



## **Selling the Value of a Trade Agreement**

Trade agreements come in many forms, but in sales and marketing the most common forms of trade agreements would be as follows.

- An exclusive agreement to allow your products or services to be distributed through a select channel.
- A new market development agreement
- Franchise or licensing agreements.

In sales and marketing you must first be involved in selling the concept of a trading agreement, which is in essence a written set of rules which each party will behave accordingly to the partners and your own organisation, then once having got the agreement you need to market the benefits on a continuous basis to the clients, customers, and their sales staff, during the period of the agreement.

A distribution agreement through a specific channel would be an ideal situation for a supplier who wants to have their products made available to customers via a particular distribution channel, eg. McDonalds burgers are only available through McDonalds burger outlets. Another example would be Coca Cola products are available through many types of outlet, but only through Coca Cola vending approved, or vending machines, or refrigerators, or controlled presentation distribution equipment.

In selecting your distribution channel you need to be able to assure yourself that the distribution channel will reach the customers, cost effectively, and have outlets where the customers would expect to buy the product or make enquiries about the service.

A distribution agreement is more than just margins, profit sharing, and pricing, it is about quality, customer service, marketing support, sales aids, what happens in the event of a dispute, and is more focused on the support that will be given to the distribution channel to help them sell more of the product which ultimately helps the supplier of the product or the service.

A new market development agreement is a very good marketing tool whereby you give a number of distribution channels or suppliers specific support to help them develop the new market and undertake the educational or introduction phase of your product or service to customers. This can be in the form of financial contribution, sales aids, marketing support, trade shows, promotional activities, and your own advertising campaign driving people to a select 0800 number or website where they can pick up information about where the nearest distribution channel is.

A new market trading agreement will generally have a limited timeframe, relative to the introduction life cycle for the product or service business, and will have specific performance requirements to be achieved within a timeframe. A new market agreement is an ideal way to work with a new supplier or distributor in the marketplace that is not known to you and you have no relationship, as well as a good clear set of guidelines for introducing who's going to be working with whom.

The franchise or licence trading agreement generally sets down in very specific terms what party will contribute to their sales and marketing focus for the time period. In the case of a franchise agreement there is a very specific difference between the franchisor, who owns the rights to the concept, and the franchisee, who agrees to pay a royalty fee and generally an upfront payment for the use of the concept. Many organisations now are creating licence agreements rather than franchise agreements, as licence agreements are less likely for dispute and also less difficult to unwind if things go wrong. The essence of a franchise or licence agreement is essentially you have an agreed set of objectives, and each party has to contribute, using their own skills, to the success.

In any form of trading agreement, you need to be aware of the laws of New Zealand, and there are some 24 different laws that affect sales and marketing activities, ranging from the Fair Trading Act, right through to the Copyright Act and Intellectual Properties Act.

It is against the law in New Zealand to set up a trading agreement that is contravening a legal act.

Obviously a competitor or an alternative distribution channel that has missed out on receiving your product or service will feel that any specific trading agreements should be challenged, so your trading agreements need to be kept confidential, and relevant people within your own organisation should be made aware of the cause and effect of any actions that they take on any trading agreements that you have with your customers.

Designed properly, trading agreements establish a good set of rules that the sales team can operate to, the marketing team can help promote, and the customer or distribution channel can feel comfortable that they understand exactly what is expected of them and will then proceed to deliver the revenue and hopefully, a profitable contribution.

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