

The Reinvention Of The Rep Agency

If there was ever any doubt that the role of the independent manufacturers' representative has or is undergoing change, discussions at rep gatherings over the last several months should put that thought to rest.

Gone are the days when a rep would describe his job as "I make sales calls and follow up." Instead, today's professional out-sourced salesperson buys into the argument that he must "reinvent" himself and his agency. At the same time, the rep can recite a litany of tasks/services he provides — that he may not have in the past — that run the gamut from:

- Providing marketing data for principals,
- Generating sales leads,
- Providing warehousing for customers,
- Offering solutions to principals and customers,
- Acting as a consultant for prospective and existing customers.

What does all this mean?

According to reps like Mack Sorrells and Pete O'Brien, it means the rep has crossed the

threshold between salesman to professional service provider.

"Traditionally, the perception of the manufacturers' representatives is that he's a salesman that manufacturers hire, and they pay him a commission based on the sales he generates," explains Sorrells, CPMR, Mack W. Sorrells Company, Inc., Rockwall, Texas. "Simply put, he was a salesman — and nothing more."

Times and the demands of the marketplace have changed perception and reality, however, he continues. "Today, the rep is a professional businessman who provides sales and marketing services for the marketplace. When you consider his role that way, a lot of things change."

The Changing View of Sales

"When you were nothing more than a salesman, you were a little

like the Fuller Brush man who went door-to-door selling his wares. And like the Fuller Brush man, if you sell, then you get paid. Conversely, if you don't sell, you don't get paid.

"Now, change the focus to one of the rep being a service provider. When you do that, expectations and compensation both change."

Sorrells, who is also MANA's district 7 director, explains that the "manufacturer pays the rep a commission, and basically that commission covers the maintenance of an account(s). If the rep is a complete businessman then he's doing much more than just selling. He's involved in customer relations management, making cold calls and developing new business, etc. If I'm just being paid a commission to maintain accounts, then I'm going to spend more time with existing accounts than with anyone else, just keeping the wolves away from the door."

Sorrells maintains that in order to properly run his "business," the rep of today has to engage in a number of tasks that perhaps his rep ancestors didn't spend that much time on. For instance, what about lead follow up, cold calling or post-sales service? "All of these services have a related cost to the rep and a related benefit to the customer and the principal. As such, the rep must be paid for providing those services."

To illustrate his point, Sorrells uses the analogy of a homeowner calling upon an electrician. "Before he even arrives at your house, the electrician has a sense of his cost to be there and what the customer's cost will be to guarantee the electrician a profit. It's important for reps to look at themselves the very same way."

Old Expectations

Stressing that if the rep wants to guarantee himself a profitable future, he has to change the way things are done, Sorrells adds that affecting change may not be an easy task. "Our problem is that there are too many 'grandfathered' expectations and contracts, and it's going to be next to impossible to change them. We can only change things for the future."

Explaining that the kind of change he's talking about involves no longer lumping lead follow up or training together with sales performance, he maintains "principals should have to pay for that in the future."

But the question remains how to affect change. According to Sorrells, the various rep associations can be especially helpful. "They can help by educating their own members as to the importance of changing, and they can help by carrying the word to manufacturers." He adds that one step that would be especially effective in allowing reps to be paid

for the various services they offer would be a standardized contract. "I know that this would necessitate reps disciplining themselves, but if they could agree on the terms and conditions and the rates associated with various services, that would be a huge step in the right direction."

Sorrells also points to the benefits of what reps learn in the MRERF CPMR program as another way of educating themselves on how to more professionally and profitably run their businesses — including getting paid for the services they provide.

Five Years Makes a Difference

Is Sorrells alone in his views? Hardly!

Pete O'Brien, CPMR, O'BH Associates, Inc., is the first to point out that his Fort Worth, Texas-based agency bears little resemblance to what it was five years ago, and five years from now it won't look anything like it is today.

"What we're in the midst of



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Pete O'Brien

right now is redesigning our rep firm,” explains O'Brien. “That's being done because of my belief that the role of the rep is changing to one where we must be more strategically aligned with our principals in a very professional manner. In the past, it was the manufacturer that possessed the technology and strategic thinking. Their plan was to simply hire reps and use them for their ability in creating and maintaining relationships. All that's changed, however. Now and in the future, the rep has to be much more than just a 'hired gun.' He's got to have the technological savvy, the struc-

ture, the professionalism and the service organization. If he doesn't, then he won't succeed.”

Keeping that philosophy in mind, O'Brien continues that “we no longer call ourselves manufacturers' representatives. Now we're known as a professional sales and service organization.”

To illustrate how the old rep firm would differ from today's “sales and service organization,” O'Brien considers how the old and now the new firm would handle a task such as lead follow up. “In years past, the rep would receive let's say 100 leads from the manufacturer. They're not qualified leads, but the rep contacts all of them. He doesn't necessarily provide any feedback to the manufacturer, however. As a result, if the rep has been able to increase business by 20%, he may have no idea why. Now, however, as we follow up each of the leads, samples and quotes, we make a point of communicating back to the manufacturer so he knows exactly what we're doing and how we've been able to build the business. This is an example of our belief that the rep is a vital source of information for the manufacturer. The question must be asked 'How valuable is that information if the rep doesn't communicate it back to his principal?’”

O'Brien believes communicating to principals is a key to his success. “It's really very simple to keep your principal informed concerning what you're doing for him. I'm a big believer in voluntary call reporting. I was one of those guys 10 years ago who said 'I don't do call reports!' I'll admit that I used that as a shield. Now my feeling is that resisting call reports may be a good thing legally, but I'm out of line to operate that way. Manufacturers, just like the rest of us have more to do today than ever before. If we can make their jobs easier by reporting to them, that's what we're going to do.”

He emphasizes that communicating with principals, lead follow up, etc., are all components that the successful firm must incorporate into its operation if it is truly a “professional sales and service organization.”

More Support for Change

Another rep voicing agreement on the “rep is changing” subject is Mooresville, North Carolina-based Bob Gerrard of Gerrard & Associates. In last November's issue of Agency Sales, Gerrard spoke about some of the services his agency regularly provides including lead generation, management of territories and schedules, developing a sales strategy, maintaining customer contact and annual planning — all of which fits into this subject of how the rep has changed.

According to Gerrard, the onus for communicating exactly what those services are and how they are executed falls squarely on the shoulders of today's professional rep. “And that's exactly what we do with a program called 'Full Potential Sales.' This program



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Bob Gerrard

speaks directly to that issue and raises the question 'Precisely what services should we be providing to our principals, and how do we measure their cost and value?'"

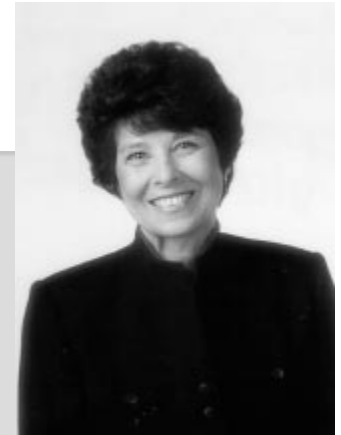
Gerrard adds that he doesn't believe most reps are fully in the mode to do this. "I believe most reps are still in the 'make calls and follow-up' mode. I would like to think the role of the rep needs to change. If we are to remain relevant, it can no longer be just making calls, following up, generating sales and collecting commissions. We need to become professional service providers and then outline exactly what the services are that we can and do provide."

On the subject of charging principals for those services, Gerrard offers the view that "when the services are identified, we need to be careful. I recently viewed a manufacturer's web site where I saw as clear and beautiful explanation of the design advantages of their products as I could ever hope to give in a personal sales call. It was absolutely stunning! We need to hear the thunder on the horizon. One of these days, this manufacturer is going to realize that he no longer needs me to explain the design features to the customer. He can get on the telephone himself, call the customer, get them both on the web site and go through it with him himself. When that happens, I am no longer needed for the traditional 'sales' function.

"When that day comes and they have all awakened to that capability, what will they need us for? What justifies any commission at all? I'm not saying there is

"Knowledgeable management of a firm's resources leads to longevity in the marketplace and recognition for competency..."

Marilyn Friesen



no justification. I truly believe there is a need and at least for me it is contained in the programs of the Full Potential Sales — programs whose results are measurable, repeatable and transferable. But what I am saying is that we had better take a good look in the mirror and ask ourselves the hard question 'What services should we be providing?' We have to keep at it until we come up with a defensible answer. This is a function that we hope to provide in our local MANA chapter meetings when instead of talking about what we can do to keep all the money we get paid, we're going to talk about what we can do to do our jobs better — which implies asking 'What should we be doing, anyway?'"

The Importance of Identifying Services

As if Gerrard and the two other reps interviewed for this article need any backing on the subject of the changing role of the rep, Marilyn Friesen, executive

vice president of MRERF, Geneva, Illinois, concurs with their thoughts and goes on to emphasize how it's become imperative for the rep to perform certain activities if he wants to succeed. According to Friesen, "The rep should identify each service (or activity) that he can perform for a client (whether it's a manufacturer or a customer) and calculate precisely what that activity costs the agency to perform. At the same time he must determine if it is something the customer wants. Using financial jargon, the determination of activity costs and the resulting management of an agency's resources is called Activity Based Costing and Activity Based Management. It's a bit of a tedious process, but it is imperative for the operation of a financially sound rep firm. Knowledgeable management of a firm's resources leads to longevity in the marketplace and recognition for competency — all of which are intertwined with the services a firm can or cannot offer its clients." □

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