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**CHANNELS - INDIRECT CHANNEL**

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*Types of  
international  
marketing channels*

# Indirect Channel (Domestic Market Channel Members)

A manufacturer may often not sell directly to the various foreign parties (i.e. foreign distributors, foreign retailers, government department, state controlled trading companies, end users etc.). There are many intermediaries that operate between the foreign buyers and the local manufacturers.

The manufacturer deals with one or more domestic middlemen who, in turn, move or sell the product to foreign middlemen or final users. Although there are many kinds of local sales intermediaries, all of them can be grouped under two broad categories:

- i) Domestic Agents
- ii) Domestic Merchants



The basic difference between the two arises on account of ownership (title) and not the physical possession of the merchandise. Domestic agents never take title to the goods, regardless of whether they take possession of the goods or not. While domestic merchants, on the other hand, own the merchandise, regardless of whether they take possession of the goods or not. Let us discuss them in detail.

# Domestic Agents

Agents can be classified according to the principal whom they represent. Some agent intermediaries represent the buyer; others represent the interest of the manufacturer. Those who work for the manufacturer include export broker; manufacturer's export agents, export management companies and co-operative exports. Agents who look after the interests of the buyer include purchasing agents and country controlled buying agents.

These are discussed below:

**Export Management Companies:** In some countries, there are Export Management Companies (EMC), which manage, under contract, the entire export activities of a manufacturer. When compared with expert agents, the EMC has greater freedom and authority. EMCs provide extensive services to manufacturers ranging from promotion of products overseas to shipping arrangement and documentation. In short, the EMC is responsible for a the manufacturer's international marketing activities and they are compensated in forms of commission or retainers plus commission.



**Export Broker:** The function of an export broker is to bring the buyer and the seller together for a fee. The broker may be assigned one or more foreign markets by the seller. He negotiates the terms for the seller (i.e., manufacturer) but cannot conclude the transaction without the principal's approval of the arrangement. For any action performed, the broker receives a fee or commission. An export broker does not take possession or title to the goods. In effect, he has no financial responsibility other than sometimes making an arrangement for credit. The export broker is considered useful because of his extensive knowledge of the overseas markets and foreign customers. This knowledge enables the broker to negotiate the most favourable terms for the principal.



**Manufacturer's Export Agent:** Export agents are individual or firms that assist manufacturers in exporting goods. Unlike EMC's, export agents provide limited services. These agents focus more on sale and handling of goods. Using an export agent has the advantage that the firm does not need to have an export manager to handle all the documentation and shipping tasks. While the disadvantage arises from the export agent is limited market coverage, which may require the services of a number of export agents to cover different parts of the world. The export agent works on commission.



**Purchasing Agent:** The purchasing agent represents the foreign buyer. By residing and conducting business in the exporter's country, the purchasing agent is in a favourable position to seek a product that matches the foreign principal's (buyer's) preferences and requirements. Operating on the overseas customer behalf, the purchasing agent acts in the interest of the buyer by seeking the best possible terms. The purchasing agent's client pays a commission for the services rendered. The purchasing agent is also known as the commission agent or buying agent.

**Country Controlled Buying Agent:** This kind of agent performs exactly the same functions as the purchasing agent, the only distinction being that a country controlled buying agent is a foreign government's agency or a quasi-government firm. The country .controlled buying agent is empowered to locate and procure goods for his country. This agent may have offices located in countries that are major suppliers.



**Resident Buying** : Another variation on the purchasing agent is the resident buyer. A resident buyer IS an independent agent who is located near highly concentrated production centres. Although functioning much like a regular purchasing agent, the resident buyer is different because he is retained by the principal on a long term basis to maintain continuous search for suitable new products. The long-term relationship makes it possible for the resident buyer to be compensated with a retainer, besides commission for business transacted.

# Domestic Merchant

**Export Merchant:** The domestic based export merchant buys the manufacturer's product and sells it abroad on his own. When this type of middlemen is used for overseas marketing, the job of the manufacturer is limited to essentially production and at most domestic marketing. In such cases, except production related functions such as carry out modifications in the product and product mix which may-be sometimes required to suit . the export market, all other international marketing tasks are handled by the export merchant.



**Export Houses:** In India, there are a number of export houses that export products produced by manufacturers. Some companies have established their own' export marketing subsidiaries. They perform export marketing functions for manufacturing companies including physical handling of the products, promotion in overseas markets, etc. leaving the manufacturer to concentrate on production. They extend credit to manufacturers , provide advice on product modification etc. They have good contacts in the overseas markets and may also have established network of sales offices round the world.



**Trading Companies:** Unlike an export house, which concentrates on exports, a trading company is active both in exports and imports. Japanese trading companies have been very successful in promoting the country's exports. Like export houses, the trading companies, offer a broad range of services from marketing research to financing and present a relatively inexpensive choice for the small and medium enterprises to undertake international business.

**THANK YOU**