



A Guide to Preparing Your

Distribution Agreement

Step by Step Instructions Guidebook to
Help You Create a Winning Distribution Agreement.

How to Use the Business-in-a-Box Distribution Agreement

Distribution Agreement Guidebook

At Business-in-a-Box, our mission is to help every entrepreneur succeed in building their dream business. Therefore, we are happy to give you this FREE guidebook on how to prepare a winning Distribution Agreement.

3 Steps to a Perfect Distribution Agreement:

1) [Download the Distribution Agreement Template](#) that goes with this guidebook.

Start drafting your own plan using Microsoft Word, Google Docs, Apple Pages, or any other word processor you prefer.

2) Use this free educational resource to learn all about preparing your distribution agreement.

Legally resell products to clients and increase the profit and success of your business with this key document.

3) Customize your distribution agreement.

Simply fill-in the blanks and save. That's it.

To your success,

The Business-in-a-Box Team

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Understanding a Distribution Agreement

When companies are looking to expand their territory and seeking to build a distribution network to promote their products, having a properly formatted and legally drafted distribution agreement is the first step. Our numerous distribution agreement templates give you all the legal terminology and clauses to secure a strong productive distribution network for your business. All you need to do is personalize the agreement to suit your business and distribution needs by completing the details of the template.

Here is what you can expect in the distribution agreement template as well as a breakdown of how to use it.

What is a Distribution Agreement?

A Distribution Agreement is a legally binding document between a supplier (the company) and a distributor of the goods, products, or services bound by the agreement. The company might be a manufacturer or distributor of the goods as well. The distributor agrees to sell the relevant goods in accordance with the terms of the agreement. The distribution agreement will set out the terms of distribution for both parties to authorize and adhere to. This agreement will form the basis of the future relationship between the two parties and must include several clauses and terms to make sure that both parties are protected legally. These terms will also ensure that both parties understand what is expected of them and guide them when there is a dispute or changes in the marketplace.

There are many different types of distribution agreements. The one you choose will depend on your business situation. Some of the most popular within Business-in-a-Box include the standard [distribution agreement](#), [manufacturing distribution agreement](#), [exclusive distribution agreement](#), [non-exclusive distribution agreement](#) and the [software distribution agreement](#) template.

How to Prepare a Powerful Distribution Agreement

Terms of a Distribution Agreement

As with any legal document, a distribution agreement must have certain standard terms and clauses contained within. These clauses include the full legal names of the signatory parties as well as terminology definitions. Below are the standard terms that you will find in the distribution agreement templates in Business-in-a-Box.

Supplier Name and Address Details - Full legal name and registered address of the supplier of the goods or products that will be distributed. Also included is the main contact person of the company for any administration queries or issues.

Distributor Name and Address Details - the full and legal name of the distribution company as well as the registered address details. The main contact for the company will also be listed.

Standard terminology and definitions - these will be the standard definitions of the legal language that is used in the agreement. If there are any specific terminology that you would like to include in the agreement, you would need to include them here.

Keep in mind that when drafting your distribution agreement, you need to confirm the exclusivity of the agreement with the included parties. Also, you should be aware of any regional or territorial boundaries that need to be highlighted in the agreement.

Provision is made for the inclusion of commission terms, advertising, and marketing stipulations as well as performance thresholds. Any agreement between companies that involves the sale of goods and products must have these points defined and agreed upon.

The Distribution Agreement Template Explained

The first part of the distribution agreement template is dedicated to the basic terms of the agreement. These will create the basis for the rest of the agreement terms. However, there are a few points that bear a closer look:

Appointment of Distributor - whether you are the supplier or the distributor you need to make sure that in the appointment section you have the following clarified. The exclusivity of the distribution agreement is important. If you grant exclusivity, then you must visit the terms about marketing and advertising as well. Exclusivity might also have some performance stipulations that need to be negotiated.

Territory or Region - the geographical region that you are granting distribution rights to must be clearly defined. This will be especially helpful if you are entering into a non-exclusive distribution agreement, and other distributors will be competing for market share. In this case, you need to define the terms under which a distributor may accept an order from outside their specific territory. If the territory is across borders, then you need to address the shipping and payment issues that are involved in this type of transaction. Also, be aware of the potential for delays in payment and shipping with cross border distribution. Contingencies must be put in place for both parties to protect either party in the event of constraints of any kind.

Products or Services Covered - the products pertaining to the agreement must be specified and agreed to. These products or goods can be included in the agreement itself or could be added by annexure if needed. Under the product section, you should also address the issue of distribution of competing products. This might be addressed in the exclusivity terms; however, you can readdress the issue here for clarity. If needed, you can also cover the repair and warranty of the products under this section. Any new products or future developments must also be mentioned here.

Terms of Agreement (time frame) - do you want the distribution agreement to be timed? In other words, is there a tie frame attached to the distribution rights or is it a lifetime deal? You should carefully consider this point. Many manufacturers have suffered due to an incorrectly “timed” distribution agreement. Renewal and conditions of renewal must also be included under this section.

Sales Responsibility - the responsibility for the sale of the goods is a very important aspect of the distribution agreement. The agreement must define the duties that the distributor has concerning the marketing and advertising of the goods in question. These aspects can be included within the document or could be added by means of an addendum if needed. When you are preparing your Business-in-a-Box distribution agreement, make sure you cover the following points:

Sales - who is responsible for the sales? Will the home office (supplier) sell the goods, or will the distributor also have the right to sell the goods?

Marketing and Advertising - will the distributor have the ability to market the products and how will the process of advertising sign off work? In what way will they have the ability to edit the marketing material for their needs? This is very important if you (supplier) want to maintain ownership and control of the advertising process.

Pricing - as with above you need to define the pricing structure of the goods. Also, the minimum quantities of order should be specified.

Training - if the distributor will have sales responsibilities, then you should address the training of sales staff to maintain a measure of control and standards for the sale of your goods.

Distribution Performance - reporting and performance management of the distribution agreement is crucial to success. These terms spell out the corporate structure that the distributor must have to deliver on the agreement terms. You will also be able to define the

possibility of sub-distribution within this template. The reporting on distribution and sales of the distribution products must be defined so that you as a company can have up to date figures for forecasting. You might even want to supply an example of your reports to the distributor so that you have standardization in your reporting process.

Ordering and Shipping - the ordering of stock from the company must have a process attached to it. In many cases, these processes can be defined in the distribution agreement. The acceptance of customer orders should be detailed as well, and how these orders from outside the defined territory must be handled. Ownership of the goods through the sales process is a factor that you can address within these clauses, and how the shipping of distribution goods will be handled. These terms are especially important when you are shipping goods across borders. Part of this section is the management of defective products or warranty claims.

Confidentiality - in any business agreement there will be a sharing of confidential information between the company (supplier) and distributor, this information must be secured with the confidentiality clauses within all distribution agreements. Trade secrets and manufacturing details might be the competitive advantage that you have over the rest of the market. These stipulations should be discussed before entering into a distribution agreement so that there are no intellectual property infringements.

Breach of Contract - the distribution agreement will over time control a great deal of revenue and ownership. Breach of the terms of this agreement could lead to a serious financial impact on both companies and should be clearly stated for both to sign off on. The terms of cancellation for both parties must be spelled out so that legally you are covered within the agreement. The competition laws of your country or region must also be adhered to and this legislation should be included in the distribution agreement.

Termination Rights and Obligations - no legal agreement is complete without the separation terms. Business-in-a-Box has ensured that you have the clauses to ensure that your company, whether supplier or distributor, is legally covered in the event of agreement termination. We also

have non-compete agreements that could be added to this distribution agreement if need be. Make sure to clarify the terms of termination such as breach of agreement or self-termination (withdrawal) by either party are clearly defined. Also, be aware that you might want to add tie constraints to your agreement based on the propriety information that you will share with your distributors.

Miscellaneous Clauses - these clauses cover aspects such as parts and repair of the goods and inventory requirements. These terms might be seen as secondary to the above, however, do not underestimate the potential of your distribution agreement. Each of the clauses in this agreement has been carefully drafted by professionals and can be expanded to include the finer details of your business model.

Tips for Creating a Winning Distribution Agreement

Your Distribution Agreement can quite literally make or break your business. That is why it is crucial to ensure the details you provide in your agreement are many and legally affirmed. A strong distribution agreement will successfully enable you to sell your goods to a new marketplace and increase the sales of your products sold, without fail. Here are a few tips to consider when preparing a distribution agreement that will help you stay protected from a faulty, ill prepared contract, and allow you to grow your profit from a rise in products sold.

1. Choose the Right Distributor

The first and most crucial tip is to choose the right distributor. The distributor may look impressive, but can they successfully distribute and sell your products with as few or no headaches? Choose a distributor that is reliable and has a high success rate, backed by positive reviews and testimonials. If the distributor is granted long term exclusivity over a territory, things can get complicated. In such event, the concern is not only that the distributor will do little, but that you will not be able to choose another, better, distributor for that same territory. So, choose your distributor very carefully.

2. Be Clear on Intellectual Property Rules

When you choose your distributor, you also provide them with a license to use your intellectual property for the sake of distributing your products to the right market. In other words, you are giving them access to your assets. The distributor is authorized to use your logo, your domain name, and your trademarks. You will need to address your intellectual property and potential issues in the agreement. Otherwise, you may find yourself in a situation where your distributor takes ownership of your intellectual property and blocks you from the territory.

3. Set the Term of the Agreement

When preparing your distribution agreement, you should be flexible with the termination of the agreement. For example, if a company is facing an acquisition and the acquirer conditions the purchase on the termination of the distribution agreement. In this case, the distributor will need to release you from the agreement, but not without their consent. The same issue can arise if there is a change in control of your company. The distributor may decide to terminate the agreement. In short, you are at the distributors mercy if the buyer's proposal depends on the continued relationship with the distributor. Because of this, you should set definitive and brief initial periods that can be extended repeatedly by mutual consent. In this way, you may not be free to end the relationship whenever you want to, but you will always be able to do so within a particular period.

4. Limit Liability

In most cases, the manufacturer is liable for any damages caused by the product being used. The right way to address the risk of liability is to create an effective indemnification process that will limit your responsibility. This indemnification process should reduce your liability in terms of the total amount and time and be supported and covered by your insurance provider.

Why Choose Business-in-a-Box

At Business-in-a-Box, we value time and putting it where it matters. In business, this means being efficient with your time without compromising on quality and reliability. For less than the cost of consulting with a lawyer for one hour, businesspeople can enjoy over 2,000 business and legal templates created by professionals themselves; ensuring our customers achieve their business goals efficiently and confidently.

When you [sign up](#) to Business-in-a-Box, you obtain so much value for you and your business. With access to 8 core business modules covering all departments (including legal, administration, human resources, finance and accounting, sales and marketing, production and operations), this powerful toolkit will help you:

- Convert prospects to clients with business proposals that sell.
- Hire, motivate and manage your team with our Human Resource templates.
- Grow your business revenues and achieve your profitability goals.
- Get all the documents and agreements you need to raise financing.
- Protect your business and investment projects with Legal Agreement templates.
- Streamline your processes with templates from the Production and Operations module.
- Negotiate better deals with clear and legally binding contract terms.
- Manage every aspect of your business with Standard Operating Procedures, and so much more.

To learn more about the features and benefits of using Business-in-a-Box, visit www.business-in-a-box.com/features.

Documents Similar to the Distribution Agreement

Based on your interest in distribution agreements, we think you would benefit from these documents as well:

- [Exclusive Distribution Agreement](#)
- [Non-Exclusive Distribution Agreement](#)
- [Manufacturing Distribution Agreement](#)
- [Reseller Agreement](#)
- [Supply Agreement](#)
- [Partnership Agreement](#)
- [Project Management Template](#)
- [Vendor Management Policy](#)
- [Possible Production & Operations Management Strategies](#)
- [Supply Chain Management Process Standard Operation Procedure](#)

To browse our vast collection of business and legal templates,
visit www.business-in-a-box.com/templates.