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Agency Correspondence

CHAPTER COVERAGE

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Big companies give agencies to businessmen of different localities. An agency is given when a branch cannot profitably be opened or when the resources are not sufficient for opening a branch. The agencies of some big firms like Maruti, Tata Motors, Bajaj Auto, Reliance Industries and Bombay Dyeing are quite profitable.

When a merchant comes to know that an agency can be obtained he applies for it. Letter of application should be to the point and should state the following: whether the agency applied for is sole agency or ordinary agency; if the former, its scope, which may be a town or a district or a province or a country as a whole; the financial status of the applicant; his business connections guaranteeing good business; the minimum amount for which business can be guaranteed; term for which credit is required; and the rate of commission demanded including the *del credere* commission. The writer should anticipate all that the correspondent is interested to know about and should supply all this information as far as possible. References may also be provided.

The addressee, if inclined to accept the offer, first makes an enquiry regarding the financial position of the applicant from the referees. On receiving satisfactory reply, he sends formal agreement for the approval and signatures of the applicant. In case the reply of the referee is unfavourable, polite letter of refusal is sent to the applicant.

24.1. TYPES OF AGENTS

(i) **Commission agent.** He is an agent, who buys or sells on behalf of his principal. He tries to dispose of goods at best possible rates and terms and receives a commission at fixed rate.

(ii) **Broker.** He does not buy or sell goods. But he negotiates and contracts for sales or purchases, on behalf of his principal. He gets a commission, called brokerage.

(iii) **Commercial traveller.** Commercial traveller is a representative of his principal. He travels a specified area and takes orders, making contracts for sale, and keeping a close touch with the needs of the parties. He generally makes tours in his area. He gets a salary and allowances. If he does his work of more than one firm, he gets a commission on the basis of orders secured by him. They try to collect orders and send them to the principal for execution.

He must possess samples of goods to demonstrate. He approaches the buyers with detailed information of a product. He will have an order-book containing printed order-forms. By using carbons, he takes out orders in triplicate. He also takes the signature of the buyer, on the order-form itself. The original order is sent to the principal, the second copy (carbon) is sent to the buyer and the third one he keeps in the order-books.

(iv) **Local Agent.** He represents one or more firms for a particular area or district. In his area, he approaches the buyer and tries to secure orders. After securing orders, the order is sent to the firm for whom the order is obtained. All the expenses incurred by the agent, by way of dealing in the interest of firm, plus a commission to the agent for his services on the basis of sales introduced by him are paid by the principal.

24.2. GUIDELINES IN WRITING LETTERS ABOUT OFFERING/GRANTING AN AGENCY

When a manufacturer (or principal) thinks that there is a market for his product in a new area, he looks for a suitable and reliable agent. While offering an agency, he has to make an effort to show that the article sells well and is profitable to handle, that it has a good market and a good reputation, and is well advertised.

The important considerations while writing letters about offering or granting an agency are as under :

- (i) Reference to the potential market which can be developed and the scope of agency business.
- (ii) Sales message about the article to induce the agent to take up the agency.
- (iii) Terms and conditions of agency such as commission, advertisement, maintenance of showroom, etc.
- (iv) Statement of what would be expected of the agent.
- (v) Expression of the hope that the agent will accept and cooperate in building up a mutually profitable business.

24.3. GUIDELINES FOR THE FIRM APPLYING FOR AN AGENCY

While making an application for an agency, the following points must be included :

(i) **Potential market.** The applicant should clearly state the potentiality the market, where he can push up the principal as well as the sales that can be expected.

(ii) **Ability and Experience.** He can well state the advantages he can offer to the principal, his business locations, show-rooms, retail shops under his command etc. Besides these, he can also show his personal experience and his ability to push up sales with guarantee.

(iii) **Terms and Conditions.** The way in which he intends to deal with the principal and the commission he expects must be mentioned in clear terms.

(iv) **Status (Reference).** It is always good to give references of tradesmen or bankers so as to enable the principal to enquire of the agent's credit-worthiness and status.

(v) **Conclusion.** The applicant should express the hope that granting of the agency will be mutually beneficial to both the parties.

1. Letter Applying for Agency or Distributionship

PREM NATH & SONS
(Dealers in Bicycles and Toys)

Bagh Muzaffar Khan,
Agra,
April 14, 20.....

M/s. Ram Lal Manohar Das,
Kalbadevi Road,
Mumbai

Gentlemen,

We have learnt from your notice in the Hindustan Times dt. April 13, 20.... that you are looking for a selling agency in Uttar Pradesh. We, therefore, offer our services to act as your sole'agent for this state.

Our firm was established in 1990 and we deal in cycles and parts of all the important foreign makes. We are the premier suppliers of these goods to all the important sellers in this state particularly in western districts, and we feel confident that we should succeed in introducing your goods in U.P. We hope to give you an annual business of forty lakh rupees.

Our terms are 5% commission and refund of all our disbursements and payments three months hence. We can also take over the *del credere* at a commission of 1% extra.

We are pleased to furnish you with the following references : (i) The New Cycle Mart, Chandni Chowk, Delhi; (ii) Nath Brothers, Hewett Road, Allahabad, and (iii) Sohrabji Edulji, Crawford Market, Mumbai.

Should you decide to appoint us your agent, it shall be our endeavour to safeguard your interest to the best of our ability.

Thanking you,

Yours faithfully,
Prem Nath & Sons
Partner.

2. Reply to the Dealer who has applied for dealership/agency.

RAM LAL MANOHAR DAS

Kalba Devi Road,
Mumbai

Date

M/s, Prem Nath & Sons

Dear Sirs,

We thank you for your kind enquiry relating to agency in our products. Our products have already flooded the market in each and every important city and it is due to their popularity that many people are writing to us for agency work.

If you can assure an irreducible/turnover of over Rs. 5,00,000 (five lakh) we can offer you our agency at the standard terms and conditions. Kindly give us your banker's name, so that we may be in a position to have further particulars relating to your standing.

Thanking you,

Yours faithfully,
Ram Lal Manohar Das

.....
Partner

Encl. A copy of standard Terms and Conditions

7. Letter Refusing to Grant an Agency

D. R. ENTERPRISES LTD.

New Delhi

August 3, 20.....

M/s. Brijesh & Sons
Amritsar

Dear Sir,

Thank you very much for pointing out the inversely market for our products in Amritsar and your offer to act as our bound to a sole selling agent for the entire state of Panjab upto the end of this financial year. Unless there is a very substantial increase in the demand, it will not be possible for us to establish further agencies in the state. We are keeping your name on our records and shall consider our agency for Amritsar if we decide to have more agencies in Panjab.

Thank you once again for your offer.

Yours faithfully,
for D. R. Enterprises Ltd.

Under these circumstances, we have no option but to cancel your agency with immediate effect. We hope that you will appreciate our difficulties.

Yours faithfully,
Ram Lal Manohar Das
.....
Partner

9. Letter from a Manufacturer Offering an Agency
ANKITA ELECTRONICS

112, Kanchan Building
New Delhi

November 20, 20.....

M/s Sujata Electronics,
Tilak Nagar Market,
Delhi-110015

Dear Sir,

Ref : Offer of Agency

We have come to know from our survey that you are doing good business in electronic goods for the past ten years in your locality. We wish you to extend your business operation and for this purpose, we are ready to offer you a sole selling agency for the Ambala-Kurukshetra belt of Haryana.

There is a great demand for our products in the whole of Haryana. We have only one agent in Haryana, i.e. at Sonapat. The dealers in your area buy directly from us and they feel a lot of inconvenience. Our records show that your firm is also a regular dealer of our products. If you accept the agency, all our customers in your area will be benefitted with your expert services.

We are sure that our agency will be beneficial for both of us as it will not only increase our sale under your representation but also enhance your reputation in the area.

We will provide you a commission at the rate of 20% of net sale during the month. You will also be entitled to a bonus of 5% if your monthly sales exceed Rupees two lakh.

We will pay you first class railway fare, boarding and lodging facilities whenever we require your visit to us. We will undertake the publicity of your firm from our advertisement budget. Furthermore, our sales executive will help you in window display of our products at our cost.

You will be required to furnish us a security deposit of Rs. 50,000 which will be refundable when your agency is terminated. If the terms and conditions offered by us suit you, then intimate us at the earliest.

Yours faithfully,
Sd/-
General Manager.