Twelve Tips to Derail Export Diverting

1. Conduct Extensive Due Diligence on all New Distributors.
Visit each new distributor's office and warehouse to calibrate the size of his business with other principals. This includes reference checks from existing manufacturer clients as well as from leading retailers in his home country. Run a Dun & Bradstreet or Equifax financial report.

2.Design a Distributor Fact Sheet
Require each potential distributor candidate to complete a one page template recapping their capabilities. Pay particular attention to sales turnover, number of employees, and references from existing brands handled. See sample fact sheet on page 5.

3. Ship Directly to Distributor in his Home Country.
Do not allow for distributor sponsored consolidation at a USA port such as Jersey City, Miami, or Los Angeles during the initial launch phase. Allow distributor pick-up at your factory only after your relationship and brand have been established for a year or more.

4. Label your Product in the Local Language.
Stickering is acceptable only if it is done in the destination country or at your own in-house contractor.

5. Sell only to Distributors Based in your Target Country.
Avoid shipping product to foreign distributors with offices in your home country. The goods have little incentive to leave local ports. Export Solutions Distributor Directory contains more than 8,500 local distributors in 96 countries.

6. Create an "International package". This could be multilingual label or a different size. One tactic is to label packs "Export Only". This reduces the risk of it being diverted back to the domestic market.

7. Establish an International Price Structure
A model could consist of export base price plus freight charges.
This prevents one country from enjoying a price advantage.

8. Don't Believe Stories about Cruise Ships and Mining Camps
Sophisticated diverters come up with elaborate stories to convince you that your product will be sold to legitimate outlets. Is it really worth the risk ?

9. Analyze Orders versus Size of Country
Leverage technology to alert you to unusual order patterns outside of historical trends. Believe me , it is not possible that Greece or Bermuda are selling that much product ! Analyze Nielsen consumption data versus shipments to the market, if possible.

10. Unannounced International Market Visits.
Check retail outlets independently, without a distributor “tour guide” to confirm a problem. Visit distributor warehouses with short lead time to check inventory. Recently, I visited a distributor claiming to represent famous brands and found that many were missing from his warehouse or had less than 30 cases of stock.

11. Avoid Risky Countries with Low GDP
I am naturally suspicious about distributor orders from poor African nations, Jordan, Haiti, or Belize. Realistically, how many consumers in these countries can afford premium European or USA brands ?

12. Watch Out: No Web Site
Perform a Google search on a new distributor. Virtually all serious companies have web sites or some internet references.. A distributor without a web site in 2020 is either hiding something or too unsophisticated to grow your business. Also, beware of generic web sites that do not show basic information like brands represented. There are exceptions, but lack of web site sets off alarm bells.

Export diverting is a serious issue at many companies causing distrust and lack of support for export programs. I admire producers that regularly follow the practices described above to "weed out" questionable distributors. When in doubt, offer the distributor your standard list price from your home country. Good luck !