

Are Your Products Getting The Proper Distribution?

The distributor agreement sets out the terms and conditions when a manufacturer wishes to appoint a distributor for its goods and services for resale in the marketplace. The Distributor Agreement may specify an initial fixed period that may subsequently be renewed. The distributor is not an Agent and sells the goods on his own account and not for the manufacturer. Thus, this distributor agreement will ensure that the distributor obtains from the manufacturer all relevant information and literature pertaining to the product. In addition, the distributor should also have enough manpower to handle sales and after sales maintenance work.

The distributor agreement acts as a binding contract between the manufacturer and the distributor. The distributor agreement may span countries as well as states. The distributor may sell one or more products of the manufacturer and across as much territory as possible. Products to be sold should be strictly defined. The manufacturer may like to appoint various distributors for a variety of his products.

Appointing a distributor may, according to the distributor agreement, be on an exclusive basis and will commence from a distribution agreement specified therein. The exact details regarding how much volume the distributor purchases and other ordering requirements need to be specified. Each sale is equivalent to a fresh order.

The distributor agreement should also specify the prices that are paid by the distributor to the manufacturer and also whether the former is eligible for any discount. A list price of the manufacturer should act as a guide in this respect. Payments to the manufacturer by the distributor should be made within a specified time as stated in the distributor agreement, at the outset. The currency of payment (for international agreements) will be set forth in the distributor agreement and all custom duties and charges will be borne by the distributor. This is a part of the obligations of the distributor.

The manufacturer's obligation is to furnish marketing literature, training and technical support. To prevent infringements of Intellectual Rights and Patents, the distributor agreement shall have a clause to protect the manufacturer in this regard. The information exchanged between the two parties is also to be kept confidential. In addition, the distributor agreement will also set out the terms for setting aside the agreement.

The distributor agreement should also give clarifications regarding assignment, sub-contracting, notices, languages, entire agreement, resolution of disputes and laws that govern it. Finally, the agreement should be signed by a Director or other authorised signatory in the presence of witnesses.

The distributor agreement is a document that binds the Manufacturer to the distributor and forms the basis of all dealings between the two for future dealings. This document assures that there is agreement as to the terms and conditions and that the parties to it have agreed as to how they view the business arrangement and are agreed to adhere to the various clauses therein.

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About the Author

Wade Anderson is a CPA and operates DigitalWorkTools.com, the premier internet site for Legal Forms and Business Documents. Find more information on using a credit card authorization form, other documents, contracts, forms, and spreadsheets by visiting

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