδρύσει μια πολύ προσοδοφόρα αγορά.

- We are thoroughly impressed by your cost-efficient and modern operation and particularly with the procedures you have implemented to monitor quality control. We believe that we are able to offer you first class representation.

Έχουμε εντυπωσιαστεί από τον οικονομικά αποδοτικό και σύγχρονο τρόπο λειτουργίας της επιχείρησής σας και ιδιαίτερα με τις μεθόδους που έχετε εφαρμόσει για να παρακολουθείτε τον έλεγχο ποιότητας. Πιστεύουμε ότι μπορούμε να σας προσφέρουμε άριστη αντιπροσώπευση.

- We must evaluate the location of your business and find out if transportation by ground or air methods and warehouse space are available.

Θα πρέπει να εκτιμήσουμε την τοποθεσία της επιχείρησής σας και να εξακριβώσουμε εάν υπάρχει δυνατότητα μεταφοράς με επίγεια ή εναέρια μέσα και χώρος αποθήκευσης.

- We appreciate the confidence you show in us by offering us the sole agency for your products.

Εκτιμάμε την εμπιστοσύνη που μας δείχνετε προσφέροντάς μας την αποκλειστική αντιπροσωπεία των προϊόντων σας.

- Please provide us with information concerning your price scale, your terms and any information on duties and taxes.

Παρακαλούμε πληροφορείστε μας σχετικά με την κλίμακα των τιμών σας, τους όρους σας, τους δασμούς και τους φόρους.

- Before the contract is drawn for signature, we would like to forward it to our solicitor to review the main points of the agreement.

Πριν συντάξουμε το συμβόλαιο για υπογραφή, θα θέλαμε να το στείλουμε στο δικηγόρο μας για να επανεξετάσει τους κύριους όρους της συμφωνίας.

- We are accordingly in a position to negotiate the marketing of our laboratory instruments, if your prices are competitive and your terms adequate.

Κατά συνέπεια είμαστε σε θέση να διαπραγματευτούμε την εμπορία εργαστηριακών οργάνων, εάν οι τιμές σας είναι ανταγωνιστικές και οι όροι σας ικανοποιητικοί.
- Unfortunately, due to circumstances beyond our control, we have increased our prices by 12%. However, because you have been a loyal customer we can offer you a reasonable allowance for expenses.

Δυστυχώς, εξαιτίας καταστάσεων πέρα από τον έλεγχό μας, αυξήσαμε τις τιμές μας κατά 12%. Ωστόσο, επειδή πάντα ήσασταν πιστός πελάτης μας μπορούμε να σας προσφέρουμε μια λογική επιχορήγηση για τα έξοδά σας.
- If you wish to retain a hold of our market you must pay for extensive advertising in newspapers and magazines.

Εάν επιθυμείτε να κρατήσετε την αγορά μας, πρέπει να πληρώσετε για εκτεταμένη διαφήμιση σε εφημερίδες και περιοδικά.
- We do not receive any financial support for advertising and our commission is not sufficient enough to cover the costs ourselves.

Δεν παίρνουμε καμία οικονομική βοήθεια για διαφήμιση και η προμήθειά μας δεν είναι αρκετά επαρκής για να καλύψουμε τα έξοδα μόνοι μας.
- We have instructed our representative to arrange displays in the cities he is going to visit and announce them in the local newspapers.

Δώσαμε οδηγίες στον αντιπρόσωπό μας να κανονίσει εκθέσεις στις πόλεις που πρόκειται να επισκεφτεί και να τις αναγγείλει στις τοπικές εφημερίδες.
- The Import License concerning the items detailed in your invoice has now been obtained.

Έχουμε ήδη λάβει την άδεια εισαγωγής για τα είδη που αναφέρετε λεπτομερώς στο τιμολόγιό σας.
- In placing orders, kindly do so through our representative.

Οι παραγγελίες πρέπει να γίνονται μέσω του αντιπροσώπου μας.
- Will our disputes be settled at a court of law or with arbitration?

Οι διαφορές μας θα λύνονται δικαστικώς ή με διαιτησία?

Exercises

- A. There are a number of mistakes in each sentence of the following letter. Read it carefully and then underline and correct them.**

Dear Mr Peterson

We regret to bring to your notice that despite our repetitive suggestions and requests, you have not been able to improve the sail of our product in your terrain.

Ironically, the sales have been invaluablely declining for the last quarter.

We are, therefore, left with no other selection but to delete your agency and this may be treated as 120 days notice as per semester 15 of our agency agreement. You are pleased to clear all eloquent accounts at you earliest convenience to enable us to refute your safety deposit.

Yours faithfully

- B. Explain the meaning of the following nouns and use them to complete sentences 1-8.**

- | | |
|---------------|--------------|
| a. seller | b. vendor |
| c. trafficker | d. marketeer |
| e. sail | f. sale |
| g. sell | h. shell |

1. Only the of the warehouse was left after the fire.
2. The of the house signed up a contract with the purchaser.
3. There wasn't a at sight.
4. His last science fiction book is a poor
5. It's a real We thought the dinner was inexpensive, but we had to pay extra for salad and drinks.
6. He turned out to be a of alcohol and tobacco.
7. The of tobacco and alcohol is subject to certain restrictions.
8. Free are opposed to the new safety regulations.

C. Complete the following terms and match them with their definition.

- a. i _ _ o _ t d _ _ i _ s
- b. r _ q _ i _ i _ e f _ _
- c. o _ _ n i _ d _ _ t
- d. c _ o _ _ d i _ d _ _ t
- e. a _ b _ t r _ t _ _ n
- f. b _ y g _ _ _ s o n c _ _ s _ g _ m _ _ t
- g. d _ _ c _ _ d _ r _ a _ e _ t
- h. i n _ _ m _ i _ y
- i. s _ c _ _ i _ y d _ p _ _ i _
- j. r _ s _ l _ p _ _ c _ m _ _ n t _ _ a _ _ e

1. A sum of money left with a supplier to cover any trading losses incurred.
2. When an agent does not own the goods, but is appointed to resell them for a commission.
3. The fixing by manufacturers of minimum prices at which their products may be resold by distributors.
4. The settling of a dispute not by a court of law, but by a person (third party) chosen and agreed by both sides in the dispute.
5. Money (insurance) provided by an exporter as guarantee on the goods a distributor sells.
6. A tax or tariff on goods from abroad used to protect domestic production against foreign competition. They have been an important source of government revenue especially in developing countries.
7. The official order for goods made by a buying agent who can choose his/her supplier.
8. The agent who receives a higher commission and guarantees the customer's debts.
9. An amount of money a supplier can charge his agent/distributor to cover the expenses the former incurred in order to officially claim his/her outstanding invoices from the latter's accounting department.
10. The official order for goods from another country made by a buying agent whose principal names the supplier (also called specific).

D. Complete the following sentences with the terms provided.

- a. confirming house
- b. factor
- c. licensing
- d. recourse factoring

- e. distributor
 - f. non-recourse factoring
 - g. commodity brokers
1. A is a business person with an established network, who purchases a manufacturer's goods and sells them to customers for a profit.
 2. Raw material such as coffee, grain, cocoa, cotton, rubber etc. is usually traded by who buy and sell in bulk on behalf of their clients.
 3. A is an individual or firm that can buy and sell goods (usually fruit and vegetables). Unlike some other forms of agent, they take possession of goods and sell them in their name.
 4. In , if the manufacturer's customer goes bankrupt, the person who has bought his outstanding invoices, cannot claim his money from the manufacturer; whereas in , the individual or firm would claim money from the manufacturer if the debtor is unable to pay.
 5. An overseas buyer can place orders via a , which can expedite them and make all packing, shipping and insurance arrangements.
 6. A number of manufacturing companies expand their business by , i.e. an agreement by which they permit a foreign company to use their manufacturing processes, patents, trademarks etc. in a foreign country in exchange for a fee or royalty.

E. Complete the following sentences with an appropriate phrasal verb.

1. I believe that hiring an export manager to a plan for the promotion of our new line of products, will boost sales tremendously. (develop)
2. RPM resale price maintenance. (represent; it is an abbreviation)
3. In view of the fact that an advertising campaign means a considerable capital outlay we feel sure you can us by bearing part of the cost. (support)
4. Our agency only hardware. (trade)
5. As long as you agree with our terms and conditions, our legal department can a draft contract. (write, prepare)
6. We would like to a two-year contract in order to establish ourselves in international markets. (undertake, enter)
7. I fear we have to the £ 10,000 security deposit, as they declared bankruptcy. (recognize that sth is a loss; cancel).
8. Before we sign up the contract, we would like to the main terms of the agreement. (revise)

- F.** Your firm wishes to appoint a sole agent in Italy for the sale of its well-known wines. Write a letter to an importer to offer the agency.
- G.** Write a letter to an exporter offering to act as an agent for his/her dairy products. Try to include every point likely to induce him/her to give you the agency.
- H.** Submit a report dealing with the work of your agency during the past month and make suggestions for the development of your trade.
- I.** Write a letter to your foreign supplier complaining that the prices are too high for the market and competition very strong.
- J.** Write a letter to your foreign supplier asking for increased commission or a substantial advertising allowance.
- K.** Write a negative reply to a manufacturer's offer of an agency. Give reasons and make alternative suggestions.
- L.** Translate the following sentences into English

1. Μπορούμε να σας προμηθεύσουμε με την πλήρη σειρά των οικοδομικών προϊόντων μας, τα οποία είμαστε βέβαιοι ότι γρήγορα θα υπερκεράσουν σε πωλήσεις όλα τα ανταγωνιστικά προϊόντα που διατίθενται στην ελληνική αγορά.

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2. Το προϊόν μας είναι αποτέλεσμα πολυετούς έρευνας και ανάπτυξης και οι τιμές μας πολύ ανταγωνιστικές για την ποιότητά του. Η έρευνά μας έδειξε ότι υπάρχει αυξημένη ζήτηση γι' αυτό στη χώρα σας και είμαστε σίγουροι ότι μόλις το όνομα του προϊόντος/φίρμα μας καθιερωθεί, θα γίνει ηγέτης της αγοράς.

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3. Η πολιτική της εταιρείας μας δεν επιτρέπει να εμπορευόμαστε βάσει προμήθειας επί των πωλήσεων, αλλά να ζητάμε από τους αντιπροσώπους μας να αγοράζουν τα προϊόντα για λογαριασμό τους. Όχι

μόνο αποδεικνύεται επικερδέστερο για τους ίδιους, αλλά τους παρέχει μεγαλύτερη ελευθερία στον καθορισμό των τιμών.

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4. Σας προσφέρουμε την αποκλειστική αντιπροσωπεία μας για να εξαλείψουμε τον ανταγωνισμό στην περιοχή σας και να σας εγγυηθούμε μια σημαντική απόδοση. Φυσικά αυτό προϋποθέτει αποτελεσματική προώθηση και πωλήσεις. Πίστωση δεν επιτρέπεται χωρίς τη συγκατάθεσή μας. Είμαστε προετοιμασμένοι να σας χορηγήσουμε ένα σημαντικό ποσό για διαφήμιση.

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5. Θα θέλαμε οι πελάτες μας να μας πληρώνουν απευθείας για κάθε πώληση μέσω συναλλαγματικής τραπεζικής και εμείς θα εμβάσουμε την προμήθειά σας με την υποβολή της μηνιαίας κατάστασης.

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6. Μπορούμε να δώσουμε 10% προμήθεια επί των καθαρών τιμών και \$10.000 ετησίως για διαφήμιση. Αυτό μπορεί να αναθεωρηθεί μετά από ένα έτος εάν οι πωλήσεις είναι τόσο σημαντικές ώστε να δικαιολογούν αυτήν την αύξηση.

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7. Συμφωνούμε να καταβάλλουμε το ποσό των €20.000 ως εγγύηση για τα χρέη των πελατών μας εφόσον και εσείς δώσετε 5% επιπλέον προμήθεια γι' αυτό το σκοπό. Επίσης θα περιμέναμε να λάβουμε διαφημιστική υποστήριξη υπό τη μορφή ενημερωτικών φυλλαδίων και δωρεάν δειγμάτων.

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8. Επειδή μπορούμε να διανέμουμε τα εμπορεύματα μεταξύ 4-6 εβδομάδων από τη λήψη της παραγγελίας θα σας συμβουλευάμε να διατηρείτε επαρκές απόθεμα όλων των προϊόντων μας. Τα ελαττωματικά προϊόντα μπορούν να αντικαθίστανται και τα κόμιστρα θα καταβάλλονται από εμάς. Σε όλους μας τους πελάτες χορηγείται τριετής εγγύηση και άρτια μετα-αγοραστική εξυπηρέτηση.

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9. Το κόστος σας θα διαφοροποιείται ανάλογα με τη σειρά και την ποιότητα των προϊόντων που θα επιλέξετε, αλλά έχω συμπεριλάβει έναν τιμοκατάλογο για να αποκτήσετε μια ιδέα γύρω από το λόγο κόστος/πώληση. Συνήθως οι αποκλειστικοί διανομείς μας προπληρώνουν το ναύλο τον οποίο προσθέτουν στο τιμολόγιο του πελάτη μαζί με τους δασμούς εισαγωγών. Αφού εξετάσετε την τιμολόγησή μας, θα θέλαμε να συζητήσετε μαζί μας τους όρους του συμβολαίου και να προτείνετε σε ποιον θα ανατεθεί η διαίτησία.

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10. Οι επιχειρηματικοί μας εταίροι στη Γερμανία μας ενημέρωσαν (είπαν) ότι η εταιρεία σας ζητά έναν εισαγωγέα (αντιπρόσωπο) που θα τροφοδοτήσει την ελληνική αγορά με τα ανταγωνιστικά σε τιμές γαλακτοκομικά προϊόντα σας. Παρακαλούμε στείλτε μας ηλεκτρονικά τη λίστα με τις τιμές εξαγωγής καθώς και τους όρους εξαγωγών.

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