

## Distributor Agreements and Agency Agreements

A distributor is someone who buys goods and then sells them on to other people or businesses. The key point is that they purchase the goods themselves, so they take the risk of being able to sell them to others.

An agent is someone who will market your business, or offer your goods for sale, but he will not buy the goods himself. The contracts that he makes will be fulfilled by you.

Which should you choose? There are reasons for both.

A distributor will need to buy at a keen price, as he has to ensure a margin for his own on-sale. An agent will just be receiving a commission, so there is more profit in the sale for you.

A distributor will be taking the risks associated with purchasing, and will be responsible for his own marketing efforts to sell the goods once purchased from you. A good distributor will have access to markets that you may not be able to reach direct.

A distributor may purchase a substantial stock of your items, but if he does not sell them, your product will not be seen on the market. This could affect your standing, or the perception of your business.

An agent is entitled to certain rights when you terminate his agency. Distributors do not have these rights.

It is important that, whichever you choose, you have the terms properly recorded.

Are there minimum purchase orders so that you can terminate if someone does not deliver on their promises? Can they sell competing products? What prices have been agreed? Do you have to give them precedence over your other customers?

We can help you understand the regulations affecting the use of agents, and decide between appointing a distributor or an agent. We can prepare the terms of agreement for you, so that you are properly protected.