
The Changing Rep Business

Agencies are getting bigger and less specialized than in days of old.

by JIM OLSZTYNSKI

The following editorial by Jim Olsztynski, editor of Supply House Times, is reprinted with that publication's permission. In his column, Olsztynski ably points to the changes that have impacted the manufacturers' representative in the plumbing, heating, cooling and piping industries. His guess that the market trend is toward independent reps is certainly true in most industries served by MANA members. This editorial serves as an introduction for the next article in this issue of Agency Sales in which several manufacturers discuss how their agencies have changed to meet the changing expectations of principals and the marketplace.

Someone asked why we chose two companies for our "Reps of the Year" honors. Answering that question requires delving into some profound changes taking place among industry rep firms.

Two years ago when *Supply House Times* resurrected the annual manufacturers' rep issue, we selected two companies based on "large" and "small" categories. We set the cutoff at 20 employees. That was an arbitrary number that left considerable inelegance in its wake.

Some folks thought we raised the bar too high, saying that a 20-person rep firm is pretty sizable. We entertained a suggestion to lower the cutoff to 10 employees. Problem is, rep firms that small are becoming ever harder to find, especially those that are doing anything notable enough to write about. Almost all rep agencies start out small, but most find themselves compelled to grow into a bigger organization if they are to attract top lines and keep up with insatiable vendor and customer demands. Besides, any cutoff point will look goofy at the margin. A com-

pany with 20 employees is small, but one with 21 people large? Or 10 vis-à-vis 11?

Spec Vs. Shelf

That's why last year we changed the categories to "Spec" vs. "Shelf." This would have made more sense a couple of decades ago when rep firms more definitively specialized in engineering versus inventory ex-

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pertise. This, too, proved too artificial a distinction for the 21st Century. As was pointed out to us by virtually everyone we discussed this with, just as rep firms have grown bigger than yesteryear, they represent more lines, and those lines tend to cross residential/commercial boundaries. In fact, most reps strategize to obtain both shelf and spec lines to inoculate themselves against counter-cyclical construction swings.

So this year we decided against hair-splitting definitions and simply decided to recognize two firms for general excellence as Reps of the Year. To heck with labels that don't quite fit.

Then the question arose, why don't we stop confusing the issue and name a single "Rep of the Year"? My answer to that is there's simply too darned many good rep firms out there, and this is a segment of the industry that is under-publicized to begin with.

Factory Vs. Independent Reps

As the industry evolves through consolidation and channel disruptions, the role of the independent rep is increasing in importance. There's not enough space here to probe too far into the ageless factory-vs-independent rep debates. In any case, it's not for me to declare one or the other as preferable. That's up to the marketplace. I leave it up to you wholesalers to draw your own conclusions whether the trend seems to be towards independent or captive representation. How many manufacturers that you do business with use outside agencies and how many employ their own sales staffs? How many have switched from inside to independent representation during recent years, and how many have gone in the other direction?

I said I won't pass judgment about which is better. But I will hazard a guess that the market trend is toward independent reps.

Each mode of going to market has its advantages and disadvantages, but independent reps are particularly well positioned in our present era of obsessive cost control. It's comforting for manufacturers to know precisely how much their selling expenses will be as a percentage of volume. Moreover, as reps grow in size and sophistication, they steadily erode the big inherent advantage of factory reps in terms of product knowledge and commitment to a line.

When I first started in the industry 26 years ago, superior sales skills were the biggest asset any rep

could offer. The most successful reps had likable personalities and never missed an opportunity to schmooze with customers. Those customers, in turn, often were inclined to forgive lackadaisical business practices by the buddies who took them dining and golfing.

That kind of relationship selling never goes out of style, but it's not enough to carry reps to glory anymore. The best rep principals nowadays are more businessmen than peddlers. They have to be. Those that aren't won't get a second look from top-notch vendors, and it's a bleak existence trying to make a living out of secondary lines.

This year's Reps of the Year, both Goodwin & Schultz and Emerson-Swan,* ably demonstrate the importance of business organization in meeting the needs of their manufacturers and customers. Senior management in both agencies are obsessive about shaping corporate policies and practices to service those needs. This may not be as much fun as glad-handing and back-slapping, but it's the way the rep business has evolved over the years. It's likely to move further in that direction as more time passes. □

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* Goodwin & Schultz and Emerson-Swan are both members of the Association of Independent Manufacturers'/Representatives, Inc. (AIM/R), a MANA sister association.