



Locating, Screening, Selecting, and Motivating Foreign Representatives

Salt Lake City Export Assistance Center
324 S. State Street, Suite 221
Tel: 801-524-5116
Fax: 801-524-5886
www.buyusa.gov/rockymountain/utah

Table of Contents

RECRUITING REPRESENTATIVES.....	3
ALEAD SOURCES FOR OVERSEAS DISTRIBUTORS≅.....	4
FINDING DISTRIBUTORS THROUGH THE COMMERCIAL SERVICE	6
SAMPLE AGENT DISTRIBUTOR SERVICE REPORT.....	8
WHAT AN AGENT LOOKS FOR IN A NEW LINE.....	12
WHAT A REPRESENTATIVE PROSPECT WANTS FROM YOU	13
WHAT YOU WANT FROM A REPRESENTATIVE	14
PACKAGE 39.....	15
SAMPLE PROSPECTUS OR FACT SHEET.....	16
PROSPECTIVE BUSINESS PARTNER QUESTIONNAIRE.....	17
WARNING: CHECK OUT FOREIGN DISTRIBUTORS	21
U.S. COMPANIES PROVIDING FINANCIAL AND OTHER INFORMATION ON FOREIGN FIRMS.....	24
KNOW YOUR CUSTOMER GUIDANCE.....	38
HOW AMERICANS NEGOTIATE AND WHY.....	40
THE BEST NEGOTIATION STRATEGY OVERSEAS	44
CHECKLIST FOR AGENT/DISTRIBUTOR AGREEMENTS.....	45
AGENTS, DISTRIBUTORS AND JOINT VENTURES IN INTERNATIONAL COMMERCE	47
IMPROVING FOREIGN DISTRIBUTOR PERFORMANCE.....	56
A GOOD COMMISSION PLAN INCLUDES THESE 4 ELEMENTS	58
FIRING DISTRIBUTORS	59
COMMON COMPLAINTS ABOUT U.S. EXPORTERS.....	60

RECRUITING REPRESENTATIVES

- When you are recruiting a sales representative, treat it as though you were recruiting your own number two person.

CLEARLY DEFINE YOUR OWN NEEDS:

- Each territory is different from another.
- What impression did the former representative have on customers?
- Get a good profile of customers, their needs, the way they do business.

CREATE A PROFILE THAT WILL MAKE IT EASIER FOR YOU TO SELECT THE BEST REPRESENTATIVE

- With your product, what is the average call cycle needed to make a sale?
- Are there any unusual conditions in this territory in terms of quotes, specs, and delivery?
- Do you have any slow payers?
- How well are you acquainted with the prospects in this territory?
- How competitive is the business in the territory?
- How aggressive are your competitors?

CREATE A PROFILE OF THE REPRESENTATIVE THAT WILL BEST SERVE YOUR NEEDS

- Is it important to have a well-established representative or will a new one do?
- Does the representative understand and sell without a lot of factory support?
- Are the representative's people compatible with your people?
- Are the representative's growth plans compatible with yours?

RECRUITING REPRESENTATIVES IS AS IMPORTANT AS TAKING ON A PARTNER

RECRUIT THEM CAREFULLY

LEAD SOURCES FOR OVERSEAS DISTRIBUTORS

Use them in advance of a personal visit
by John Norton

Here are eighteen sources of distributor leads. They should be used selectively and in combination with one another.

1. Check with others in your industry, particularly with any companies whose sales would be helped by your success overseas. This could include your suppliers or manufacturers of complementary products. Don't be shy about telephoning overseas.

2. Contact customers of potential distributors. They know the strengths and weaknesses of their suppliers. Use the telephone. Hire an interpreter if necessary. If you find these companies difficult to contact from long distance, call on them when you visit.

3. Use the overseas expatriate business community. For American companies this often means the American Chambers of Commerce abroad. They speak your language. They can easily be identified and reached by phone. Some of them are especially helpful in referring you to local business contacts. The American Chambers in Japan, Costa Rica, and Switzerland are examples.

4. Learn how to get the best out your own government trade promotion services. The U.S. Department of Commerce offers an Agency/Distributor Service for \$250 per country--a bargain if the search is done well. You can affect how well it is done by providing a clear presentation of your product and an exact description of the kind of representative you are seeking. Allow six to eight weeks for completion.

5. The Foreign Commercial Service officers in the U.S. government embassies and consulates abroad are as close as your telephone or email.

6. Most publicly disseminated trade leads are out-of-date before you get them...but not always. It pays to review such leads to see who is in the business. Once in a while these leads pay off handsomely.

7. Professional or trade periodicals sometimes mention companies active in you field overseas. Some editorial staffs know what is happening abroad and can suggest contacts.

8. Work through your industry or trade association. Some association managers have personal contacts abroad in your industry. Some organizations publish newsletters, which are read by potential distributors.

9. Trade lists of foreign companies are available from government and private sources. They are often out-of-date. Potential importers are often lumped together with competitors. Occasionally, however, a careful mass mailing will turn up in an interesting company or two.

10. Trade directories are available for many countries. Your local library may have the old standbys from Kompass, Botin, Dun & Bradstreet and R.H. Donnelly. There are also specialized regional directories for areas like China or the Middle East. Lesser-know local directories, like Teikoku in Japan, are very useful but sometimes available only in the local language. Do not overlook directories just because the work of consulting them seems routine.

11. Foreign telephone directories and yellow pages are available at good public libraries or, with some delay and cost, through the better long-distance telephone companies. They are invaluable.

12. Computer database providers such as Dialog, DRI, Dun & Bradstreet, and Predicasts, provide online access either to lists of foreign companies arranged by country and industry, or business news reports on your industry abroad. If you do not yet have a skilled database searcher in your organization, hire or train one. The benefits go far beyond distributor searchers.

13. Foreign government trade offices and consulates are in the business of pushing their own exports, but they can provide useful lists of companies if you frame your questions carefully.

14. Advertise in major foreign business newspapers or specialized trade periodicals.

15. If you already have a strong relationship with a bank, international freight forwarder or international airline, you may be able to impose on them for distributor contacts.

16. Trade fairs, in your own country or abroad, are an efficient way of meeting foreign companies first-hand.

17. Trade missions to larger markets must be industry specific to be of much use; otherwise they are junkets. In smaller countries where everyone knows everyone, trade missions can lead to valuable distributor contacts.

18. Be sure to mention on your web site that you are seeking representatives.

John Norton is an international consultant and representative for Business International Corp. in San Diego, California. This material was taken from an article published in NUTS AND BOLTS.

FINDING REPRESENTATIVES THROUGH THE COMMERCIAL SERVICE

International Partner Search (IPS)

The IPS is a customized overseas search for qualified agents, distributors, and representatives for a U.S. company. Commercial Service officers abroad identify up to six foreign prospects that have examined the U.S. firm's product literature and have expressed an interest in representing their products. IPS reports are currently available in over 100 countries at a cost of roughly \$600 per country. (See sample IPS in the following section)

Catalog Exhibitions

These events showcase U.S. company product literature in several markets within a geographic region or at a premier international trade event. Commercial Service staff and representatives from state development agencies present the catalogs to hundreds of interested business prospects abroad and send the trade leads directly to participants.

Commercial News USA

CNUSA is an export marketing magazine that promotes U.S. products and services worldwide. It is disseminated in print to screened agents, distributors and buyers and on-line to electronic bulletin board subscribers. For as little as \$495, firms can advertise their product to a worldwide audience of over 144,000.

BuyUSA.com

BuyUSA connects U.S. exporters with international buyers, agents, distributors and joint-venture partners online. Increase your export sales by posting your company profile, searching for business partners and finding trade leads on this U.S. Commercial Service online matching system. U.S. exporters and international buyers are pre-screened to provide you with the best possible opportunity to expand your business. Cost is \$50 per year. Check it out at www.buyusa.com.

Gold Key Service

Our overseas Commercial Service staff will set up appointments with interested and qualified agents and/or buyers before you arrive in their city. Maximize your travel value by gaining on-the-spot market insights and counseling from in-country commercial specialists. Special services such as interpreters can be arranged, if needed. Cost varies by country - please call for details.

International Buyer Program

Selected leading U.S. trade shows are promoted abroad so that foreign buyer/distributor delegations attend the U.S. show. At the show, the Commercial Service works to put exhibiting U.S. firms in touch with the international visitors and provides assistance at the International Business Center.

International Market Research Reports:

A wide variety of reports covering international markets for specific product lines, industry sectors, and major projects, prepared by Commercial Service overseas staff. Reports cover market size & outlook, competitive and end-user analysis, and market entry strategies.

SAMPLE INTERNATIONAL PARTNER SEARCH SERVICE REPORT

Report prepared for: **XYZ Automotive Parts Inc.**

SEARCH RESULTS

To conduct your agent/distributor search, the U.S. Embassy contacted 45 local firms with the potential to distribute XYZ Automotive Parts Inc. The companies were carefully selected from our local and countrywide contacts, industry sector directories, our client management system (CMS), local association membership lists, and other embassy sources. Firms expressing an initial interest in your products were sent a set of your product literature. After a week or so to study your package, the Post talked with or met personally with those firms that expressed further interest.

After a review of your product literature, the following 7 companies expressed an interest in representing XYZ Automotive Parts Inc. in Thailand. We have included both the firm's comments or opinion of the market/product and post's opinion of the firm.

While we feel these firms are potential agents, you should contact each firm as soon as possible to ascertain their specific capabilities, qualifications, and if they can meet all of your needs. Both your local domestic office and this post will be glad to work with you towards completing an agreement and are very interested in the results of this ADS.

Your domestic Commercial Service office will deliver this report and follow up to provide any assistance. We would appreciate being notified if any agreements are reached with the firms listed.

We are pleased to provide you with the following potential representatives.

I. POTENTIAL AGENTS/DISTRIBUTORS/REPRESENTATIVES

REPRESENTATIVE 1:

Company Name: McDougall Filters (Thailand) Company Limited

Company Address:

21/58 Onnuch 37

Sukhumvit 77, Suanluang

BKK 10250

Phone Number: (662) 321-222222

Fax Number: (662) 321-222222

Contact Name: Mr. Ongarch Sapiboon / Sales Manager

Year Established: 1971

Number of Employees: 100

Annual Sales: USD 4 million

Preferred Language: English

Level of Interest: High

Bank References: Thai Farmer Bank (Onnuch Branch)

II. MAIN BUSINESS ACTIVITY/PRODUCTS:

McDougall is a manufacturing distributor of oil, air, and fuel hydraulic filters for passenger cars and light pickup diesel engines. The company has limited heavy-duty products due to their limited technical know-how. The

company has approximately 10 distributing agents countrywide. The company also exports to the Middle East and Indo-China countries.

III. PROSPECT'S OPINION OF MARKET DATA:

McDougall is interested in distributing XYZ Automotive Parts Inc. in Thailand. The company is particularly interested in filter products for heavy-duty equipment, trucks and marine equipment of the following brands: KOMATSU, SCANIA, VOLVO, CATERPILLAR, DEMAG, and G.M. Mr. Ongarch hopes to expand his product lines to include heavy-duty products. XYZ Automotive Parts Inc. are complementary to his current lines. McDougall would be able to distribute XYZ through the company's existing channels countrywide. There was one concern raised regarding the cost of XYZ Automotive Parts Inc. as they are subjected to duty and shipping costs. It may not be feasible to market XYZ Automotive Parts Inc. if their price far exceeds the competitive range.

REPRESENTATIVE 2:

Company Name: TEF Company Limited

Company Address:

11/10 Soi Sukhumvit 43 (Sangmukda)
Sukhumvit Road, Klongtonnua
Klongtoey, BKK 10110

Phone Number: (662) 662-3333

Fax Number: (662) 259-3333

Contact Name: Mr. Nirun Chaygsu / Managing Director

Year Established: 1991

Number of Employees: 33

Annual Sales: USD 4 million

Preferred Language: English

Level of Interest: High

Bank References: Bangkok Bank (Sukhumvit 43 Branch)

II. MAIN BUSINESS ACTIVITY/PRODUCTS:

TEF is a sole agent for "AAF" air filters, "PURAFIL" chemical filters, "ACME" blower, and "J.P. "silencer." The company specializes in ventilation, and air-conditioning systems serving commercial buildings and industrial plants.

III. PROSPECT'S OPINION OF MARKET DATA:

Mr. Nirun is interested in the possibility of distributing XYZ Automotive Parts Inc., particularly the cartridge lines for gas-turbine installation. XYZ Automotive Parts Inc. will be a complementary line of products to TEF's current product line of air and gas filters. He sees good potential for XYZ marketed as replacement parts for Donaldson's canister. He is hoping to increase the company's product range to supply his current clients.

REPRESENTATIVE 3:

Company Name: Autopart Company Limited

Company Address:

330/11-13 Trimitr Road
Talad-Noi, Sumpantawong
Bangkok10100

Phone Number: (662) 236-4444

Fax Number: (662) 266-4744

Contact Name: Mr. Pipat Miriya / Manager

Year Established: 1977

Number of Employees: 12

Annual Sales: not available
Preferred Language: English
Level of Interest: medium
Bank References: Bangkok Bank (Hua-Lumpong Branch)

II. MAIN BUSINESS ACTIVITY/PRODUCTS:

Autopart distributes parts and equipment for heavy-duty engines. The company specializes in parts and equipment, including filters for engines of the following brands: CUMMINS, VOLVO, VOLVO-PENTA, SCANIA. The company carries filters of the following makes: FLEETGUARD, DONALDSON, WIX, LUBERFINER, PUROLATOR RACOR, MANN, MCDOUGALL, KNECHT, and KENGST. Company's current clients cover a wide range of industries using heavy-duty engines in electricity generators, marine engines, trailer trucks, and machinery.

III. PROSPECT'S OPINION OF MARKET DATA:

Mr. Pipat used to import XYZ Automotive Parts Inc. for distribution in Thailand, several years ago. He had to discontinue distributing the product because of the quality of XYZ Automotive Parts Inc. He claims that the filters rust. He raised his concern regarding XYZ's quality, which is one of the crucial factors for the product to succeed in this market. Mr. Pipat is interested in further discussing with XYZ the possibility of marketing XYZ Automotive Parts Inc. again in Thailand. He is interested only in items that are complementary to his current line, and are serving the existing clients. More specifically, he is interested in XYZ's products that can be used for CUMMINS, VOLVO, VOLVO-PENTA, and SCANIA engines.

REPRESENTATIVE 4:

Company Name: Trading Limited Partnership
Company Address:
1830 Patanakarn Rd.,
Suanluang, Bangkok 10250
Phone Number: (662) 322-9977, 322-9988, 322-8383
Fax Number: (662) 322-8588
Contact Name: Mr. Norep Vanapome / Managing Director
Year Established: 1981
Number of Employees: 18
Annual Sales: 4 million
Preferred Language: English
Level of Interest: high
Bank References: Bangkok Bank (Petchburi Branch)

II. MAIN BUSINESS ACTIVITY/PRODUCTS:

According to Mr. Norep, Trading is one of the veterans in the filter market. The company represents a wide range of liquid and air filtration products serving different industries. The company represents CUNO filter system and LAKOS Separators from U.S.A.

III. PROSPECT'S OPINION OF MARKET DATA:

Mr. Norep is particularly interested in diesel engine filters. He believes that there is a growing market potential for heavy-duty filters in Thailand. He also sees intensified competition in the market as there are increasing numbers of suppliers both local and imported. At present, it may be difficult for XYZ to compete in this market, because imported filters are subjected to 20% duty. However, Mr. Norep believes that the import duty should decline, making imported filters more competitive in the near future. He emphasizes the importance of sales support in

market success of filters in Thailand. He cited Parker Hannifin as an example of a company that is capable of offering sales support.

Note: Mr. Norep wonders if XYZ manufactures for Parker Hannifin. According to Mr. Norep, Parker Hannifin is establishing a representative office in Bangkok soon. Parker Hannifin already has a representative office in Singapore.

REPRESENTATIVE 5:

Company Name: International Trading Company Limited

Company Address:

2232 Soi Phayakaporn, Chan Road

Chongnonsee, Yannawa, Bangkok 10220

Phone Number: (662) 758-55555

Fax Number: (662) 383-5555

Contact Name: Mr. Chatchawan Egawarin / General Manager

Year Established: 1986

Number of Employees: 25

Annual Sales: USD 1.8 million

Preferred Language: English

Level of Interest: Medium

Bank References: Bangkok Bank (Srinakarin Branch),

Krung Thai Bank (Troke Chan Branch)

II. MAIN BUSINESS ACTIVITY/PRODUCTS:

International Trading distributes a wide range of products used in filter systems. The company specializes in liquid and air filtration systems for industries. The following are some of the products distributed by the company; "PTI" filters from the U.K., CDM filter cloth from Germany, stainless wire mesh, Cartridge Nihon Schumacher cartridges from Japan and other related equipment from Switzerland and China.

III. PROSPECT'S OPINION OF MARKET DATA:

The company believes that there is good market potential for some of XYZ products, and is beginning to do market surveys on the possibility of representing the products. The company would like to further discuss with XYZ.

WHAT AN AGENT LOOKS FOR IN A NEW LINE

At a recent Manufacturers Association of North America (MANA) seminar, a manufacturer asked us for some idea of the criteria a good agency uses when seeking new lines. We asked a few successful agents--those who are able to turn down a few lines now and then--what they looked for in a principal. We weren't talking about products; we were talking about the characteristics of the principals that were important in the selection process. Here's a combined list they all seemed to agree on:

- **A history of quality.** The agents wanted to know about the principal's track record in terms of service to the customer and to the agencies already on board. They often talked with customers and agents already handling the line before accepting the line.
- **A well thought-out pricing policy.** This doesn't mean that these agents were looking for principals with the lowest prices, but they were looking for principals whose prices reflected the quality of the product and the service. Competitive pricing was important, but the better agents claimed that they never had any trouble selling a higher-priced product when it was a quality product.
- **Financial Stability.** Apart from being concerned that their commissions will be paid on time, agents want to know that their principals are operating from a strong financial base that will assure a long-term relationship.
- **Good Delivery Record.** Production capability and delivery go hand-in-hand, but even when a company has good production facilities, they can and often do fall down on delivery. Do not be surprised if an agent candidate wants to meet your shipping supervisor during a plant visit.
- **Technical Support.** If you are selling engineered products, a good agent will be especially interested in the technical support that will be available to him or her. And they will want to know what it takes to get your technical people in the field to meet with prospects and customers.
- **Good Sales Support.** Sales correspondents, expeditors, tele-marketers are all important to an agent who is looking to build a solid relationship with a new principal. In fact one agent we talked with claimed that he could learn more about a principal's sales by spending an hour talking with the sales manager's secretary than he could spending a day with the sales manager. This, we suspect, is an exaggeration. But it does point up the fact that agents will be looking for input in places you might never consider.

WHAT A REPRESENTATIVE PROSPECT WANTS FROM YOU

When negotiating a contract with a prospective representative, you should be aware of what he or she normally wants. Here is a list of conditions that he or she would like to have:

1. Prestige products.
2. Exclusive territory.
3. Good product line (either one that sells easily and has a large market or a high-cost product with a small but monopolistic, market).
4. Training from the manufacturer.
5. Technical aspect of the after-sales-service provided by the manufacturer.
6. Warehousing back-up by the manufacturer.
7. Ready parts availability.
8. Good warranties from the manufacturer.
9. The manufacturer to carry the cost of labor and parts needed to replace defective components.
10. Advertising and merchandising support from the manufacturer (or at least an allowance for advertising).
11. Special discounts and deals.
12. Favorable credit terms.
13. Commissions on "house accounts".
14. Commissions on direct sales by the manufacturer in the rep's territory.
15. Manufacturer to assume the responsibility of keeping his other sales outlets from selling in the representative's territory.
16. Minimum visits and control by the manufacturer.
17. Representative must supply only minimum information to the manufacturer.
18. Freedom to handle other lines.
19. Freedom to price.
20. The right to terminate the agreement when he pleases.
21. To have the manufacturer pay indemnities for cancellation of the agreement.
22. Security that the line will not be taken away from him once the product is established.
23. Cheaper packaging of goods to reduce bulk.
24. Dealing with one person in the home office.
25. Trips to the U.S. or to regional meetings.
26. Product liability coverage.

Obviously, no manufacturer will meet all these conditions. Companies whose probable sales in a given market are not going to be very great or whose name is not internationally known may have to grant more conditions than other companies with more favorable bargaining power. Companies seeking representatives in "representative short" markets will also have to yield more than they would in markets where there are many experienced representatives. Alternatively, the same manufacturer may be quite happy to grant some of these conditions in one market, but not in another.

WHAT YOU WANT FROM A REPRESENTATIVE

This checklist is more suggestive than complete. Different products require different questions, especially with regard to technical know-how. The candidate's ability, willingness, and desire to make a success of a new product may outweigh all other criteria.

1. Reputation with suppliers, banks, and customers.
2. Overall experience.
3. Experience with single manufacturer.
4. Experience with product line similar to exporter's.
5. Sales organization and quality of sales force.
6. Lines handled at present and in the past.
7. Sale volume and growth record.
8. Share of market.
9. Geographical areas covered, past and present.
10. Financial strength: D & B type reports, ICP, bank references.
11. Analysis of costs.
12. Physical facilities (size, location, warehouse, etc.)
13. After-sales servicing facilities.
14. Knowledge of U.S. business methods, accounting and measurement standards.
15. Knowledge of efficient promotion techniques (advertising, packaging, point of sale).
16. Knowledge of English and other languages.
17. Number and type of outlets.
18. Stocking or purchasing minimum acceptable to distributors.
19. Reputation among marketing and credit staff of other U.S. principals represented.

“PACKAGE 39”

“Package 39” was developed as a three part "package" of documentation to be used to screen and/or select prospective trading partners (Dealers, Distributors, Commission Representatives, etc.)

It is used whenever a firm receives a random inquiry from overseas; as a handout at Trade Shows (kept on hand and handed to prospects), and in response to any legitimate lead inquiring as to representation for a firm.

It is not necessary that a customized letter be written every time an inquiry is received, APackage 39" will suffice and is totally acceptable in international business.

Many times firms will receive an inquiry as to the possibility of a dealership or representation and will respond by asking the inquirer to provide further information and references, usually not asking for specific information (typically asking that the other party supply a bank and two or three credit reference). **THIS IS NOT SUFFICIENT IN INTERNATIONAL BUSINESS TO MAKE AN INFORMED DECISION.**

The “PACKAGE 39” consists of three parts:

1. A one sheet "prospectus" or "fact" sheet, that states three things:
 - A. Who you are
 - B. What you do
 - C. What you are looking for
2. The firm's literature or catalog depicting and describing the product (or service) offered. Price information (price lists) may or may not be appropriate. For example, if it is a large custom system, then a price list is not appropriate.
3. A questionnaire. In detail, (see sample) it asks for the in-depth information that you are entitled to, and which you must have to make an informed decision. (Remember that often times you may find resistance to completing forms, so you may need to persist to get this questionnaire filled out completely--including asking for and receiving an attached financial report).

The “Package 39” can be put into an envelope and kept on the shelf, ready to drop in the mail without the necessity of a customized letter.

If the "Prospectus" or "Fact Sheet" is carefully done, the prospective representative will receive all the information he/she needs, and be ready to further pursue a working relationship with your company, or look elsewhere.

SAMPLE “PROSPECTUS” OR “FACT SHEET”

(One page, in simple English)

Coast Communication, Inc. is a leading U.S. manufacturer of two-way radio communications equipment for professional use. Coast offers vehicular-mounted and base-stationed radios. They are used by police, taxi-cabs, and delivery services.

The firm was founded eight years ago and annual sales this past year totaled \$8 million dollars. The company employs 100 people, including 13 engineers and technicians.

Coast's products are sold in the U.S. through a nationwide network of stocking dealers who purchase directly from the factory. The dealers must have the capability to install and service the equipment locally. Warrantee and non-warrantee service must be provided by the dealers. The dealers must have adequate test equipment and be willing not only to carry inventory of radios, but also an inventory of service materials.

Coast Communications prefers to deal with exclusive dealers in each defined territory. Coast grants a 25% discount from their recommended or suggested list price (25% commission).

Coast's terms are normally either pre-payment or payment by a confirmed irrevocable letter of credit. After a relationship has been established and the dealer has a proven track record, there are ways to establish a line of credit.

It is company policy to select a dealer in an area (or country) and work with the dealer on an ad-hoc basis (case-by-case) for a trial period of time, usually six months. If the relationship is mutually profitable, it is Coast's policy to enter into a written, mutually exclusive agreement.

COMPLETION OF THE ENCLOSED QUESTIONNAIRE IS REQUIRED BEFORE ANY NEW REPRESENTATIVES WILL BE CONSIDERED. PLEASE COMPLETE AND RETURN IT TO COAST COMMUNICATION, INC.

Upon receipt and review, Coast will contact you.

PROSPECTIVE BUSINESS PARTNER QUESTIONNAIRE

Please return completed questionnaire to: _____

General Information

Company name: _____

Company address: _____

Telephone: _____ E-mail: _____
mail: _____ Fax: _____
_____ Cable: _____

Company Organization: Sole Proprietorship _____ Corporation _____ Partnership _____
Limited Liability _____ Other _____
Date organized _____

Principal officers or owners:

1) Name: _____ 2) Name: _____
Name: _____ Title: _____
Title: _____ Home Address: _____
Home Address: _____
Home Phone: _____ Home Phone: _____
Phone: _____

3) Name: _____ 4) Name: _____
Title: _____ Title: _____
Home Address: _____ Home Address: _____
Home Phone: _____ Home Phone: _____
Phone: _____

If your company is a subsidiary, list the name and address of parent company:

Describe your company's major business activities: _____

List all your company's branch offices and/or representatives: _____

Please identify the individual (s) in your company responsible for sales, service, and administration:

Sales: _____

Service: _____

Administration: _____

FINANCIAL INFORMATION

Sales for last year: _____

Sales for current year: _____

Sale forecast for next year: _____

Your company's paid-in capital: _____

Bank name and complete address: _____

Business references (U.S. references would be appreciated), including names, address, and person to contact:

a) _____

b) _____

c) _____

Please attach current financial statement and/or annual report.

MARKETING INFORMATION

Are you currently a representative, dealer or distributor of (identify product line)?

Yes ___ No ___

Describe types of products represented or sold, including brand names: _____

How long have you been in the (specify product are) business? ____ years

Note below the government or private organizations with whom you have good current liaison: _____

Are you currently an agent or representative of any other company which manufactures product similar to (specify product are)? Yes ____ No ____

If yes, name of companies _____

Do you have an objection to our contacting any principals? Yes ____ No ____

What are your geographic sales for the above listed product(s)? _____

Projected sales of our products for the next fiscal year _____

Will you maintain product for demonstration in your country? Yes ____ No ____

Please describe your product display facility and/or product demonstration procedures: _____

TECHNICAL INFORMATION

Do you have your own service facility and workshop for repairs and overhaul of products? Yes ____ No ____

If no, do you contract with an outside service contractor? Yes ____ No ____

Name and address of outside service contractor: _____

Company name: _____
Contact: _____
Company address: _____
Telephone: _____
Fax: _____
Email: _____

If you do not have a service facility, are you willing to establish one for support of our products?
Yes ___ No ___

If yes,
when? _____

WARNING: CHECK OUT FOREIGN DISTRIBUTORS

What to know before signing a contract

by John Norton

Does the following scenario sound familiar? An American company exhibits at a U.S. trade show. The booth is visited by a number of foreigners. Some are well dressed, know the industry and -- most important -- speak English. They ask for exclusive distribution rights for the American product.

The American marketing manager attempts to check out the foreign company through industry sources and credit checks. Some information results. A lengthy questionnaire is sent but never returned. Meanwhile, the foreign company clamors for a contract. It points out that important sales are being lost by delay. The American company has its hands full worrying about the U.S. market. It agrees to give distribution rights on a trial basis to the foreign company. The new distributor begins to buy. The American company is pleased at the "Additional" sales it has generated overseas. Sales volume grows. A distribution agreement is signed for a longer period.

Sometime thereafter -- months or years -- the American manager has occasion to visit the foreign country. The distributor is covering only a fraction of the market. Sales of the American product are increasing but market share is declining, because the competition knows what it is doing. The American product represents a small and unimportant part of the distributor's business. Other local companies could have done a far better job of sales, promotion, and distribution.

Here is a checklist for avoiding some of these mistakes.

1. **Estimate market size and market potential.** I am amazed at the number of companies that make overseas distribution commitments with only the vaguest idea of the market. If the market is vital, it is worth an investment in market research.
2. **Rank overseas markets.** Some markets can be set up by mail. Some are so important that you must visit them before picking a distributor. *The key question: what is the cost of a mistake in terms of lost sales, lost market access and time wasted?*
3. **Determine the key elements of market success.** You know your business and your products. What (exactly) will it take to succeed in this market? How well does the competition do these things? Product quality? Number of salespeople? Low-cost distribution? Customer service? Product image? Each product or service has a different profile. Each market can be different. Who are the customers? Exactly what do they demand? Can you and the distributor supply? How much will it cost to do these things better than the competition in this market?
4. **Set some specific written goals for the market.** Dollar sales? Market share? Remember that goals must be specific and measurable.

5. **Construct an "ideal distributor" profile.** Based on your goals and on the key elements of success, write down your requirements for an "ideal" distributor.
6. **Determine the ability of the potential distributor to cover the market,** geographically, by market segments and distribution channel. Who are the distributor's existing competitors? How big is the sales force? Do the salespeople know how to sell?
7. **Find out the nature of the distributor's business.** How does the company (really) makes its profits? Does it handle competing lines? What is the company's own business strategy?
8. **Estimate the importance of your business to the distributor.** What profits can the distributor expect to make from your line? For how long? If you compare this to the rest of the company's business, you will get a good estimate of the effort this distributor will expend. Remember the story of the distributor who signed agreements with two competing rental car companies so he could push only one?
9. **Determine markups or commissions current in the market.** What will distributors expect? What will this do to the price of the product?
10. **Think about physical distribution.** Should it be combined with sales, or separated? Should it be under your control, or the distributor's? What are customs duties and other barriers of entry?
11. **Ask the distributor specifically what he can do for your product.** Ask for sales estimates. Hold the distributor to these (flexibly). What other support -- promotion, warehousing service -- can the distributor provide?
12. **Look closely at your company's commitment to the distributor.** Estimate the cost of support and motivation, communication and travel, promotion, product modification, distributor training. Does your company really have the necessary commitment, resources and flexibility to deal with market and cultural requirements?
13. **Check the company's financial standing.** This is what everyone thinks of first. It is only one of many issues. Sometimes it is difficult to determine.
14. **Know the distributor's local reputation.** In some countries this may be the best indicator of reliability. Use the telephone or a visit to check the company's reputation with customers, with suppliers, with others in the industry -- even competitors.
15. **Be aware of possible parallel distribution.** In some markets antitrust laws prohibit exclusive distributorships. Some countries are famous for informal, uncontrolled "gray market" distribution of products bought in the home market or in third countries. Be sure potential distributors understand the practical limits on your ability to police exclusive arrangements.
16. **Know local laws of termination.** In some countries it is very hard/expensive to get out of a distributor or agency arrangement.

17. **Anticipate external events.** Multinational corporations report that 70% of their profits are dependent on economic or political changes outside their control (exchange rates, protectionism, changes in demand, raw material, labor cost, etc.). Look outside your industry to identify factors that might trip you up.

U.S. COMPANIES PROVIDING FINANCIAL AND OTHER INFORMATION ON FOREIGN FIRMS

Dun and Bradstreet Corporation

239 Park Avenue
New York, New York 10172
Tel: 1-800-932-0025
988 Eaton Avenue
Bethlehem, PA 18025
Tel: 1-800-932-0025
Fax: (610) 882-6005

Remarks: Types of reports available and pricing structures vary. Provides mail, fax, and online services.

Graydon America **

116 John Street, Suite 3300
New York, New York 10038
Tel: 1-800-466-3163
Fax: (212) 385-9580

Remarks: Provides individual reports for most countries via mail, fax, or modem delivery. Concentrates on Latin American countries.

The Kreller Business Information Group, Inc.

817 Main Street, 3rd Floor
Cincinnati, Ohio 45202
Tel: 1-800-444-6361
Fax: (513) 723-8907

Cost: Report prices vary depending upon country. Reports are sold on an individual basis.

Remarks: Provides credit reports on companies worldwide via mail, fax and E-mail services. Focuses on Latin America, Middle East, Eastern Europe, Africa, and Asia.

Owens On-Line, Inc.

2511 Lyndhurst Street
Dunedin, FL 34698
Tel: (813) 738-1245 or (800) 745-4656
Fax: (813) 738-8275

Remarks: this firm sells "Owens On-Line" and "Global Scan" foreign credit reports.

RDS and Associates

2707 Congress Street
Suit 2P
San Diego, California 92110
Tel: (619) 542-0801
Fax: (619) 542-0946

Cost: Price per report varies depending on the depth of due diligence required.

Remarks: Service includes discrete and non-discrete due diligence. Service is worldwide. RDS will interview intended partners and/or inspect and analyze their locations. This service can also include competitive and customer interviews and analysis.

Standard and Poor's Rating Service

Ratings Information Products and Services
25 Broadway
New York, New York 10004
Tel: (212) 208-1146
Fax: (212) 412-0505

Remarks: Provides various credit analysis reports via mail, fax, and online services.

Standard and Poor's Compustat

Custom Business Unit
7400 South Atlon Court
Englewood, Colorado 80112-2394
Tel: (303) 721-4819
Fax: (303) 694-4021

Remarks: Provides customized financial and other company data on publicly traded foreign firms.

Veritas Business Information Inc.

121 Whitney Avenue, 2nd Floor
New Haven, Connecticut 06510
Tel: (203) 781-3850 or (800) 929-8374
Fax: (203) 781-3838 or (800) 929-7779

Cost: Prices for reports from these firms range from around \$100 to significantly more depending on the country, type of report, and company pricing structures.

Remarks: Provides individual reports for most countries via mail, fax, and modem delivery. Is also noted quite worthwhile for reports on Latin America companies.

Whitehall Consultants Ltd.

206 North Timber Tribe

Mineral, VA 23117

Tel: (540) 894-8786

Fax: (540) 894-0625

Cost: Price of reports vary from \$100-\$225 to \$180-\$410, depending upon the firm's country and the desired speed of service delivery (from 1-3 days to 20-40 days).

Remarks: Provides worldwide business credit reports and customized services, including debt collections and marketing information, such as mailing lists, market sector studies, and country risk reports. Base credit reports include current investigation, antecedent information when available on management and shareholders, financial details if possible, and payment highlights and banking information.

Private Sector Firms In Each Country That Can Provide Commercial Information On Local Companies

Argentina**The American Chamber of Commerce in**

Argentina (AmCham)

Viamonte 1133, Piso 8

1053 Buenos Aires, Argentina

Tel: (54-1) 471-4500

Fax: (54-1) 471-8400

Contact: Mr. Martin Porcel, Coordinator-Information Center

Sintesis S.R.L.

Tte. Gral. J.D. Peron 1642, Piso 4

1037 Buenos Aires

SWITCHBOARD: (54-1) 382-5361/6253/8403

Fax: (54-1) 382-6549/7279

Contacts: Mr. Eduardo O Vazquez, Managing

Partner: Mr. Roberto C. Ruffolo, Sales Manager

Austria**Dun & Bradstreet Information Services GmbH**

Opernring 3-5

A-1010 Vienna

Tel: 43/1/58861-0

Fax: 43/1/58633 59

Contact: Marc Dessing

Cost: Company profile in German or English, ATS 2,300 (appr. US \$220).

Creditreform

Braeuhausgasse 7-9

A-1052 Vienna

Tel: 43/1/546 07-0

Fax: 43/1/546 07-4

Contact: Franz Leber

Cost: Company profile in German, ATS 2,360 (appr. US \$226); in English, ATS 3,540 (appr. US \$339)

Kreditschutzverband von 1860

Zelinkagasse 10

A-1010 Vienna

Tel: 43/1/53484-400

Fax: 43/1/53484-414

Cost: Company profile in German or English, ATS 2,587 (appr. US \$248).

Australia**Dun and Bradstreet (Australia) Pty., Ltd.**

19 Havillah Street

Chatswood NSW

Tel: 61-2-935-2600

Fax: 61-2-935-2666

Contact: Mr. Frank Morand, Senior Sales Consultant

Cost: Standard background report, approx. \$145 (approx. 197 Australian dollars)

AMBA Credit Services Pty., Ltd.

1 Box Road

Caringbah NSW 2229

Tel: 61-2-525-3011

Fax: 61-2-525-8005

Contact: Mr. John Petersen, Managing Director

Cost: Standard background report, approx. U.S.\$147 (approx. 200 Australian dollars).

Brazil

Dun & Bradstreet do Brasil LTDA

Av. Dr. Chucri Zaidan, 80
10. andar bloco C
04583-110 Sao Paulo - SP
Tel: 55-11-532-8800
Fax: 55-11-532-8829

SERASA

Rua Jose Bonifacio, 367
01003-905 Sao Paulo - SP
Tel: 55-11-232-0137
Fax: 55-11-605-0712

Canada

Business Prospects

101b, 1120 - 53 Avenue NE
Calgary, AB T2E 6N9
Tel: 403-275-2232
Fax: 403-274-6500
Contact: Mr. Douglas Reinholz

Remarks: Provides sales and credit information and an online service. The credit information, in the form of a weekly newspaper, consists of commercial and customer claims and judgments, registered builders' liens, foreclosures, receiverships, registered bankruptcies, and statistical reports. The online service covers all actions in Alberta, back to 1993, pertaining to commercial and consumer claims, bankruptcies, builders' liens, and receiverships.

Canadian Credit Reporting Limited

200 Consumers Road, Suite 406
Toronto, Ontario Canada M2J 4R4
Tel: (416) 499-9936; 1-800-567-4602
Fax: (416) 499-9703;
EMAIL: order@canadiancredit.com
WEBSITE: www.canadiancredit.com
Contact: Ms. Diane Penney

Cost: Normal service U.S.\$75 (5-8 business days)
Express service U.S. \$84 (4 business days) Volume pricing is also available.

Remarks: Comprehensive business information reports on Canadian and American business prepared on an up to date basis. Cover formal status, ownership and management, operations, banking, trade pay record, litigation, background and history

with emphasis on financial statement data whenever possible.

Corporate Credit Exchange Limited

5090 Explorer Drive, Suite 703
Mississauga, ON L4W 4T9
Tel: (905) 502-6360
Fax: (905) 602-6370
Contact: Ms. Alice Ricci, Credit Reporter
Cost: Report is C\$99 (approx. US\$72).

Remarks: Produces comprehensive business information reports, which contains in-depth details on an individual company as: current banking information, trade references, financial data, litigation records, payment trends, and list product line SIC codes.

The Credit Concept Group Inc.

1785 Queen Street East, Suite F
Bramalea, ON L6T 4S3
Tel: (416) 410-7031; 1-800-467-8918
Fax: (905) 799-0827
Contact: Mr. Greg De Marco, President
Cost: Report is C\$45 (approx. US\$33).

Remarks: Specializes in the most current company credit information reports available, with historical information available upon request. A one-time request includes one bank reference, three trade references, and legal confirmations.

Credcom

4999 St. Catherine Street West, Suite 410
Westmount, Quebec H3Z 1T3
Tel: (514) 369-4444; 1-800-663-1180
Fax: (514) 369-4447
Contact: Ms. JoAnne Evans

Cost: Report varies between C\$65 to C\$350 (approx. US\$48 to US\$255), depending on the research required.

Remarks: Provides two type of commercial credit reports, including standard updated reports and special inquiry reports. Covers the entire Canadian market and is able to communicate with its clients in English, French and Spanish and, has been servicing North American business communities for over 15 years.

Credit Guard

10459 - 178 Street, Suite 201
Edmonton, AB T5S 1R5
Tel: (403) 484-4433

Fax: (403) 489-8075

Contact: Mr. Greg Simmonds, President

Cost: Varies depending on the report.

Remarks: Specializes in credit reporting and provides various other reports for the construction industry.

Credit Information Services (PCS) Inc.

202, 1409 Edmonton Trail NE

Calgary, AB T2E 3K8

Tel: (403) 276-7808

Fax: (403) 230-3835

Contact: Mr. Gregg Hellrud

Remarks: Provides comprehensive, cost efficient credit information on consumers and principals of companies.

Equifax affiliates in Canada:

Creditel / Equifax Canada, Inc.

7170 St-Laurent Blvd.

Montreal, Quebec H2S 3E2

Tel: (514) 270-7111

Fax: (514) 270-7785

Contact: Mr. André Gingras, Sales Manager

Cost: Basic membership fee, featuring all services, including 50 Canadian credit reports, is C\$1,170 (approx. US\$950). Reports by the unit are C\$49 (approx. US\$35) each.

Remarks: One of the largest collection agencies in Canada. Provides full-service client credit decision making and management, including customer credit information and account monitoring.

Equifax Canada, Inc.

7171 Jean Talon East

Anjou, Quebec H1M 3N2

Tel: (514) 355-4470

Fax: (514) 355-5672

Contact: Ms. Nicole Benny

Cost: Products and reports range between C\$3.55 and C\$35 (approx. US\$2.50 - US\$26) each. Annual membership fee is C\$60 (approx. US\$45).

Remarks: Provides a full range of decision-support products and services for commercial credit applications. The automated services include: Commercial Credit Reports; Commercial Report Plus; Business Principal Data; and Personal Property Security Act Services (PPSA). The updating services include: Supplier and Bank Verification Services; Full Investigative Reports; and, Scoring Services.

Equifax / Creditel Canada Inc.

110 Sheppard Avenue East

North York, ON M2N 6S1

Tel: (416) 590-8694

Fax: (416) 590-8769

Contact: Mr. Murray Minuk, Sales Manager

Cost: Report is C\$49 (approx. US\$35).

Remarks: The largest commercial and consumer credit reporting agency (approximately 1,500,000 reports) and one of the largest collection agencies in the country provides comprehensive reports on individual companies that include: bank references, trade references, litigation records, payment trends, collection claims and detailed company information. Current reports are available by PC access (most of their clients receive their reports this way) or by fax.

Golden Choice Credit Reporting Agency Ltd.

11 Holland Avenue, Suite 605

Ottawa, Ontario

Tel: (613) 746-7090

Fax: (613) 746-1221

Maritime Investigation Services Inc.

P. O. Box 623

Kentville, Nova Scotia B4N 3N2

Tel: (902) 681-3678

Fax: (902) 681-6296

Cost: Services are US\$75 to US\$150, depending on the request specifications.

Sterling West Credit Corporation

500, 1111 - 11 Avenue SW

Calgary, AB T2R 0G5

Tel: (403) 228-2727

Fax: (403) 228-2707

Contact: Ms. Barrie Mainwaring, Vice President

Edmonton Location:

Suite 302, 4209 - 99 Street

Edmonton, AB T6E 5V7

Tel: (403) 448-0720

Fax: (403) 448-0788

Contact: Mr. Steve Cooke

Cost: Varies depending on the report requested.

Remarks: Provides business information services and commercial credit reports worldwide.

China

Dun & Bradstreet China (Shanghai)

3dr Floor, Champion Building, 363 Chang Ping Road
Shanghai, China
200041

Contact: Ms. Holly Huang, Operations Manager
Tel: 86-21-6267-5041 (Direct Line), 6218-9403/2
ext. 28

Fax: 86-21-6267-1275

EMAIL: dboperat@online.sh.cn

Cost: US\$250.00

Deliver time: 10 working days

SINOTRUST Business Risk Mgt. Ltd.

2/F, Jing An Center, No. 8 Beisanhuan Donglu
Beijing, China 100088

Contact: Mr. Chen Yang, Sales Manager
Tel: 86-10-6463-0711 (Direct Line), 6468-0431 to
0437 ext. 206

Fax: 86-10-6468-0438, 6468-0439

EMAIL: sinost@public2.bta.net.com

HOME PAGE: www.sinotrust.com.cn

Cost: US\$100--10 working days

US\$200—7 working days

US\$300—3 working days

Czech Republic

Dun & Bradstreet

Spalena 17, 110 00 Prague 1
Czech Republic

Tel: 420-2-2490-9235

Fax: 420-2-2491-1834

Remarks: cost for basic corporate profile: app.
US\$140.00 (7-10 days)

VVVMost, spol.s.r.o.

SSI Department of Strategic Services and
Information

Topolova 1234

Most 43401, Czech Republic

Tel: 420-35-610-5888

Fax: 420-35-610-5888

EMAIL: vvv_most@bluebridge.cz

Cost/Remarks: Cost varies with information
requested. Average price app. US\$160 (2-4 days for
basic info, up to several weeks for detailed analysis
of personal and capital relationships)

Denmark

Dun & Bradstreet Danmark A/S

Egegaardsvej 39
DK-2610 Rodovre

Denmark

Tel: 45/36 70 90 00

Fax: 45/36 70 91 29

Remarks: (Note: Companies located in the U.S. are
advised to contact D&B in the U.S.)

Kobmandstandens Oplysningsbureau A/S

Gammel Mont 4

DK-1117 Copenhagen K.

Denmark

Tel: 45/33 11 12 00

Fax: 45/33 11 16 29

Nordan A/S

Banemarksvej 50A

DK-2605 Brøndby

Denmark

Tel: 45/43 43 27 77

Fax: 45/43 43 29 57

Cost: Prices of reports vary from DKK 200 (US\$32)
for a brief report to DKK 600 (US\$97) for a full
company profile with credit information in English.

Dominican Republic

Centro de Informacion Crediticia de las Americas, S.A. (CICLA)

Coverage: Worldwide

Apartado Postal 11181

Ave. Abraham Lincoln No. 1019

Santo Domingo, Dominican Republic

Tel: 809-227-1888

Fax: 809-549-7227

Fermin Acosta y Asociados

Coverage: Worldwide

Calle Emilio Prudhomme No. 26, San Carlos

Santo Domingo, Dominican Republic

Tel: 809-686-4946

Fax: 809-221-9917

Remarks: Representatives in D.R. for:
Dunn & Bradstreet, Graydon America
JI International, & DIL Informes (Argentina)

FAX: 212-385-9580

Ecuador

Polit & Polit Abogados

Av. Naciones Unidas 1084 y Amazonas
Edif. BCO. La Previsora, TorreB, 8Vo. Piso,
Ofic. 813

Quito, Ecuador

Tel: 593-2-460-472

Fax: 593-2-462-472

E-MAIL: politpo2@politpolit.com.ec

Contact: Dr. Manuel Fernandez de Cordova V.

Cost: US\$250. Service is in Quito and Guayaquil.

Payment must be in advance. Up to 30-day delivery.

Ms. Lise-Lotte Dahl

MBA

San Ignacio 145 y Gonzalez Suarez

Edif. Diana Apt. 7B

Quito, Ecuador

Tel: 593-2-223-318

Fax: 593-2-223-318 (Same as telephone)

Contact: Ms. Lise-Lotte Dahl

Cost: US\$250 for Quito and US\$350 Guayaquil.

Payment must be made in advance. Delivery within 30 days.

Finland

Dun & Bradstreet Finland Oy

Sinimaentie 14 B

FIN-02630 Espoo

Finland

Tel: 358-9-2534-4400

Fax: 358-9-502-2940

Remarks: Companies located in the U.S. are advised to contact D&B in the U.S.

Suomen Asiakastito Oy

P.O. Box 16

FIN-00581 Helsinki

Finland

Tel: 358-9-148-861

Fax: 358-9-730-180

Remarks: Companies located in the U.S. are advised to contact: Graydon America, Suomen Asiakastieto Oy's partner in the U.S.

116 John Street, Suite 3300

New York, NY 10038

TEL: 1-800-466-3163

France

Use the list of U.S. firms providing financial information on foreign companies.

Germany

Creditreform

Lennestrasse 30

53113 Bonn, Germany

Tel: 49/228/267940

Fax: 49/228/229262

Cost: DM 120 + 15% VAT per report

D&B Schimmelpfeng

Hahnstrasse 31-35

60528 Frankfurt, Germany

Tel: 49/69/663030

Fax: 49/69/66303175

Cost: DM 300 + 15% VAT per report

(Note: Both companies in Germany provide reports in English.)

Hong Kong

Dun & Bradstreet Corporation

8310 Capital of Texas Highway

Suite 200

Austin, Texas 78731

Tel: (512) 346-3030

Fax: (512) 794-7670

India

Dun and Bradstreet India Private Limited

U & I Business Center

F-41, South

Extension, Part I

New Delhi 110 049, India

Tel: 91-11-4641662 / 4622813 / 4625584 / 4621586

Fax: 91-11-4641663 / 4623305

Contact: Mr. Arun Thukral, Regional Manager

Cost: Standard background report, approx. \$288

Remarks: When ordering, specify "ICP Report" for speedy action.

Indonesia

P.T. Global Infoserve Indonesia

Granadha Building
5th Floor
Jalan Jend. Sudirman Kav 50
Jakarta 12930
Tel: 62-21-525-3657/4373/4414/6573
Fax: 62-21-525-2153

Ireland

Dun & Bradstreet Ireland

Holbrook House
Holles Street
Dublin 2
Tel: 353-1-676-4239
Fax: 353-1-676-9301

Italy

Dun & Bradstreet Kosmos SpA

Via dei Valtorta 48
20127 Milano
Tel: 39/2/284551
Fax: 39/2/2870181

Remarks: Dun & Bradstreet Kosmos accepts orders for reports only from companies based in Italy. Reports should be ordered at the nearest D&B office in the country where the company is based.

Ponzi SpA

Corso Monforte 9
20122 Milano
Tel: 39/2/76002821
Fax: 39/2/781515

Cost of a standard report, in English, that includes a financial analysis (indicated for corporation) is of Lit. 250,000 (US\$150), a report on general partnerships (Infoditta) costs Lit. 150,000 (US\$90).

Euroinform Italia srl

Via Roma 108/F
20060 Cassina de= Pecchi MI
Tel: 39/2/954291
Fax: 39/2/95301869

Cost of a standard report in English (equivalent to an ICP) depends on the delivery time requested. A report delivered in 30 days cost Lit. 108,000 (US\$63); in 15 days Lit. 130,000 (US\$76); in 7 days Lit. 240,000 (US\$140); in 3 days Lit. 380,000 (US\$220).

Lince SpA

Corso Vittorio Emanuele 22
20122 Milano
Tel: 39/2/77541
Fax: 39/2/76020458

Remarks: Provides a series of services, even on-line, to subscribers. It will provide quotations on single reports and services on request.

Japan

Teikoku Databank, Ltd.

2-5-17 Minami-aoyama
Minato-ku, Tokyo 107-0062
Tel: 81-3-3404-5235
Fax: 81-3-3404-2164

Contact: Mr. Tadashi Kurosu, General Manager, Planning Dept.

Cost: Credit reporting service varies from approx. US\$220 to US\$390 (18,480 to 32,760 Japanese yens); in-house database includes data on 1.02 million Japanese companies.

Remarks: Provides English-language information products comparable to the ICP; produces the Dialog On-Disc Japan Company Factfinder, a quarterly CD-ROM of Japanese company profiles in English; has a subsidiary in New York and is able to provide comprehensive information services on the Japanese market and companies; is one of the two largest credit reporting services in Japan and maintains excellent databases of Japanese companies; and is

able to prepare more detailed or customized reports upon requests of clients.

Teikoku Databank American, Inc.

747 Third Avenue, 25th Fl.
New York, NY 10017
Tel: 212-421-9805
Fax: 212-421-9806

D & B Information Services Japan, K.K. (D&B)

Aobadai Hills 5F
4-7-7 Aobadai, Meguro-ku, Tokyo 153-0042
Tel: 81-3-3481-3561
Fax: 81-3-3481-3570
Contact: Mr. Fumiaki Uno, Account Representative

Cost: The contract price of D&B business information reports on companies in Japan varies from US\$288 to US\$598 (24,192 to 50,232 Japanese Yen), depending on the volume of reports per year. A D&B Analysis Report (which is a complete credit report of TSR in Japanese and includes a one sheet summary in English prepared by D&B Japan) has a price range between US\$180 and US\$266 (15,120 to 22,344).

Remarks: Provides English and/or Japanese language reports comparable to the ICP; is a Japanese subsidiary of the Dun & Bradstreet Corporation of the U.S.; also became a partner with another large Japanese credit reporting firm, Tokyo Shoko Research (TSR), in July 1994; has a database of more than 250,000 Japanese companies and now exchanges data files with TSR; and is able to prepare more detailed or customized reports upon requests of clients.

Tokyo Shoko Research, Ltd. (TSR)

Shinichi Bldg.
1-9-6 Shinbashi
Minato-ku, Tokyo 105-0004
Tel: 81-3-3574-2287
Fax: 81-3-3574-2224
Contact: Mr. Kuniei Saitoh, Managing Director

Cost: Can provide ICP-type reports at reasonable prices.

Remarks: Provides English and/or Japanese language reports comparable to the ICP; is able to prepare more detailed or customized reports upon requests of

clients; is one of the two largest credit reporting companies in Japan; also became a partner with another large Japanese credit reporting firm, Dun & Bradstreet Business Information Services (D&B), in July 1994; and its own in-house database includes profiles of more than 1 million Japanese companies.

Korea

Dunn and Bradstreet Information Services

World Trade Center, #2407
159 Samsung-dong, Kangnam-Ku
Seoul, Korea
Tel: 822-551-8110
Fax: 822-551-8111

Cost: About US\$250 per report. Reports can also be ordered from D&B in the U.S.

Netherlands

Dun & Bradstreet BV

P.O. Box 278
3000 AG Rotterdam
The Netherlands
Tel: 31-10-4009400
Fax: 31-10-4140994

New Zealand

Dun & Bradstreet (New Zealand) Ltd.

2 Kitchener Street
PO Box 9589
Auckland, New Zealand
Tel: 64 (9) 377-7700
Fax: 64 (9) 309-2050

Baycorp Holdings Ltd.

4th Floor, Baycorp House/15 Hopetown Street
Ponsonby
PO Box 68326
Auckland
New Zealand
Tel: 64 (9) 356-5877
Fax: 64 (9) 356-5844

Creditcorp Holdings Ltd.

12th Floor, 17 Albert Street

PO Box 803
Auckland
New Zealand
Tel: 64 (9) 303-1719
Fax: 64 (9) 366-4734

Norway

Bonnier Kreditt Fakta AS

Postboks 2583, Solli
N-0203 Oslo, Norway
Tel: 47-22-92-54-80
Fax: 47-22-92-54-10
Cost: A single report can cost around NOK600
(approx. US\$100).

Remarks: Provides general company information, financial analyses, and yearly reports; uses a system called "Faxback" and another called "New Biz CD-Rom."

Creditinform

Postboks 5275 Majorstua
N-0305 Oslo, Norway
Tel: 47-22-93-20-00
Fax: 47-46-53-90

Cost: Each report includes Basic Facts Report (NOK 330, approx. US\$50), Account Report (NOK 205, US\$30), Credit Rating Report, and a general overview of the company with account figures (cost not given).

Remarks: Provides information on all registered businesses in Norway, including credit ratings, tax assessments, ownership and subsidiary information.

Dun & Bradstreet Soliditet AS

Stalfjaera, Postboks 183, Kalbakken
N-0903 Oslo, Norway
Tel: 47-22-89-73-00
Fax: 47-22-89-73-03

Philippines

Leverage International (Consultants) Incorporated

CPO Box 3395 Makati
Ste. 114 Legaspi Suites

178 Salcedo St., Legaspi Village
Makati City
Tel: 632-810-1389; 818-6828; 813-2473
Fax: 632-810-1594
E-MAIL: LVRGE@MAIL.WORLDELPHIL.COM
Contact: Ms. Cecilia A. Sanchez, Chairperson/CEO

Cost: The price per report for the four different types of reports are: first type, US\$325; second type, US\$500; third type, US\$770; and fourth type, US\$1,920 for a 1-3 company-coverage, and US\$385 for each additional company.

Remarks: Provides four different types of background reports. First Type: Regular, ICP-type report on one company; and, completed in 7-10 days. Second Type: Report on an individual person; 10-15 days; and, coverage includes name, citizenship, office address, phone number, character references (checking). Third Type: Report on a single competing company; 15-20 days; and, coverage includes, location, officers/directors, operation, industry market share, distributors list, pricing structure, and source and type of technology used. Fourth Type: Report on 1-3 companies or 3 or more companies; 15-20 days; and, coverage includes, location, plant capacity, management/ownership group, organization and production set up, pricing structure, trade and trade practices, and distribution network, sales, and facilities.

Credit Information Bureau, Inc.

2nd Floor, PNB Financial Center
Roxas Boulevard, Manila
Tel: 632-526-3178 to 82
Fax: 632-526-3603
E-MAIL: JYLADAO@MAIL.WEBQUEST.COM
Contact: Mr. Jaime C. Ladao, President
Mr. Ernesto Santiago, V. President

Cost: The prices listed for four types of reports are for searches on firms and individuals located within metropolitan Manila; for searches outside this area, the prices will vary. The price of reports normally completed in 10 day costs US\$100; the 5-7 days "rush/urgent" order costs US\$200; and, the 3-5 days "flash" order costs US\$300. Mode for delivering the reports is normally by fax or email, followed by airmail.

Remarks: The only credit agency in the country that provides centralized business/credit information on local and foreign firms and individuals. Serves as the correspondent to and local representative of Dun and Bradstreet International. Provides four types of background reports. Completion is normally in 10 days; 5-7 days for "rush/urgent" orders and 3-5 days for "flash" orders. Corporate Business Report: a comprehensive report, including management history, operations, payment records, bank references, and business and financial status. Individual Business Report: background coverage includes identification, business affiliations and reputation, assets, and financial and credit standing. Key Report: an in-depth report answering particular questions specifically requested by the client. Financial Analysis Report: evaluates a company's financial status, including position, profitability, and liquidity.

Pinkerton Consulting Services

4th Floor, Thomas Jefferson Cultural Center Bldg.
395 Sen. Gil J. Puyat Ave. Ext.
Makati City 1200
Tel: 632-899-3934/895-9404/890-4385
Fax: 632-899-5037
E-MAIL: PINKERTON@PORTALINC.COM
Contact: Mr. Jon Dos Santos, Gen. Manager
Mr. Eric Jude O. Alvia, Fin./Commrl.
Investigation Mgr.

Cost: The price of the company/individual report is US\$750, plus 25% for disbursement fees and VAT. Completion time is 30 days.

Remarks: Specializes in consulting and security investigation and operates in nine different Asian countries. Provides company/individual information reports. Report coverage includes company profile, ownership information, contact information, type of business, products and services, industry brief, company background, identification of officers and managers, listing of major clients, shareholders profile, financial summary, credit history, employment profile, business licenses, and assessment of business reputation and risk.

Poland

Dun & Bradstreet

Ul. Krzywickiego 34 III Fl.
02-078 Warsaw
Tel: (48-22) 625-72-02/03/04
Fax: (48-22) 622-3667
Contact: Rob Arthur, General Manager
Remarks: Provides information on all types of businesses, collection services on overdue accounts, marketing data, and publications in traditional (hard copy) and electronic form.

Infocredit

Ul. Smolna 40
00-920 Warszawa
Tel: (48-22)-26-61-78
Fax: (48-22)-26-81-84
KOMERTEL TEL/FAX: (48-22)-275-486
Cost: The price for an English language report, depending on how detailed the requested information is, varies from US\$90 to US\$120.

Remarks: Provides detailed company financial information including sales, means of production, bankruptcy, liquidation and tender sales, claims and debts, and creditor-debtor agreements data. Offers an audit service of a company's debts, and advises on possible credits.

Creditreform Polska Sp. z o.o.

Ul. Parkingowa 1
00-504 Warszawa
Tel: (48-22)-62-82-68
Fax: (48-22)-623-67-71

Cost: The price for a single report in English for non-members is US\$115.

Remarks: Has offices also in Poznan and Wroclaw.

Incona Miedzynarodowa Agencja Consultingowa

Ul. Chmielna 34/66
00-020 Warszawa
Tex/Fax: (48-22)-264-891

Cost: The price for a single report in English is about US\$100 (this is a basic report which does not include financial balance information). A report with a financial balance and financial analysis is about \$130.

Remarks: Provides basic information on businesses, extended reports on businesses (which include

assessment of competitors), market facts and figures, and other business related information. Offers international trade development and business management services, including among others: market entry strategy, market analysis reports, marketing and feasibility studies. Clients include Reuters Limited in London and Polish Information and Publishing Agency BOSS.

"InfoData" Biuro Informacji Gospodarczej, Procedur I

Legalizacji Krajowej Izby Gospodarczej
Ul. Trebacka 4
00-074 Warszawa

Tel: (48-22)-274-088
Fax: (48-22)-635-99-21

Cost: The price of the report is \$55.

Remarks: Has branches throughout the country in the Local Economic Chambers. Serves as an inquiry branch of the Polish National Economic Chamber. Provide basis business information, extended reports with more specific information about a company, a collection service for overdue accounts. Uses regional chambers of commerce and industry as information sources, among others.

Intercredit Warszawa Sp. z o.o.

Ul. Mokotowska 49
00-950 Warszawa
Tel: (48-22)-660-04-07
Fax: (48-22)-660-02-33

Remarks: Has branch offices in Poznan, Katowice and Gdansk. Offers news service about bankruptcy and court decisions.

Portugal

Dun & Bradstreet Lusitana, Ltd.

Rua Barata Salgueiro, 28-3
1200 Lisbon, Portugal
Tel: (351-1) 356 32 65
Fax: (351-1) 352 46 95

Mope-Informacao Para Gestao de Empresas, Ltd.

Rua de Santa Marta, 43-4
1100 Lisbon, Portugal

Tel: (351-1) 352 29 96
Fax: (351-1) 352 04 18
Contact: Paulo Viera

Russia

Dun & Bradstreet C.I.S. (Moscow)

3rd Khoroshevski Proezd, Building 1, 4th Floor
Moscow, Russia 123007
Tel: 7-095-940-1816
Fax: 7-095-940-1702 (or 1708)
EMAIL: judin@dunbrad.msk.su
Contact: Mr. Vladimir V. Yudin, Representative

Cost: US\$200 per report with discounts for bulk orders.

Remarks: Report name is "Business Information Report." Reports also can be obtained by contacting local U.S. D&B offices.

Saudi Arabia

Most Saudi firms and banks do not disclose financial or other information concerning reputation and resources. U.S. firms should rely on contacting the firm directly and using U.S. banks and U.S. credit service firms.

Singapore

Dun and Bradstreet (Singapore) Pte Ltd.

Park Mall, 9 Penang Road
Unit 09-20
Singapore 248485
Tel: (65) 334 3336
Fax: (65) 334 2465

Cost: US\$250

Slovak Republic

Intercredit Bratislava s.r.o.

Safarikovo nam. 7
811 02 Bratislava
Slovak Republic

Tel: 421 7 324 367-9
Fax: 421 7 361 487
E-mail: intercredit@intercredit.sk
Contact: Ms. Iva Pavlovicova

Cost & Delivery time: Normal 8 working days USD
appr. US\$85
Express 4 working days appr. US\$170
Super express 8 hours appr. US\$260

Creditform s.r.o.

liptovska 33
821 09 Bratislava
Slovak Republic
Tel: 421 7 521 6989, 521 6991
Fax: 421 7 521 7114
Contact: Mr. Pavol Luksic
Cost: Delivery Time: 8 working days
Appr. US\$105
3 working days appr. US\$210
8 hours appr. US\$260

**Slovenska Informacna A Marketingova
Spolocnost s.r.o.**

Ivanska cesta 23
820 04 Bratislava
Slovak Republic
Tel/Fax: 421 7 522 7714-5, 522 1987
Contact: Mr. A. Tinka

Cost: appr. US\$35

South Africa

Robertsons Reports

Tel: 11-27-11-789-1453
Fax: 11-27-11-789-5130
Contact: Mr. E. Robertson

**Information Trust Co (Formerly Dunn &
Bradstreet)**

Tel: 11-27-11-488-2911
Fax: 11-27-11-488-2282
Contact: Ms. Linda Evans

Kreditinform

Tel: 11-27-11-886-2903
Fax: 11-27-11-886-3837
Contact: Mr. Michael Hussey

Spain

Salvador de Madariaga

1 - Plta 2
28027 Madrid
Tel: 34-1-377 9100
Fax: 34-1-377 9101

Sweden

Dun & Bradstreet Soliditet AB

Box 1506
S-171 29 Solna, Sweden
Tel: 46-8-705 10 00
Fax: 46-8-735 42 63
Contact: Mr. Tomas Carlqvist

Cost: For a background report containing somewhat
less information than a standard report: appr. US\$50
(361 Swedish kronors). Established in 1908.

AB Svensk Upplysningstjanst

Box 244
S-201 22 Malmo, Sweden
Tel: 46-40-729 00
Fax: 46-40-23 29 45
Contact: Mr. Bo Stjerna

Cost: For a standard background report: appr. US\$72
(525 Swedish kronors).

Remarks: Established in 1947.

UC AB International

S-114 96 Stockholm, Sweden
Tel: 46-8-670 90 00
Fax: 46-8-670 90 20
Contact: Ms. Eva Donell or Mr. Leif Eckerman

Cost: For a standard background report, appr. US\$83
(605 Swedish kronors). For a report whose
requirements exceed the standard report, appr.
US\$113 per hour (810 Swedish kronors per hour).
Company's standard report doesn't meet the
requirements of a ICP.

Remarks: Established in 1977, the company
functions as the Swedish Business and Credit
Information Agency, and is jointly owned by all the

Swedish commercial banks. FCS Stockholm has been using this credit source which has proved to be outstanding as far as accuracy, delivery time and personal service is concerned. Approximate delivery time is 8 workdays.

Switzerland

D&B Novinform AG
In der Luberzen 1
8902 Urdorf
Tel: (41-1) 735 61 11
Fax: (41-1) 735 65 84

Taiwan

Dun & Bradstreet
12/F, 188 Nanking E. Road, Sec. 5
Taipei, Taiwan
Tel: 886-2-756-2922
Fax: 886-2-749-1936

Costs: Estimated US \$290 per report.
Remarks: Reports can also be ordered from D&B in the United States.

China Credit Information Services, Ltd.
5/F, Building C, 115, Tung Hsin St.
Taipei, Taiwan
Tel: 886-2-765-3266
Fax: 886-2-765-6033

Cost: Estimated US \$150 per report taking 14-21 days; for time taking 10-12 days estimated US\$185.

Thailand

Asian Pacific Research Ltd.
Room 505, Tonson Building
50 Soi Tonson, Ploenchit Road
Lumpini, Pathumwan
Bangkok, 10330 Thailand
Tel: 662-652-1867/9
Fax: 662-652-1870
E-MAIL: crawford@ksc7.th.com
Contact: Susan Crawford, Senior Consultant

Cost: US\$ 250.

Remarks: Asian Pacific Research Ltd. is a member of the Pacific Consulting Group which specializes in research and evaluation, entry and investment strategy, multicultural management, and corporate communications. The group has operated in Bangkok since 1990 and maintains other offices in Hong Kong, Taipei, and Tokyo.

Dun & Bradstreet (Singapore) Pte., Ltd.

9 Penang Road #09-20
Park Mall, Singapore 238459
Tel: (65) 334-3336
Fax: (65) 334-2465/69
Internet: Ichee@dunsmail.dnb.com
Contact: Mr. Leon Chee, Director

Zenith Development consultants Ltd.

2/11 Withawu Road, Patumwan
Bangkok 10330
Tel: 662-267-9141/3
Fax: 662-267-9145
Contact: Mr. Benjamin Bishop, Consultant

Asian Solutions Research

Lang Suan House
72/26 Soi Lang Suan
Bangkok 10330, Thailand
Tel: 662-652-0940
Fax: 662-652-1842
Contact: Mr. Bill Condie, Managing Director

United Arab Emirates (UAE)

SSS Corporate Research

P.O. Box 7841
Abu Dhabi, UAE
Tel: 971-2-263455
Fax: 971-2-263466
Contact: Mr. Peter Alcock, Managing Director

Cost: \$200 or UAE Dirhans 735 if requested locally.
Payment is required in advance.

Remarks: Reports can be provided within one week. Service is available across the entire UAE, including Abu Dhabi and Dubai. Copies of reports are also provided to the embassy commercial section.

United Kingdom

Financial Times

1 Southwark Bridge
London SE1 9HL
United Kingdom

Tel: 44-171-873-4211
Fax: 44-171-873-3069

Contact: Mr. Stewart Hawthorne, Deputy Manager or
Mr. Tony Northeast, Director.

Cost: For standard background report, appr. US\$40
(25 British pounds); for a full report, approx. \$112 (70
British pounds).

Dun and Bradstreet, Ltd.

Holmers Farm Way
High Wycombe
Buckinghamshire HP12 4UL
United Kingdom

Tel: 44-1494-422-000
Fax: 44-1494-422-260

Standard & Poor Compustat

Wimbledon Bridge House
One Hartfield Road
Wimbledon, London SW19 3RU
United Kingdom

Tel: 44-181-545-6282
Fax: 44-181-545-6292

Venezuela**Dun and Bradstreet, C.A.**

Ave. Principal Colinas de Bello Monte
Edf. Centro Cristobal, Pisos 8-9
Caracas, Venezuela

Tel: (58-2) 752-9322
Fax: (58-2) 752-2178

Contact: Mr. Tirso Navarro, General Manager

Cost: Comparable to D&B in U.S. Various types of
business information reports are offered.

Remarks: Turnaround time is several days to over a
week; more for firms in the interior.

Oficina Tronconis, S.A.

Ave. Valencia Parpacen No. 49, Piso 1-D
(Radio Tiempo), La Florida
Caracas, Venezuela

Tel: (58-2) 731-3920

Fax: (58-2) 731-3609

Contact: Mr. Samuel Prince, Manager

Vietnam**Dun & Bradstreet**

6 Temasek Boulevard
#06-05/06 Suntec Tower Four
Singapore 038986

Contact: Ms. Alicia Shing or Ms. Yvonne Thow,
Credit Services

Tel: (65) 434-9547 - Ms. Shing

Tel: (65) 434-9540 - Ms. Thow

Fax: (65) 434-9501

Cost/Remarks: D&B charges S\$375 (Approximately
US\$230) for each report. There is also an option of
setting up a corporate account, for which a firm
would a firm would pay a S\$200 (Approximately
US\$112) membership fee, and then \$312.50
(Approximately US\$205) per report.

Burma**Integrated Marketing, Ltd.**

274A Pyay Road, Hlaing Township
Yangon, Myanmar

Tel: (95) (1) 34872

Contact: Mr. Maung Maung Kha Swe, Managing
Director

Yadana Enterprises Group, Ltd.

816 Mahabandoola Street, Lanmadan
Yangon, Myanmar

Tel: (95) (1) 24389

Contact: Mr. Than Tun Aung, Managing Director

**The Bureau of Export Administration
U.S. Department of Commerce**

KNOW YOUR CUSTOMER GUIDANCE

Visit the BXA Red Flag Indicators page and always check the parties to your export transactions against BXA's Denied Persons List. **BXA's web site is www.bxa.doc.gov**

Certain provisions in the Export Administration Regulations (EAR) require an exporter to submit an individual validated license application if the exporter "knows" that an export that is otherwise exempt from the validated licensing requirements is for end-uses involving nuclear, chemical, and biological weapons (CBW), or related missile delivery systems, in named destinations listed in the regulations.

BXA has issued the following guidance on how individuals and firms should act under this knowledge standard. This guidance does not change or revise the EAR.

1. Decide whether there are "red flags."

Take into account any abnormal circumstances in a transaction that indicate that the export may be destined for an inappropriate end-use, end-user, or destination. Such circumstances are referred to as "red flags." Included among examples of red flags are orders for items which are inconsistent with the needs of the purchaser, a customer's declining installation and testing when included in the sales price or when normally requested, or requests for equipment configurations which are incompatible with the stated destination (e.g.--120 volts in a country with a standard of 220 volts). Commerce has developed lists of such "red flags" which are not all-inclusive but are intended to illustrate the types of circumstances that should cause reasonable suspicion that a transaction will violate the EAR.

2. If there are "red flags."

If there are no "red flags" in the information that comes to your firm, you should be able to proceed with a transaction relying on information you have received. That is, absent "red flags" (or an express requirement in the EAR), there is no affirmative duty upon exporters to inquire, verify, or otherwise "go behind" the customer's representations. However, when "red flags" are raised in the information that comes to your firm, you have a duty to check out the suspicious circumstances and inquire about the end-use, end-user, or ultimate country of destination.

The duty to check out "red flags" is not confined to the use of general licenses affected by the "know" or "reason to know" language in the EAR. Applicants for validated licenses are required by the EAR to obtain documentary evidence concerning the transaction, and misrepresentation or concealment of material facts is prohibited, both in the licensing process and in all export control

documents. You can rely upon representations from your customer and repeat them in the documents you file unless "red flags" oblige you to take verification steps.

3. Do not self-blind.

Do not cut off the flow of information that comes to your firm in the normal course of business. For example, do not instruct the sales force to tell potential customers to refrain from discussing the actual end-use, end-user and ultimate country of destination for the product your firm is seeking to sell. Do not put on blinders that prevent the learning of relevant information. An affirmative policy of steps to avoid "bad" information would not insulate a company from liability, and it would usually be considered an aggravating factor in an enforcement proceeding. Employees need to know how to handle "red flags." Knowledge possessed by an employee of a company can be imputed to a firm so as to make it liable for a violation. This makes it important for firms to establish clear policies and effective compliance procedures to ensure that such knowledge about transactions can be evaluated by responsible senior officials. Failure to do so could be regarded as a form of self-blinding.

4. Reevaluate all the information after the inquiry

The purpose of this inquiry and reevaluation is to determine whether the "red flags" can be explained or justified. If they can, you may proceed with the transaction. If the "red flags" cannot be explained or justified and you proceed, you run the risk of having had "knowledge" that would make your action a violation of the EAR.

5. Refrain from the transaction, disclose the information to BXA [See how to report a possible violation], and wait.

If you continue to have reason for concern after your inquiry, then you should either refrain from the transaction or submit all the relevant information to BXA in the form of an application for a validated license or in such other form as BXA may specify. Industry has an important role to play in preventing exports and re-exports contrary to the national security and foreign policy interests of the United States. BXA will continue to work in partnership with industry to make this front line of defense effective, while minimizing the regulatory burden on exporters. If you have any question about whether you have encountered a "red flag," you may contact BXA's Office of Export Enforcement or use this form to submit a confidential tip. [Please note that use of the form will not generate any return e-mail to you so that the information you submit will remain confidential. If using this form please select "Enforcement Lead/Tip" from the pull-down menu as the subject to ensure the confidentiality of the information submitted.

HOW AMERICANS NEGOTIATE AND WHY

When we communicate with others, we (and they) make certain assumptions about:

- The process of perceiving
- How others will judge
- What others think about
- How they reason

Correct assumptions aid the communication process, incorrect ones impede it and misunderstandings and stalled or deadlocked negotiations result. It is essential that:

- Americans know their own assumptions
- We know the assumptions of the other side
- We discern ways to bridge the gap

It is difficult to generalize about the culture of the United States for two reasons:

1. Not all foreigners see us the same. For example, while we appear unemotional and cold to Latins, we may appear hyperbolic, frenetic and impulsive to Asians.
2. Traditional American values are undergoing profound re-evaluation. The United States is a society in flux and one moving toward multiculturalism.

Nevertheless, the following are a combination of general characteristics that Americans bring to the negotiating table:

We are ethnocentric

- So are most peoples, but Americans are used to high status, power and success in world trade
- Our values were forged on the frontier
- Strong isolationist strain in American culture

Americans are individualists par excellence

- Our culture teaches us to stand on our own two feet
- "I can go it alone"
- Responsibility for decisions lie with the individual
- Friendships and relations are not deep and lasting
- We lack cooperation skills
- We join groups to further our own goals

We are seen as workaholics

- American culture defines a person by their work
- Necessary to work hard to get ahead
- The schedule becomes all important
- We want to work first and socialize later
- In other parts of the world, many other factors are equally or more important than work; hence there is no need to rush into it

Short-term profits motivate more than long-term considerations

- Negotiators under pressure from management to produce tangible results quickly

Achievement is more important than rank

- Position is achieved and tenuous
- Identity is within self and defined by work
- Task-oriented
- Achievement motivates
- Anticipation of future time

Americans are utilitarian

- What works is valued
- Goals are evaluated in terms of their consequences and utility

Activity is better than stasis

- Concern with doing
- Getting things done
- Progress and moving toward the new
- Vigorous youth is valued

In planning, goals are less important than:

- Means, procedures and techniques
- Action: When in doubt, do something!
- Tendency to wing it
- Planning is to anticipate consequences

Quick is better than slow

- Efficiency and speed are equated
- The pace of American business is fast, busy and driving
- Brief introductions and forms of social address

Persistence is highly valued by Americans

- A Stick-To-Itiveness and hard work will win the day
- Don't take no for an answer
- Americans come on too strongly in negotiations

Americans seem overly concerned with facts and being precise

- We feel decisions should be made on factual basis
- Strong belief in reason and rationality
- The world operates in a rational, knowable, controllable way

Americans also are seen as relying too heavily on reason to make business decisions

- Decisions should be made by those affected because they will know the reasons
- Many cultures emphasize tradition or intuitions as the basis of decision making

One thing at a time

- We reason in a stepwise fashion
- We attack a complex negotiation sequentially

We are not sociable enough by most foreign standards

- Since work defines ourselves, that's what we do first, then we relax.

Americans are said to discuss business too much

- Because work is of primary significance, we spend a great deal of time on it
- Socializing comes after work
- Social reciprocity should be equal and limited
- Circumstance, not tradition, determines social reciprocities

We are seen as being too quick to become intimate

- We value informality
- Equality over hierarchy and social class
- Americans try to minimize status differences
- We use first names, dress and sit informally
- Americans move quickly into a close friendship

Americans are concerned with power and control

- Our culture teaches us that society is competitive and you need leverage to get what you want
- Frontier society taught tenacity in overcoming the wilderness
- Environment seen as hostile, including other people and groups
- People are "naturally" competitive and aggressive
- Social aggression is seen as acceptable, interesting, or fun
- Competition is seen as healthy and constructive

Negotiation is:

- Positional
- Based on give and take

Negotiating leverage comes from:

- Persuasion of the individual
- Power
- Guilt

In Negotiation, give-and-take concessions are a sign of good faith

- In many parts of the world, give-and-take is seen as far too competitive. Negotiation is a showcase to ceremonially highlight what has been agreed upon in private.
- In America, negotiation is about give-and-take of offers and counteroffers.

Americans get upset if they can't deal with the "highest" authority

- We expect a "chain of command" similar to ours
- Americans don't understand group decision-making

Americans are direct in communication

- ◆ Don't beat around the bush

We value truthful information exchange

- Honesty is the best policy
- Laying your cards on the table is a sign of good faith
- To be devious creates distrust

Americans are generous and altruistic

- We assume foreigners will be fair and reasonable by our standards
- We may give a concession in order to get an equal concession in return

Americans need to be liked

- We often tell them a secret to show good will
- We may give concessions to be liked

Silence is a sign of deviousness

- Speaking indicates a willingness to negotiate
- Silence equals deadlock

Americans can also appear quite opinionated

- As children we are taught to have opinions
- Few Americans take pride in changing their minds

A deal is a deal

- A handshake closes the deal
- A contract seals it, despite future events
- Commitment is short

THE BEST NEGOTIATION STRATEGY OVERSEAS

We can learn the basic skills necessary to negotiate overseas. Among others they include:

- Learn about their way of doing business
- Be PATIENT!
- Prepare -- don't shoot from the hip
- Expect a long negotiation
- Don't be too straightforward and eager to work
- Socialize and observe their etiquette
- Try the win-win approach first
- Be prepared to be tough if necessary
- Don't be hung up on the schedule
- Make time work for you, not against you
- Take a long term view of the business at hand
- Be flexible
- Look for the best deal for both parties

CHECKLIST FOR AGENT/DISTRIBUTOR AGREEMENTS

The first and most important consideration is to ensure that the agreement clearly states what the relationship actually is -- agent or distributor. The rights and duties of the two different relationships are very significant (see following article). Given this distinction, the agreements should state very plainly and clearly what relationship is being established.

The following basic items normally are included in a typical foreign sales agreement:

- ✓ Date when the agreement goes into effect
- ✓ Duration of the agreement
- ✓ Provisions for extending or terminating the agreement
- ✓ Description of product lines included
- ✓ Definition of sales territory
- ✓ Establishment of a policy governing resale prices
- ✓ Maintenance of appropriate service facilities
- ✓ Restrictions to prohibit the manufacture and sale of similar and competitive products
- ✓ Designation of responsibility for patent and trademark negotiations and/or policing
- ✓ The assignability or non-assignability of the agreement and any limiting factors
- ✓ Designation of the country of contract jurisdiction in the case of dispute
- ✓ Determine whether the relationship is exclusive versus non-exclusive
- ✓ State which geographic regions are to be covered
- ✓ Set forth issues of payment for the products (in the case of a distributor) and for payments of commissions (in the case of agents)
- ✓ Determine the currency in which payments are to be made and address currency fluctuation issues
- ✓ Provide specific provisions regarding renewal of the agreement, including specific parameters for performance, promotional activity and notice of desire to renew
- ✓ Establish a specific provision for termination of the agreement and for what reasons, i.e., failure to perform to the terms of the contract. (Be careful with this provision. Some foreign countries restrict or prohibit termination without just cause or compensation.)
- ✓ Outline the termination process for the end of the agreement period
- ✓ Provide for workable and acceptable dispute settlement clauses
- ✓ Assure that the agreement addresses whether or not intellectual property rights are being licensed or reserved
- ✓ Do not allow, without seller's consent, the contract to be assigned to another party (sub-

agents or sub-distributors) to be used to fulfill obligations in the contract or the contract to be transferred with a change of ownership or control over the agent/distributor

- ✓ Assure that your contract complies with both U.S. and foreign laws on topics such as: export and import licenses; customs duties and sales taxes; relevant antitrust/competition laws relating to marketing restrictions and pricing methods; relevant laws on bribery (Foreign Corrupt Practices Act) and employment and marketing discrimination (Anti-Boycott Law)

The agreement should also contain statements to the effect that the representative will not have:

- ✓ Business dealings with a competitive firm
- ✓ Will not re-export contrary to the national security and foreign policy interests of the United States
- ✓ Will not reveal any confidential information in any way that would prove injurious, detrimental or competitive to the U.S. firm
- ✓ Will not enter into agreements binding on the U.S. firm
- ✓ Will refer all inquiries received from outside the designated sales territory to the U.S. firm for appropriate action

At all times, exporters should avoid articles that could be contrary to U.S. antitrust laws. Legal advice should be sought when preparing and entering into foreign agreements.

AGENTS, DISTRIBUTORS AND JOINT VENTURES IN INTERNATIONAL COMMERCE

By Jonathan C. Neff

*Presented for International Trade Services
Oklahoma and U.S. Departments of Commerce*

I. INTRODUCTION

There are many means and methods of doing business abroad. Most people who do business abroad or who are considering expanding into the international arena are familiar with the terms "agent", "distributor" and "joint venture". Many business people, however, may not realize that the meanings of these terms vary from country to country and their use in international business usually have distinct legal consequences. Therefore, it is essential for those who do business abroad to have a general understanding of the differences in the relationships that these terms describe. It is even more important, however, to investigate and understand the precise legal consequences of a particular type of business relationship in a given jurisdiction before entering into any agreements, verbal or written.

Agency vs. Distributorship

Agents have been used in international commerce for thousands of years. The concept of agency is as old as international commerce itself. Today, agents are the most common intermediaries in the chain of distribution between manufacturers and consumers. Agents handle virtually all aspects of international commerce, from sales to shipping, financing, advertising, and regulatory matters. The types of relationships between principals and agents are as varied as the duties performed. The long history and variety of agency relationships in international commerce has resulted in a complex and evolved body of agency in both common law and civil law countries.

The distributorship concept, on the other hand, is of more recent vintage. Distributorship became increasingly prevalent in the early part of this century. Distributors typically purchase goods on their own account and resell at a higher price, accepting the risks and the rights incident to ownership of the goods. However, distributorship relationships also vary greatly.

The Control Issue

The most significant difference between agents and distributors often is the degree of control exerted over the intermediary by the supplier. The issue also distinguishes types of agents. The supplier of the product often wants to control the price at which the product is sold, how it is advertised, and the extent of the intermediary's territory. The supplier is also motivated to control market development, restrict its intermediary from selling competing products, and regulate other matters relating to the sales of its products. These issues can be controlled by the

supplier to varying degrees, depending of the type of relationship that exists between the supplier and the intermediary.

II. TYPES OF AGENTS

Agents in Common Law Countries

The agency relationship in common law countries is characterized by an agreement between principal and agent in which the principal gives the agent authority to act on behalf of and bind the principal. In most cases, an agent acts solely on behalf of the principal, not on the agent's own account, and the principal is bound by the agent's agreements. Therefore, the principal usually dictates the terms the agent will offer and carefully delineates the agent's authority. The issues are control and authority. Agents may or may not be employees of their principals.

Agents in Civil Law Countries

In civil law countries, agency relationships are creatures of statute. There are frequently many different types of agency relationships that are specifically described in statutes. It is particularly important to consult with legal counsel familiar with the laws of the country in which you intend to do business before entering into such a relationship in any country where agency relationships are dictated by statute.

For instance, you may find unfamiliar concepts, such as varying treatments of the undisclosed agent. If your agent fails to clearly disclose that he is an agent, the agreement may only run between the agent and the buyer, and the principal may not have authority to enforce the agent's agreement. In such a case, the problem can be solved by providing in the agency agreement for the agent to assign all contracts to the principal, including a parallel provision in the agent's agreement with the buyer authorizing assignment of the contract.

The Employee Agent

In many countries, the employee-agent is a statutory relationship that is heavily regulated. The country's labor and other legislation may well prevail over the agreement between the agent and his or her principal as to terms of employment. Frequently, the social benefits are similar to those mandated for employees in the United States, but they may be even more extensive. There is little uniformity from country to country, although developments such as the evolution of the European Economic Community and the North American Free Trade Agreement in the past few years have tended to create a minimum level of labor legislation in member countries.

A problem frequently encountered by the unwary business person who chooses to utilize an agent is the unintentional employment of an employee-agent who has statutory benefits that turn out to be much more extensive than the principal envisioned or the agreement allowed. Again, it is essential to consult with counsel in the jurisdiction where the agent will work before

entering into any such relationship. However, certain characteristics can be built in the agency agreement to help ensure that the agent will not be held to be an employee-agent. One can provide in the agency agreement that *(1) the agent works for commissions, not a salary, (2) the agent is free to work for others as well as the principal, (3) the agent is free to set his own schedule and organize his own work, (4) the agent provides his own office, pays his own expenses and may hire sub-agents at his discretion, and (5) the agent registers with the governmental or commercial authorities as an independent agent.* Such provisions would be helpful to identify the independent agent as such in most jurisdictions.

The Independent Commercial Agent

Independent commercial agents are statutorily defined in civil law countries. Typically, they represent more than one business. The risk faced by the principal, as discussed above, is that if too many restrictions are imposed on the agent in the agency agreement, the agent may be held to be an employee-agent, with the right to employment benefits in excess of those planned by the principal.

The Commission Agent

Commission agents are generally independent traders acting in their own names and are therefore not entitled to social benefits provided by the principal. The relationship is much closer to that of a distributor than the types of agents discussed above.

Other Relationships

There are many other types of statutorily defined agency relationships in some countries. One must be aware of the legal characteristics of the various relationships in order to choose the one best suited to the purpose. Also, there are other types of contractual relationships, such as brokers, which simply bring buyers and sellers together. Whatever commercial relationship one chooses to utilize in employing an intermediary, there will be legal consequences that are governed by local law.

III. AGENCY AND DISTRIBUTORSHIP AGREEMENTS

All business relationships, both domestic and international, should be governed by a written agreement. Written agreements provide clarity and enforceability, and the exercise of negotiating the agreement forces the parties to address the important issues. The terms will vary, of course, depending on what types of business relationship or arrangement is being addressed. However, there are certain terms that are common to most agreements with intermediaries.

Contract Terms

A distributorship agreement is in effect a contract for the sale of goods as well as a long-term supply contract. As such, it should cover price terms, provide a complete description of the goods, shipment and delivery terms, insurance terms, warranties, methods of payment, assumption of risk, etc. Since a distributorship agreement is in effect an agreement for a continuing sale of goods, there should be terms relating to the sale of goods, although much more will typically be left within the discretion and control of the principal, and other issues such as commission payments will be addressed.

Additional terms are required in distributorship agreements due to the nature of the distributorship relationship. Distributorship agreements usually cover the extent of the distributor's territory, advertising and promotional efforts required of the distributor, and volume discounts and other incentives. All these issues should be viewed from both business and legal perspectives, and reviewed in the context of the laws of both countries.

Territory Issues

The need to limit and protect a distributor's territory raises some interesting legal issues: *(1) To what extent can the territory be lawfully protected against sales from outside the territory? (2) Can the supplier require the agent or distributor not to sell for use outside his territory? (3) Can an agent or distributor require the supplier not to sell to others inside the territory?*

Over the past twenty-five years, the U.S. Supreme Court has held restrictions on the resale of goods to be both legal and illegal, depending on the circumstances. The reason that this issue has created difficulties for the Court is that governments do not want markets controlled, businesses have a legitimate need to protect business relationships by restricting the territory of individual distributors and agents and preventing resale of goods outside the intermediary's territory.

EEC Antitrust Concepts

Antitrust concepts in the EEC are similar to those in the United States. It is not illegal per se to restrict territory in an agreement with an intermediary, but one must be careful. The policy of the law is to prohibit absolute territorial protection in distributorship. As always, however, there are exceptions, including commercial agents, very small suppliers who could not penetrate the market without protection, and suppliers who represent less than five percent of a given market. If the prospective purchasers of the goods have other comparable means of access to similar goods, antitrust laws may not be a problem. It is wise, however, to review the local law and U.S. law on territorial restrictions in connection with entering into any international business relationship.

Exclusive Territory Provisions

Antitrust problems are frequently encountered when a supplier agrees to restrict other agents or distributors from selling in a specified territory, in order to protect the agent or distributor. Problems also arise when the supplier agrees not to import into the territory directly. These are direct export/import restrictions that have been considered illegal in many cases. However, a converse provision, requiring the supplier not to appoint another agent or distributor in the territory, is usually acceptable.

Even an exclusive territory term may be illegal in some jurisdictions, including the EEC, but exemptions are often available where export bans are not also provided in the agreement and where the effect is not to effectively control the market for the goods.

Authority of Agent Distributors

It is important to make the degree of authority of the intermediary completely clear in the agreement. Typically, agents only take orders, subject to home office approval, or at most, the agent has limited authority to accept orders. The distributor, on the other hand, does not represent his supplier, but trades on his own account. Standard theories of Apparent authority apply. If an agent or distributor appears to have authority to consummate a transaction, the principle/supplier will be bound in most instances. Termination of authority must be communicated to the third party customer to prevent further dealings by the agent on behalf of the supplier.

Taxation

The United States has tax treaties with most countries. Generally, income tax is not charged unless the supplier has a permanent establishment in the country. The issue then becomes whether the agent's office constitutes a permanent establishment. Use of a commission agent generally is not considered to constitute a permanent establishment because the commission agent is free to represent others and has limited authority. If an agent has authority to conclude contracts, however, the principal probably has a permanent establishment for tax purposes.

Warranties

Agency and distributorship agreements should always cover what warranties and what disclaimers will be provided to the customer, and what representations may be made by the agent or distributor. The effectiveness of disclaimers will depend on local law, which should be examined.

Best Efforts

Promotional efforts to be undertaken by the intermediary are always a concern in agency and distributorship agreements. Of course, maximizing sales is the goal of both the supplier and the intermediary. Nevertheless, the issue should be covered in the agreement. The supplier/principal may impose specific advertising and promotional requirements or may simply

require "best efforts" of the intermediary. The vagueness of the term "best efforts" sometimes leads to problems, and distributors and agents often prefer limiting the obligation to the intermediary's normal and customary business practices, also a vague term. The agreement should provide for termination if specific goals are not met.

Restraints on Competition

In some countries, commercial agents and distributors cannot represent competitors without the consent of the supplier, while in other jurisdictions, the practice is common. Local law will dictate the outcome of this issue. Also, provisions preventing the agent from competing for a time after termination of the agreement are valid in some jurisdictions but not in others. Local law should be consulted concerning any provision that could be construed as a restraint on competition. Use of such provision is discouraged because they are inherently suspect under the laws of many countries.

Pricing and Compensation

All agreements with intermediaries should address the issues of the price of goods and compensation. Typically, the supplier will set the price of goods to be offered by agents, which will effect the amount of the commission. Distributors almost always set the prices at which they sell the goods that they have purchased from the supplier. Compensation of the distributor lies in the spread between the cost at which the distributor purchases the goods and the price at which they are sold. Pricing and compensation provisions should also affirmatively state that there are no other claims for compensation other than those stated therein. Resale price maintenance is illegal in virtually all major commercial jurisdictions. Suggested resale pricing is tolerated, so long as it is not used as a means of coercing distributors.

IV. TERMINATION OF AGENCIES AND DISTRIBUTORSHIPS

Perhaps the most frequent problem area with agency and distributorship agreements is in termination of the relationship. A variety of problems can arise. Using a degree of common sense initially in setting up the relationship can avoid many of these problems.

Contract Term

Business people tend to view agency and distributorship relationships as long-term. Common sense suggests, however, that an initial short fixed term agreement may be advisable, in order to "test the water". Upon expiration of the initial short term, the agreement will terminate without further liability in most jurisdictions, although indemnity upon termination is required in some jurisdictions. Once the agreement is terminated, the parties are then free to renegotiate or simply renew the agreement.

Many agreements provide that if the agreement is not renewed formally at the end of the contract term, it is tacitly renewed for the length of the original term, unless either party terminates by notice to the other party. Where an agreement has been renewed, it is considered in some countries to have an indefinite term, which invokes protective legislation that may not have been anticipated by the parties. Even in the United States, laws prohibit an arbitrary or bad faith failure to renew such agreements (particularly in franchising). It is advisable to use a fixed term contract, and if a re-negotiation provision is necessary, be certain to document the re-negotiation of the contract.

Options to Terminate

A mutual right to terminate an intermediary agreement with or without cause often makes business sense, when the parties have had no prior dealings. Giving one party a unilateral right to terminate, however, often has unexpected consequences. In some countries, giving one party the right to terminate at any time without cause renders the contract illusory and therefore unenforceable. For instance, if an agency agreement includes post-termination non-competition provisions that are otherwise enforceable against the agent, they could be rendered unenforceable by the inclusion of a unilateral right on the part of the principal to terminate the agreement without cause. Further, termination without cause may be permissible under the agreement, but it may also invoke statutory indemnification requirements.

The right to terminate for cause may be built into the agreement, but local law should always be consulted before terminating an agency or distributorship, because local law often defines the permissible causes of termination. One reason for which a distributor may not be terminated is failure to maintain prices at levels established by the supplier. Such termination can result in liability of the supplier under antitrust laws.

Where an agency or distributorship agreement is wrongfully terminated, the remedy is for breach of contract, and one element of damages is the loss of the goodwill of the business. Other penalties may exist, such as a rule that the supplier may not import into the country while a claim for indemnification is pending.

The main point to remember with respect to termination is that in the United States, our basic freedom to contract leaves most issues relating to agencies and distributorship in the hands of the parties. This is not the case in many countries. One should always consult local law and conform to its requirements.

V. JOINT VENTURES

In the domestic context, "joint venture" usually means an association of businesses or individuals for the purpose of handling a specific business venture, which may be a single, short-term venture. The term "joint venture" in the context of international business usually connotes a

more substantial, longer-term relationship. Joint ventures are often formed for purposes beyond the international sales of goods, such as the exploration and development of minerals or the development and construction of energy generation or manufacturing facilities.

A joint venture usually has independent legal existence under the laws of the jurisdictions where the joint venture engages in business. Joint ventures frequently are corporations, the stockholders of which are individuals or business corporations of two or more countries. On the other hand, a joint venture may be an informal association of individuals or businesses who simply combine resources to jointly engage in business for a shared profit, with or without a written agreement. The term "joint venture" is very flexible.

Regulation of Joint Ventures

In the United States, joint ventures are governed by the laws of partnership, although this is not the case in all countries. Local laws, particularly in developing countries, often require a specific level of participation in management by local nationals and mandate local majority ownership. Such laws are a response to the perceived threat of foreign investment. Very recently, laws have been passed in Russia which govern foreign investment in joint ventures for energy production. These laws firmly limit foreign investment to a minority of equity and maintain local control of management of such ventures, while mandating the contribution of technology by the foreign investor. Access to technology is frequently a key to the joint venture relationship.

Local Corporate Law

The concepts of control through ownership and majority rule are so basic to our system that it can be difficult to imagine that they are not universal. However, mechanisms exist in our own legal system that allow for minority control, and such provisions may be even more prevalent under the local law of other countries. Careful study of local corporate law may reveal opportunities to maximize protection of your interests. Management contracts and election of directors by various classes of stock may be effective means of minimizing the effect of restrictive local laws.

Conflict Resolution

Careful planning prior to entry into a joint venture can go far to eliminate conflicts between the parties. However, long-term relationships rarely escape conflict and it is essential to build into the joint venture agreement a conflict resolution mechanism. An enforceable arbitration or mediation provision in the joint venture agreement may be preferable to reliance upon local courts for dispute resolution. Conflict of law rules should be examined in advance to determine the enforceability of provisions relating to conflict resolution and the choice of the forums that could decide any issues that may arise under the joint venture agreement.

Joint Venture with Competitors

Antitrust concepts arise again in the context of joint venture agreements. Where competitors join together in a joint venture, particularly when they are dominant in the industry, care must be taken to avoid price-fixing or sharing of duties or information that could result in a perceived reduction in competition between the competitors. Discussions of pricing, cost allocation, market division and similar matters must be avoided. Also, care should be taken to limit the scope of the venture to avoid the appearance of a merger between the participants.

Terms of Joint Venture Agreements

It would be impractical to attempt to discuss all of the terms that can be included in joint venture agreements, due to the great variety of businesses and business formats that are represented by joint venture. Numerous checklists of terms, issues and considerations relating to joint venture agreements are available. The main point to remember is that joint venture agreements should be well thought out in advance from a business perspective and should be carefully examined in light of local law, in order to create an effective legal and business entity.

A final word concerning joint ventures: Know your joint venture partner well before entering into a contract that results in a long-term relationship. Be certain that your business principles and goals are in agreement and that you are able to deal with your partner comfortably on a day to day basis.

IMPROVING FOREIGN DISTRIBUTOR PERFORMANCE

The following guidelines point out ways and means of increasing sales and profits in highly competitive foreign markets. A firm must be flexible in using these techniques, since situations vary depending upon the nature of the product line, the personality of the distributor, and other special market factors. Close coordination between manufacturer and distributor is, of course, essential, and the company representative is the person in this relationship, helping the distributor to overcome obstacles and acting as an indispensable communications link.

CONTROLS and COMMUNICATIONS

1. See to it that headquarters executives, regional representatives, and marketing experts visit the distributor often.
2. Secure monthly and quarterly reports on: sales, inventory, after-sales services, storage facilities, competition activity, new product and technological developments, and distribution patterns.
3. Maintain regular, sympathetic, and clear correspondence.
4. Bring distributors occasionally to the U.S., to foreign plants and to major regional offices.

CREATING DISTRIBUTOR LOYALTY

5. Develop the distributor's identification with your company and make him proud to be your representative by communicating the importance of the distributor to corporate goals, taking him into your confidence on future plans, asking for his ideas for improving your business, improving your company's image locally and regionally.
6. Hold regional distributor conferences.
7. Send giveaways and free samples to distributors, bearing your company's name.
8. Reward good performance with cash prizes, trips abroad, achievement certificates or plaques.
9. Publicize successful distributors in advertising and in-house newsletters.
10. Cover costs of his club and society memberships.
11. Provide training and training materials.
12. Reward a successful distributor with an exclusive contract.

FINANCE and CREDIT

13. Offer credit terms that are competitive or better, both in length and method of payment.
14. Give better credit terms to new distributors or to those in highly competitive markets.
15. Offer incentive prices for expanded sales.
16. Assist in overcoming exchange difficulties.
17. Assist in securing local financing.
18. Share advertising and promotion costs.
19. Ship semi-manufactured goods for local finishing to get lower tariffs and greater margins for the distributor.

INCREASING the MARKET

20. Provide training programs to develop distributor skills in product management, market research, and general business.
21. Develop advertising campaigns in local media (newspapers, magazines, cinemas, radio, out door); in international media (mainly magazines), and by providing local advertising materials.
22. Develop promotion through clear and impressive export catalogs (preferably in the local language), plenty of samples for customers, contributions to local charities, participation in local trade fairs, close identification of your firm with local country aspirations (where possible), direct mail campaigns, sponsorship of local sports and cultural events, documentary films and slides for school, clubs, and customers.
23. Upgrade after-sales servicing to ensure customer satisfaction, generate reorder sales, and build the distributor's service income.
24. Provide necessary service and technical manuals in the local language.
25. Cooperate in market surveys to spot sales trends.
26. Warehouse at strategic spot around the globe to assure prompt filling of orders.
27. Maintain regional technical centers to support effective after-sales servicing by the distributors.

EVALUATING DISTRIBUTOR PERFORMANCE

28. Compare ratios of your sales with competitor sales.
29. Match sales against past performance.
30. Check against market-survey targets.
31. Watch inventory turnover ratios.
32. Compare notes with retailers on your distributor's sales efforts.
33. Check local media for effectiveness of advertising (and to see that ads are really being placed).
34. Compare short-term and long-term effectiveness of distributor's activities.

DIRECT PRESSURE METHODS

35. If dissatisfied with distributor's performance, tell him so in person, not by letter.
36. Tie credit and terms to distributor performance.
37. Set deadlines for selling a fixed amount.
38. Threaten (nicely) to give new products or all products to competing distributor.
39. Switch from an exclusive to a nonexclusive contract -- if possible.
40. Suspend shipments to the distributor.

A GOOD COMMISSION PLAN INCLUDES THESE 4 ELEMENTS

1. A rate that is high enough to ensure the rep will make a profit and, at the same time, is practical for the manufacturer.
2. The rate should be competitive with the other lines the rep carries. Large disparities are the fastest way to minor-line treatment.
3. Flexibility. Fixed rates must be set, but must remain flexible to handle special situations, larger quantity purchase, for example.
4. Rates should be high enough to encourage the rep to invest in local promotion of the product.

THESE ARE THE MAINSTAY OF A GOOD SYSTEM

FIRING DISTRIBUTORS

A frequent temptation for corporate marketing executives, particularly those just back from a trip abroad, is to rearrange their foreign DISTRIBUTORSHIPS. One firm should be let go, another hired, and so on. The itch to change is easily inflamed by disagreement on strategy, disappointment in results, or by meeting someone who might do better as a distributor.

But changing distributors can be costly, both in immediate expenses (training, set-up cost, legal difficulties, etc.) and loss of momentum in the market as the new distributor takes over. To avoid hasty decisions, one manufacturer has launched a procedure for executives recommending a distributor change. The executive must fill out forms that detail not only what was wrong with the old and right with the new distributor, but give enough information about the territory involved for a headquarters vice president to make a decision. Since introducing the procedure the company has found that many ideas for changing distributors are now abandoned halfway through filling out the forms; it considers this a sign that executives are carefully thinking out the implications of their proposals.

Significantly, the questionnaires require the advocate to deal in specific facts. The form for cancellation buries its "reasons for recommendation" question toward the end of a series of questions that bring out any positive points against a change and hint at the difficulties involved in a cancellation.

The forms are normally filled out by the field sales manager for the region. The principle points covered:

1. Products handled, for how long, and degree of involvement (sales, service, assembly, licensee, etc.).
2. Products recommended canceled.
3. Sales, by product, over past three years.
4. Orders in progress.
5. Credit experience, including amount now owed, amount past due, speed of payment, any credit difficulties.
6. Reasons for recommendation to cancel.
7. Documented record of efforts to advise distributor that his performance is unsatisfactory.
8. Who will personally inform distributor of cancellation?
9. Contractual terms for cancellation.
10. Recommendation, if any, for a new distributor.

COMMON COMPLAINTS ABOUT U.S. EXPORTERS

- U.S. FIRMS DON=T FAMILIARIZE THEMSELVES WITH THE MARKET
- GIVE LESS ATTENTION TO FOREIGN ABIZ≅
- IGNORE FOREIGN INQUIRIES
- DELIVERY DATES NOT RELIABLE
- PROMISES ARE NOT HONORED
- PRICE QUOTES ARE F.O.B.
- NO FOREIGN LANGUAGE LITERATURE
- DOMESTIC CUSTOMER ARE OFFERED BETTER TERMS