

# The **ENTREPRENEUR'S** Guidebook Series™

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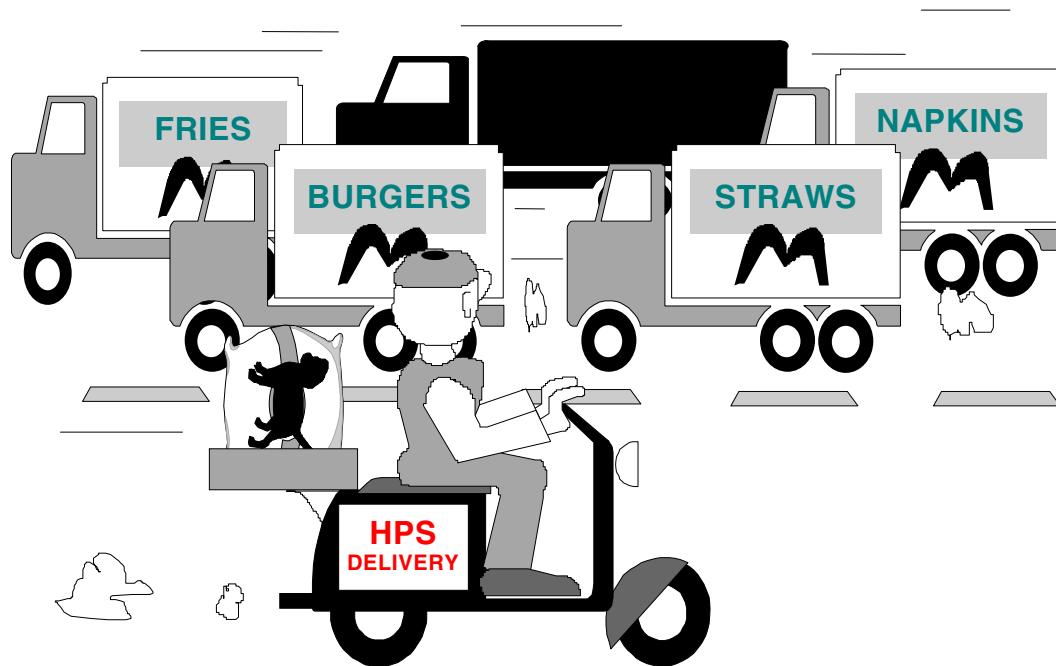
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# PERSONAL PLANNING

## Guidebook #71:

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## ***OPENING DISTRIBUTION CHANNELS***

**HAVING** access to good distribution is fundamental to good marketing. Business operators need to be able to deliver their products and services to the right people, at the right time, in the right quantities, and at the lowest cost.

For the most part, this means understanding the various marketing channels through which merchandise can be moved, and learning how to factor in additional storage and shipping costs.

## ***DISTRIBUTION CHANNELS WITHIN THE ECONOMY***

MANUFACTURING firms, unless they wish to assume the burden of selling their products directly, use external distribution and marketing channels, otherwise known as intermediaries. Intermediaries, which help the producing company get their product to the end consumer, include:

- sales agents
- manufacturer's representatives
- brokers
- distributors

*Distribution systems are the bridgeways to your markets. Without them, you will remain as isolated as an island.*

**POWERPOINT**

- selling agencies
- wholesalers
- retailers
- trading houses among others

Intermediaries are used as go-betweens because the manufacturing company may not be as familiar with the market situation in various areas of the country as they would like to be – and thus could use some direction in their overall marketing effort – and because they don't have the resources themselves to set up their own sales force.

Each of the above distribution channels and others are described in more detail below:

## Brokers, Sales Agents & Manufacturer's Reps

Sales agents, brokers and manufacturer's representatives are individuals who work independently from the companies they represent. Essentially, they cater to smaller enterprises. Their business activity consists of buying and selling on behalf of others, thereby earning commissions or fees for their efforts.

**Brokers** – The broker functions as an intermediary between buyer and seller, bringing together the two parties while representing either side (not both at once, of course!). They find customers for products and negotiate prices. They do not take title to the products they handle, and they usually provide less service than wholesalers.

### Basic Marketing Channels

Manufacturer



C

Manufacturer



O

Retail Outlet



N

Manufacturer



S

Wholesaler



Retail Outlet



U

Manufacturer



M

Agent



E

Wholesaler



Retail Outlet



R

They usually work on a commission basis only.

### **Manufacturer's Representatives –**

Manufacturers who seek distribution in specific geographical areas and who do not have their own sales forces contract with a manufacturer's representative to represent them in a selected area. Manufacturer's representatives, also called manufacturer's agents, field sales representatives or more simply *reps*, receive a commission to sell products in a limited area, e.g., the southern part of the state. They handle only a portion of the total output from the manufacturer and may represent other producers (usually with complementary lines) in the same area.

*Manufacturer's reps are often asked to sell an entire "package" handed over to them by the manufacturing company.*

Manufacturer's reps are often asked to sell an entire "package" handed over to them by the manufacturing company. They have little or no control over the price and terms of sale, which are set by the manufacturer.

Manufacturer's reps (and sales agents) are a mainstay in the U.S. and Canadian marketplace. The best ones are highly qualified and experienced and keep close contact with customers.

**Sales Agents –** Not to be confused with other well-known types of agents such as real estate and life insurance agents, the sales agent functions in a manner almost identical to manufacturer's reps. The two are often difficult to tell apart. However, perhaps the easiest dis-



inction to make between them is to recognize that sales agents represent any type of business, ranging from service businesses to manufacturing & wholesaling firms while manufacturer's reps (as their name implies) represent only manufacturing firms.

### **PROS & CONS of Using Agents, Brokers & Reps**

– The number of sales agents, brokers and manufacturing reps available to North American businesses are staggering. These intermediaries are available to sell almost every imaginable product or service.

Listed below are some of the pros and cons of using their services.

*PROS of Using Agents, Brokers & Reps* – The advantages of using sales agents,

*The number of sales agents, brokers and manufacturing reps available to North American businesses is staggering.*

brokers and manufacturing reps are they:

- can be found and contracted in a short period of time
- can provide valuable market analysis as well as forecast sales and keep you informed about competitors
- can recommend product modifications, based on their market awareness
- can test the markets at no expense to you
- frequently find wider applications for your product
- generate no fixed costs (you pay them only when you get orders)
- know their customers well and call on them regularly

- know their territories
- often handle training, installation, warranties and service for you
- represent you aggressively in the marketplace
- can be difficult to train and monitor; managing or supervising their actions is complex
- require a lot of support (you have to

and

- if they have complementary lines, the strength of their offerings may be greater than yours alone
- you, as a new and unknown firm, can benefit from their reputation with their customers

*CONS of Using Agents, Brokers & Reps* – The disadvantages of using sales agents, brokers and manufacturing reps are they:

## Distribution Channels for a Small Manufacturing Firm

WITHOUT A SALES force of its own, a small manufacturing firm will likely resort to consigning its output to an agent or sales rep for the purposes of securing distribution. The agent, in turn, might call on various local wholesalers – or operate on a more expanded scale if the output is large – to interest them in taking on a new line of products. As alternatives, the manufacturer may decide to deal directly with one large distributor that maintains a sizable sales force, or opt instead to sell directly to a number of large retail outlets in the area.

provide them with lots of promotional tools like brochures, samples and POP displays)

- tend to emphasize the things that are easy to sell, which may not be in line with your marketing objective

and

- a large part of your marketing efforts must be devoted to finding, managing and keeping top-quality agents and brokers
- if successful, can become hard to control
- philosophically you need to operate as

*Some people feel that aggressive retail selling has made the traditional salesperson untrustworthy – and hence a dying dinosaur. Businesses are therefore re-vamping their entire sales staff in order to modernize the public perception of the salesperson, now more often called a sales representative or sales associate.*

### **POWERPOINT**

if the selling intermediary is an integral part of your organization (you have to invite them to parties, occasionally wine and dine them, and make them feel needed and important)

- your customers may develop more loyalty to them than to you

Furthermore, you must

- be responsive to their inquiries and keep your promises
- compete constantly for their attention and effort
- treat them fairly and pay them generous commissions (these commissions must be paid promptly)

## Distributors & Selling Agencies

Unlike manufacturer's reps, sales agents and brokers, distributors and selling agencies are granted extensive authority over the details of prices, terms, customer selection and marketing decisions. While a selling agency is often charged with selling a manufacturing plant's *entire* production, thus this type of intermediary often maintains a sizable and effective sales force, distributors are often charged with buying and selling only *part* of a manufacturing plant's production in their specific marketing region. The relationship between the distributors and selling agencies and the manufacturer is a close one.

*This main disadvantage of using a distributor or selling agency is their higher cost or commission, and greater lack of control on your part.*

**NOTE** The pros and cons of using a distributor or selling agency are similar in many respects to those for using agents, brokers and reps, as discussed in the previous section. However, in addition to the services agents, brokers & reps provide, distributors and selling agencies stock orders, invoice and carry receivables, place regional advertising, install equipment, train their own sales staff and provide more extensive after-sales service. This main disadvantage of using a distributor or selling agency is their higher cost or commission, and greater lack of control on your part.

## Wholesalers

Wholesalers are companies that sell primarily to retailers and to other wholesalers

or industrial users. They do not usually sell goods to the end consumer. There are fewer than 400,000 wholesale establishments in the United States. More than two-thirds of these firms are merchant wholesalers.

Various types of wholesaling firms are explained in greater detail below:

### **Cash-and Carry Wholesalers –**

Often a chain operation, this kind of distributor sets up outlets at convenient locations where local retailers come in and purchase needed merchandise with cash, and take the goods out with them. Common examples are those selling bottled/canned beverages and grocery items.

*There are fewer than 400,000 wholesale establishments in the United States. More than two-thirds of these firms are merchant wholesalers.*

### **Drop-shippers & Desk Jobbers –**

Found most frequently in the coal, lumber, and metals industries, this type of wholesale firm usually purveys raw materials or

bulky products of a low-unit price to industrial users; though it's not limited to such products or markets.

This type of intermediary doesn't take physical possession of the merchandise at any point, or put it in a warehouse, but rather arranges for the producer to ship the goods directly to the customer. The company (sometimes a one-person operation, commonly called a desk jobber) is billed directly by the producer, and in turn, sends an invoice to the customer for payment. The customer must be billed at a price high enough to incorporate a margin of profit for the wholesaler.

## General Merchandise Wholesalers –

General merchandise wholesalers sell a variety of different lines of goods much like a general store. This type of firm usually provides “general merchandise” to larger and department sized retailers.

**Mail Order Wholesalers** – This type of company offers retailers merchandise for resale, characteristically through the medium of printed catalogs issued periodically.

**TIP** To get a mail order wholesaler interested in carrying your product:

- package your products individually in self-mailer containers, ready for the companies address labels
- offer to pay the full freight on all orders of 100 lbs. or more as well as

*General merchandise wholesalers sell a variety of different lines of goods much like a general store.*

immediate delivery

- offer them exclusive protection on space advertising (no one else will advertise the particular product)
- give quantity discounts
  - explain to them that they may order samples at your cost price, but should include payment to save you the trouble of invoicing the small amount
  - include a postage paid envelope for their convenience
  - most importantly sell them your product at 55% off the regular suggested price

**Merchant Wholesalers** – Merchant wholesalers are companies that purchase

goods in large quantities, warehouse them, and then break these quantities down into smaller shipments for distribution to their customers. Merchant wholesalers sell merchandise to retail firms for resale to consumers. Some sell to industry, commerce and government markets.

Most merchants wholesalers are termed *full-service* or *full-function wholesalers* because they perform all the necessary functions of wholesalers in the marketing channel: buying, selling, storage, distribution, extending credit, providing sales information and assistance and so forth.

Some, on the other hand, are known as *limited-service* or *limited*

*function wholesalers* because they don't perform all of the services that are ex-

## Locating Manufacturer's Reps, Sales Agents & Distributors

USING SALES AGENTS, brokers and manufacturer's representatives is the fastest and most economical source of national distribution. To compile a list of these intermediaries, write to trade magazines specializing in the field your product fits. In addition, trade and commercial directories with information about foreign importers, trading houses, distributors, agents, wholesalers, retailers, and buyers are available at most major libraries.

Also, contact the organizations listed on the next two pages, which can help you locate manufacturer's representatives, sales agents and other kinds of distributors.

pected. For instance, some do not extend credit to their customers but require cash on delivery. Others will not store the merchandise.

**Rack Jobbers** – This is the name given to wholesalers who are involved in distributing a specialized line (such as, soft-cover books and magazines, toys health and beauty aide, novelties, household items, and the like) through supermarkets and other high-traffic outlets. The goods are sold with the aid of many types of display racks, which are frequently placed on consignment within a store. It's the rack jobber's responsibility to keep the racks well stocked and fresh-looking.

**Single-line Wholesalers** – This is a firm equipped to supply its retail clients with a complete, in-depth stock in one particular

## Useful Addresses

### *Canadian & American Consulates*

Keep ongoing files on most manufacturers' representatives operating in their market territories.

### *The Manufacturers' Agents National Association (MANA)*

23016 Mill Creek Road  
P.O. Box 3467  
Laguna Hills, CA 92654  
(714) 859-4040

A major U.S. association of manufacturers' reps that fosters the manufacturer-agent relationship through a variety of services and activities.

### *Society of Manufacturers' Representatives Inc.*

30555 Southfield Road, Suite 255  
Southfield, Michigan 48075  
(313) 646-3331

### *Manufacturers' Representatives of America*

P.O. Box 150299  
Arlington, Texas 76015  
(817) 465-5511



line of goods, such as groceries, hardware, etc.

**Specialty Wholesalers** – These companies typically handle a small number of products within a particular merchandise line.

**Truck Jobbers** – Commonly encountered in the grocery trade, this type of distributor services retail outlets directly from a truck with fast-moving products and perishable goods. In addition to fresh fruits and vegetables, truck jobbers handle dairy products, cookies, frozen foods, and similar items.

## Retailers

Like wholesalers, retailers are intermediaries in the marketing channels who forward goods from the nation's producers through to the final consumers. The retailing indus-

try itself is a vital sector of the economy and employs more than 15 million people in approximately 1.9 million retail estab-

## More Useful Addresses

*National Association of Wholesalers-Distributors*  
1725 K Street Northwest  
Washington, D.C. 20005  
(202) 872-0855

*American Marketing Association*  
222 Riverside Plaza South  
Chicago, Illinois 60606  
(312) 648-0536

*Direct Mail Marketing Association*  
6 East 43rd Street  
New York, NY 10017  
(212) 689-4977

*National Mail Order Association*  
5818 Venice Boulevard  
Los Angeles, CA 90019  
(213) 934-7986

ishments in the U.S. (there are over 250,000 retailers in Canada). In 1981, total annual retail sales in the U.S. began to surpass \$1 trillion up from \$235 billion in 1967.

**NOTE** Retail outlets can be approached directly, especially chain outlets, or through their wholesalers and selling agents.

## Trading Houses

Trading houses specialize in exporting, importing, and trading goods and services produced by others. They provide a wide range of specialized services to businesses that wish to export (for a fee or commission of course).

Exporters can work out arrangements customized to their particular needs, from

having the trading house manage all export activities to using the trading house solely to identify customers or advise on exporting activities.

Some of the services trading houses may provide, include:

*Trading houses specialize in exporting, importing, and trading goods and services produced by others.*

- buy and sell products on their own account, taking full title and marketing worldwide
- coordinate after-sales service
- evaluate, recommend and appoint agents, representatives, or distributors
- identify and select the best market
- identify, evaluate, and select qualified buyers
- make financial arrangements

- negotiate prices
- negotiate the commercial contract, including obligations of the buyer and seller, terms of payment, and shipping arrangements
- organize promotional support
- prepare required export documents
- research product and packaging specifications

**NOTE** To find a trading house, in Canada, contact the Council of Canadian Trading Houses (CCTH). Describe your product and your intentions in the foreign market. The council will give this information to trading houses, and interested companies will contact you. A comprehensive listing of

*One of the most powerful ways of adding value in the nineties and beyond is understanding the in to-day's society, wealth is created by distribution.*

**ANTHONY ROBBINS**

over 600 Canadian Trading Houses is available from the Service Industries Branch of the Department of Regional Industrial Expansion.

### *The Council of Canadian Trading Houses*

Suite 250, 99 Bank Street  
Ottawa, Ontario K1P 6B9  
(613) 238-8888

### **Postal Agencies & UPS**

If you need to use the postal service on a regular basis, or if they are an integral part of your distribution system, then you need to

know the various postage rates for parcels and bulk mail. You also need to become more familiar with how post office machinery works in order to increase the efficiency of your shipping times (learn how to

avoid having your mail end up being sorted by hand and thus delayed).

**NOTE** Visit your post office and request information on first, second, third, bulk, fourth class mail.

**Things You Need** – You need to know Canadian, American and International postal weights (buy a postage scale to save making trips to the post office).

**Envelope Sizes and Their Uses** – Size #10 envelopes are the most frequently used envelope for business correspondence.

**For More Information** –

### *BULK POSTAL RATES*

Product Information Officer  
Canada Post Corporation

1300, 10020 - 101 A Ave  
Edmonton, Alberta T5J 4J4  
403-495-2227

*UPS* – <http://www.ups.com>

*Become more familiar with how post office machinery works in order to increase the efficiency of your shipping times.*

## Other Channels of Distribution

The following channels of distribution can also be used to supplement your regular channels of distribution. Most are targeted towards business owners who wish to export.

**Confirming Houses** – Confirming houses act as agents for foreign buyers. They locate and purchase goods produced by domestic manufacturers to ship back to foreign markets.

**Export Merchants** – Export merchants negotiate the sale of goods or services produced by other companies in return for a commission.

**Foreign Importers or Wholesalers** –

Foreign importers or wholesalers buy your products outright, then sell them in specific market regions or to a retail chain.

**Foreign Market Resident Buyers** – Foreign market resident buyers buy products on behalf of their company located in a foreign country.

**Foreign Sales Agents & Manufacturer's Representatives** – Procure sales agreements with customers on your behalf. Generally, the agent or rep obtains the or-

der, and the manufacturer invoices the customer directly, paying the agent or rep a commission.

**Licensing Agreements** – Licensing agreements can be considered a form of distribution. Here the manufacturer sells the technology needed to produce his or her product to a company, which then manufactures the product.

*Foreign sales agents & manufacturer's representatives can procure sales agreements with customers on your behalf.*



## CHOOSING THE RIGHT DISTRIBUTOR

WHEN DECIDING whether to use agents, wholesalers, brokers or retailers to distribute your product, you will need to consider the following six factors as summarized in the “Choosing the Right Distributor” chart on page 24:

- Number & Types of Customers
- Concentration of Market
- Price of Product
- Complexity of Product
- Financial Resources
- Need for Control

**1. Number & Types of Customers** – If you are a manufacturing company and

*Distribution is all about getting products to where they are wanted; when they are wanted.*  
**POWERPOINT**

deal with a few large customers, you may decide to sell directly to customers by using your own salespeople, or by contracting the services of a distributor or selling agency. In general, the more diversified your customer base, the more you will need to use the services of wholesalers and retailers.

**NOTE** To use the chart on page 24, circle the best descriptive adjective for each of the six factors.

**2. Concentration of Market** – Using your own distribution system is possible if your customers are concentrated in a few areas. However, if customers are scattered, it is usually more economical to use the services of a distributor.

- 3. Price of Product** – The less expensive your product, the more likely you will need to use a distributor, wholesaler and/or retailer. Cheaper items are often sold in bulk to intermediaries or wholesalers who then distribute them in smaller numbers to retailers. Expensive, technological products, such as computers or industrial equipment are usually sold directly by the manufacturer or through a specialized agent.
- Highly technical items are usually sold directly by the manufacturer.*
- 4. Complexity of Product** – Highly technical items are usually sold directly by the manufacturer. The producer's sales force usually can offer better pre-sale information, as well as, post-sale service, which most wholesalers would not be able to provide.
- 5. Financial Resources** – Many new manufacturers cannot afford to establish a distribution system, grant credit or provide warehousing for products. It is usually more practical and economical for new manufacturers to rely on experienced distributors who have numerous contacts.
- 6. Need for Control** – Some manufacturers want to maintain tight control over their product by handling distribution even though their overhead costs will be higher. They feel they can thus maintain a consistent price, provide better service and maintain high performance standards. Most consumer products such as food, clothing or furniture are not sold directly by the producer because the control over quality

of service and price maintenance is less important.

## Other Factors to Consider

Not factored into the chart on page 24, but of critical importance when making a decision regarding which distribution method to use are the following seven factors:

- Cost of Distribution Method vs. Service Provided
- Distributor Success Rate
- Insurance Needs
- Storage & Warehousing Costs
- Target Market Penetration of the Distributor
- Transportation & Shipping Costs

*Using intermediaries necessitates building a cost structure to compensate each of the channel members.*

- Unique Characteristics of Any Products You Plan to Sell

1. **Cost of Distribution Method vs. Services Provided** – Using intermediaries necessitates building a cost structure to compensate each of the channel members for the part it plays in the total distribution process. Intermediaries don't work free. When choosing a distribution method you also need to factor in the value added services that the intermediary provides. If experience shows you that your distributor is unreliable or inconsistent in the quality of service offered, it's time to revise your distribution policies.



## Choosing the Right Distributor

Select the Distributor Who Best Matches Your Situation and Needs

	<b>Sell Directly Yourself</b>	<b>Use an Agent or Broker</b>	<b>Use a Wholesaler</b>	<b>Use a Retailer</b>
Number & Types of Customers	Few	Specialized	Hundreds	Diversified
Concentration of Market	Concentrated	Concentrated	Scattered	Scattered
Price of Product	Expensive	Less Exp.	Inexpensive	Inexpensive
Complexity of Product	Highly Technical	Less Technical	Simple	Simple
Financial Resources	Extensive	Adequate	Limited	Adequate
Need for Control	High	High	Low	Low

**NOTE** Different agents, brokers, wholesalers, and retailers offer different levels of service and cost. For example, some may do everything for you, from packaging to delivery, and will assume responsibilities for the entire marketing process while others will provide only a few services.

## 2. Distributor Success Rate –

Manufacturers trained in creating products usually have less success at distributing their products than intermediaries trained in marketing products.

**3. Insurance Needs –** While in transit, goods will be subject to many risks, from exposure to the elements, accidents, and damage to outright theft. This demands that you

get sufficient coverage to cover the value of your goods while you are liable.

*The use of agents, brokers and reps as intermediaries are usually a must for small manufacturing businesses starting out because of their limited ability to advertise heavily.*

**SUPERTIP**

Insurance rates will vary with the mode you choose to distribute and transport your goods. A good insurance broker, besides helping you pick the insurance you need at a price you can afford, can also help you identify deficiencies in packaging and even production which can save you money in the long run.

## 4. Storage & Warehousing

**Costs –** If you need to store your goods while in transport, contact the following associations for lists of warehouse facilities throughout the U.S.:

*American Warehousemen's Association*

1165 N. Clark Street, Suite 613  
Chicago, Illinois 60610  
(312) 787-3377

*International Association of Refrigerated Warehouses*

7315 Wisconsin Avenue  
Silver Spring, Maryland 21901  
(301) 652-5674

- 5. Target Market Penetration of the Distributor** – As a manufacturer based in New Jersey you may not have a clue how to reach your target market in Pasadena. Therefore you may decide to choose a distributor who has the resources to access and distribute your product to all parts of your target market.

*Transportation and shipping costs can range from a mere fraction or an item's selling price to as much as 40 percent or more, as in the case of transporting exotic pets from distant regions.*

**NOTE** Typically the market penetration of a manufacturer is *inadequate*, an agent or broker *adequate*, and both a wholesaler and retailer *good*.

- 6. Transportation & Shipping Costs** – Transportation and shipping costs can range from a mere fraction or an item's selling price – as is the case of transporting grain, coal, gravel and other bulky commodities – to as much as 40 percent or more, as in the case of transporting exotic pets from distant regions. Consequently, transportation management must focus on two major objectives:
- Minimizing the costs and effort involved in physically moving a product to

customers whether by land, air or water.

- Ensuring speedy, reliable delivery. To help keep your transportation costs reasonable:
- have the customer negotiate shipment in cases where he or she has more leverage with the shipper
- ship in pieces and assemble in the market (for export items)
- use intermodal shipping (combining 2 or more modes)
- investigate interlining (e.g., switching from U.S. to Canadian carriers once crossing the border)
- use freight forwarders or customs brokers as middlemen

*To help keep your export transportation costs reasonable, ship in pieces and assemble in the market.*

## Transportation Alternatives

*AirFreight* – The most costly method of transporting merchandise, airfreight is used when speed of delivery and higher levels of service are important. It is used for highly perishable goods (exotic plants, seafood, and the like) and items of a high unit value, such as diamonds, jewelry, expensive drugs and rare paintings.

Airfreight is growing as a transportation option, both through regularly scheduled carriers and private charters. This is due to the fact that many manufacturers are now using the “just in time” approach to assembly, and air cargo efficiencies have increased over the years in lieu of increasing aircraft size and improved handling procedures.

**NOTE** Many manufacturers and exporters combine air with surface transport, to allow for the greatest profit margin while at the same time meeting their delivery deadlines.

*Pipelines* – This method of transportation is generally confined to the movement of petroleum products, and increasingly fresh water supplies.

*Rail* – The railroads offer regular service to distant areas and are especially valuable in transporting machinery, heavy equipment, cattle and livestock, commodities, raw materials, semi-processed goods and anything in volume. You also have the flexibility of diverting shipments, and redirecting them to other destinations. Like

*Many manufacturers and exporters combine air with surface transport, to allow for the greatest profit margin while at the same time meeting their delivery deadlines.*

a grain shipment etc. in case of a strike.

**NOTE** The climate of deregulation between the U.S. and Canada has produced vastly improved choices in rail transportation between these two countries. There is now greater selection in scheduling, equipment, insurance liability, terms of contracts and prices. In fact, bargains can be found through rate competition among U.S. and Canadian railways; e.g., if you originate with Canadian railways, when your goods arrive at the U.S. border, you can either stay with your carrier or switch to U.S. railways.

*Shipping* – Moving material by barges and ships along the nations inland waterways is a low-cost method of trans-

portation. Ocean transport of course is significant to the import and export trades.

*Trucking* – Trucking is the shipping method most favored by small business (and often by large enterprises as well). Trucks offer faster and more frequent delivery to more destinations in the country than any other mode. They're particularly useful for short-distance shipments.

More good reasons why trucking is the transportation system of choice are that it:

- caters to shippers both small and large
- has equipment that can accommodate special needs, such as frozen goods
- offers competitive rates which may

include unloading goods at the warehouse

- offers door to door deliveries
- responds well to shipping challenges

### Using Freight Forwarders & Customs Brokers

Freight forwarders & customs brokers are professionals who can help you save money on your transportation costs. Freight forwarders lease cargo space in all types of carriers. By mixing shipments from many producers, they obtain cheaper transportation rates than you can

get on your own. Customs brokers work on behalf of importers for clearance of goods through customs; they specialize in export and import documentation and will post any bonds required.

*Freight forwarders & customs brokers are professionals who can help you save money on your transportation costs.*

If for example you are exporting goods to Canada, Canadian customs brokers can help you with the Canadian documentation while if you are exporting goods to the U.S., U.S. customs brokers can help you with the required U.S. documentation.

Many customs brokers also work as freight forwarders as well, and have a dual role as specialists in both exporting and importing.

Some of the many services freight forwarders provide include:

- arrange appropriate carriers for transportation of goods
- arrange insurance coverage
- arrange with the shipper for packing and marking of goods
- attend to customs clearance

*Forwarders generally charge a percentage of the value of the freight for their services.*

- book freight space
- consolidate shipments from different suppliers, with resultant savings to individual suppliers
- prepare banking and collection papers
- prepare shipping documents
- provide cost breakdown, enabling exporters to quote FAS, C&F, or CIF price terms

Forwarders generally charge a percentage of the value of the freight for their services. As a small firm starting out you may find it more economical to use their services.

As time goes on and you volume of shipments increases, you may gradually take control of the distribution process yourself or use a larger whole-

salers/distributor, who can make all the necessary arrangements for you.

To locate freight forwarders and customs brokers consult your yellow pages. You can also consult McGoldrick's *Canadian Customs and Excise Tariff* which lists international freight forwarders and U.S. customs brokers and available in most major libraries. You can also contact:

*Canadian International Freight Forwarders Association, Inc.*

P.O. Box 787, Station A  
Toronto, Ontario M5W 1G3  
(416) 252-7321

This association represents over 100 Canadian-based international freight forwarders and provides expertise to exporters on all aspects of transportation, export pack-

*The Canadian International Freight Forwarders Association represents over 100 Canadian-based international freight forwarders.*

aging, insurance, and documentation.

*American Export Register*

Thomas International Publishing Company  
1 Penn Plaza, 250 W 34 Street  
New York, NY 10119  
(212) 695-0500

Lists brokers and freight forwarders

**7. Unique Characteristics of Any Products You Plan to Sell** – The choice of distribution for a given product may also be determined by several of the factors listed below:

*Bulk* – A product requiring large display space, or one that is heavy, may restrict transportation options as well as display opportunities.

*Buying Requirements* – If the item must be



tried on to determine fit or if it must be demonstrated before the sale can be made, the place element and distribution method is more restrictive than that for a product that requires no package opening at the time of purchase.

*Displayability* – Package design that prevents stacking on store shelves can severely restrict distribution possibilities as well as customer exposure.

*Distance* – How far the customer is willing to travel to purchase your goods and services can restrict your choices of distribution.

*Frequency of Purchase* – Items purchased once a week usually require more outlets than those purchased once a year. Grocery stores for example, always outnumber

retail furniture outlets.

*Impulse vs. Planned Purchases* – If your products are basically impulse items, they must be displayed in high-traffic areas i.e., your distribution opportunities are limited to retail outlets.

*Perishability* – Refrigeration or frozen storage requirements can severely restrict distribution options and raise operating expenses.

*User Characteristics* – If you need to train customers to use your product, supply instructions, or offer repair services, your distribution options will be restricted.



*Refrigeration or frozen storage requirements can severely restrict place options and raise operating expenses.*

## SELLING DIRECT

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SELLING DIRECT means taking control of as much of the distribution process as you can in the hopes of running a more efficient operation than you could using intermediaries.

More specifically, it means taking more control over your sales force, sales cost, advertising and the final price of your product, and in the end, more profits for you and lower prices for the consumer. However, selling direct can significantly increase your start-up capital requirements and planning efforts (it's like adding an entire new business to an existing one).

*Selling direct can significantly increase your start-up capital requirements and planning efforts.*



One way to sell direct is to set up various sales branches and offices throughout your area or even the country. At these premises, potential buyers can examine your product line and place orders. Other ways of selling direct include opening your own mail order or retail branch.