
Successfully Negotiating “Down” Times

Some serious belt tightening together with a major effort to expand business have combined to allow Buchanan Sales Co., Inc. to survive a downturn in business at the same time the firm incurred the loss of two major lines.

According to Elry Cramer, who heads the Allison Park, Pennsylvania, rep firm, events that occurred in a very short period of time combined to cause the loss of approximately one-third of the agency’s sales revenue. “First, largely because of consolidation of principals, we lost two lines,” he explains. “A major principal was bought out by another company. We were operating under an old contract with the former company. The new owner let us know what a terrific job we had been doing for them — and shortly thereafter, we were terminated. After that, we lost another principal that wasn’t nearly as large, but it was a 10% line.”

Adding to the agency’s woes, “We, like so many other firms across the country, were caught in the declining sales scenario. All told, these events resulted in a drop of about one-third of our total sales.”

Cramer continues that “We were able to offset about \$1 mil-

lion in losses with new projects that we were working on. We tried to ride it out until things turned around, but we weren’t able to. To make matters worse, we ran into a major problem with principals not paying us net 30 days. These days, you’re lucky if the customer pays in 60 days. What is happen-

ing is that the principals are getting paid late causing them cash flow problems that trickle on down to us.”

Pressure Builds

Cramer admits that when all



Elry Cramer (left), president of Buchanan Sales Co., Inc. and Runsheng Wang, general manager of Tianjin Jinxi Foundry Co., Ltd., in China, on a plant tour. Tianjin Jinxi Foundry manufactures cast counter weights for the construction and fork lift market.

“What we wanted to do was to add to our strengths, reduce our weaknesses, look at the threats being presented to us and then determine how we could turn those threats into opportunities.”

these events combined to put pressure on the agency, “Sure, it was discouraging. I have been with Buchanan since 1979 and purchased the agency in 1999. In the first year alone, business grew more than 30%. Then, unfortunately reality set in. But those of us that are long-term reps realize that we can be knocked around a bit, but we’ll never get beaten. I knew we would survive — and I hoped that we would survive intact. What we eventually went through caused us to make ourselves stronger. I’ve always been an optimist and believe that when

you go through something like this, it’s just a matter of time before you pull yourself out of it.”

As to how Buchanan pulled out of its slump, let’s concentrate first on the belt tightening. “The entire organization did a great job of coming up with ideas of how to significantly cut costs,” says Cramer. “In the whole area of cutting costs, uppermost in our minds was the concept of cutting costs without cutting service. We’re well aware that drastic cuts may stem the short-term bleeding, but can very well lead to a long-term illness. In all of our efforts, that’s what we wanted to avoid. With this in mind, the entire organization did a great job of coming up with ideas of how to significantly cut costs — without adversely affecting service,” he says. Among the steps they took were:

- Field duties — “One of the first things I did was to put myself back in the field. I took the area closest to the office and concentrated on corporate accounts. We’ve always been a very close-knit organization so I was never very far removed from the firm’s field activities. But going back in the field did open my eyes to the onerous nature of some of the paperwork we’ve required of the field personnel. I never realized how much effort was involved, since I hadn’t been in the field recently.”
- Long-distance phone service — “In looking at our long-dis-

tance phone costs, we got creative. We went to Sam’s Club and bought calling cards at less than three cents per minute. We programmed use of the phone cards into our phones and cut long distance costs by 60–70%.”

- Hotel expenses — “When it came to staying overnight on the road we began using hotwire.com to book our rooms. This accomplished two things at once. It drastically lowered our hotel costs, but at the same time it produced the surprising result of allowing us to stay at more upscale facilities. We’re now regularly staying at Marriotts and Wyndhams, places we never booked in the past.”

Cramer warns, however, that booking rooms this way takes a little more planning, and the downside is that if you book a room and then can’t make the trip, you pay for the room anyway. “Sure it takes more time to plan ahead, and at the beginning you don’t know where you’ll be staying. But as time has gone on, it’s worked very well for us. If you find that you’re going to be staying in the same location in the same cities you click on a hotel with a certain star rating, then you know exactly where you’re going to stay. As we’ve become more experienced, we book rooms at the last minute because there’s less chance of canceling the trip. It’s been very effective for us.”

- Staff reductions — Cramer adds that after implementing these and other cost-saving steps, “I brought in our accountant in the hopes of identifying other steps we could take. She looked over everything and agreed there was little else to be done. We also agreed, however, that we would have to reduce staff.

“This was especially hard for



Buchanan Sales Company’s sales manager, Joe Daly (left) and Elry Cramer, examining a sample from a RIM folder.

me. When I hire someone for the firm, it's my hope that they will retire from here. But we reached the point where we just didn't have any choice. After making the personnel cuts, we went from six to four salespeople. As a result of this cut, we didn't need as many administrative support people, so we reduced our administrative support staff from three to two. The net result was a reduction of three people. Our sales staff was cut by one because of my return to the field."

So much for belt tightening. More had to be done and more is exactly what Cramer and Buchanan undertook.

Executing a SWOT Analysis

Cramer admits that he's not one to have a meeting simply for the sake of having a meeting. "What I've always tried to do is communicate on a one-on-one basis during the normal workday. If I'm able to do that, it saves a lot of time." But to get a fix on what had to be done to ensure the agency's future, he began having monthly luncheon meetings when everyone was together in the office. "The first task we undertook in our meeting was to conduct a SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis. What we wanted to do was to add to our strengths, reduce our weaknesses, look at the threats being presented to us and then determine how we could turn those threats into opportunities."

Among the trends impacting their agency that were identified during the SWOT analysis were:

- The buying structure in the industries served by the agency was changing. It was becoming more common for commodities

specialists to make the purchases for an entire company operation.

- Online purchasing was growing in popularity and practice.
- Globalization was a growing factor — a good deal of manufacturing was moving offshore.

Once these trends were identified, Cramer continues, it remained for the agency to develop an action plan. "Looking closely at the fact that a huge amount of business was moving offshore, we had to determine which markets would stay domestic. Then we had to realign ourselves in order to achieve penetration in those markets. At the same time, we had to get a fix on the business that was going to be sourced offshore. Our goal was to locate offshore suppliers that we could align with in order to better serve our customers in these areas."

Looking and Traveling East

An important step in this process, Cramer explains, was his participation in the MANA Study Mission to China early last year. "As a result of that trip, we were able to add some Asian lines and as an interesting twist, a Dominican-based contract manufacturer. As a follow up to that trip, I have scheduled another trip to China for an extensive visit with those companies."

Looking far from home for additional business wasn't all that Buchanan Sales accomplished.

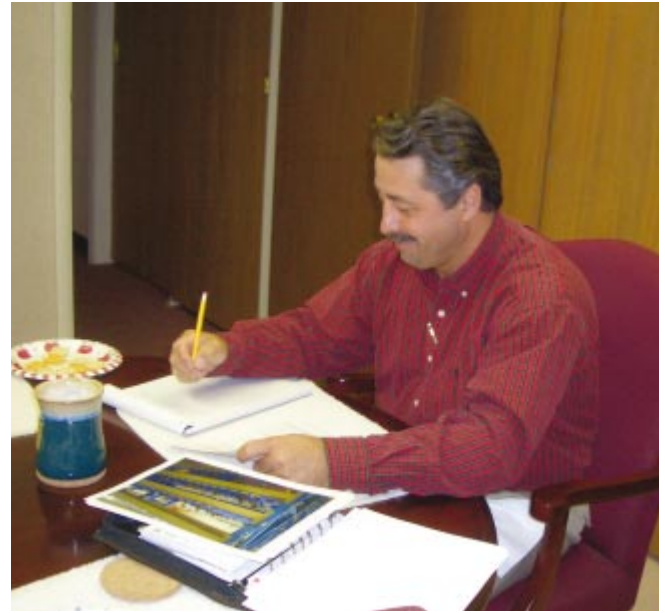
"Traditionally, our agency has been mechanically oriented. In the past year, however, we've added three electronic product lines. This move is indicative of our desire to look closely at different industries and different markets."

In viewing the move to the electronics market, Cramer admits that it was necessary for him and the others in the agency to navigate a learning curve, but the skills the agency already possessed served them well in this venture. "One high-end electronics manufacturer that we ended up working with considered our agency's track record and the customers we were calling on, and realized we could do the job even though we lacked the background in electronics. We're already off to a great start with them."

Territorial Expansion

In addition to the new electronics lines, Cramer adds that the agency was able to grow by expanding its territorial reach. "Another principal approached us with the possibility of covering the state of Indiana for them. At the time I thought to myself that I've just cut the agency by 30% and now someone wants me to expand. This was an example of taking a look at an opportunity; and if it's right for you, you just grit your teeth and move ahead with it — and that's exactly what

...*"the greatest asset the independent manufacturers' representative possesses is his flexibility."*



Clockwise from top, left: Mary Jo Kaczynski (left) and Louise Bosilovich form the administrative staff of Buchanan Sales Co., Inc. Drew Huskey, outside salesperson for Buchanan Sales. A strategy meeting, left to right are Elry Cramer and Joe Daly of Buchanan Sales, Don Smith, vice president of Quality Compacted Metals and John Dippold, vice president of Innovated Sintered Metals.

we did. My feeling was that Indiana was the right move. Plus, we had been with this principal for years, and his feeling was that he'd much rather go with an agency he was familiar with rather than go with someone new. Fortunately, several other of our principals provided us with the same vote of confidence, making the move into expansion viable."

As for having learned anything that he might want to pass on to other reps facing similar concerns, Cramer adds that "the greatest asset the independent manufacturers' representative possesses is his flexibility. At the same time, one of the major strengths the rep possesses is the good principals he conducts business with. Even more important are their own people, their team and the processes they have in place. When

something such as that which happened to us, happens to others, the one thing I'd keep in mind is the importance of putting your shoulder to the wheel in order to make things happen. As reps, we're always going to hit bumps in the road, but long term there's no reason why we shouldn't prosper."

Cramer continues that as important as all of the changes are that he made with his agency, "it is critical that all reps remember that long-term relationships are still the key to our success. This is true of both our customers and our principals. As a rep we must earn the right to those relationships by bringing ever-increasing value to both parties. We are convinced that the changes we have made will make a substantial positive impact on our sales for the 2004-2005 fiscal year (Septem-

ber-August). In the meantime, we increased our sales by 12% for our recently ended fiscal year and are projecting a 15% growth for our current fiscal year. This is primarily due to the long-term, positive relationships that we have with our current principal base. Most of our principals 'get it.' We have worked together to prosper in a down economy. Our long-term success will always be based upon ongoing positive relationships with our principals. The changes that we have made will produce the results that we desire only if the new additions to our principal base can live up to the standards set by our current principals.

The only constant is change. We will probably be a radically different company in another five years, but I have no doubt that we will be successful." □