
Rep Meetings Share Economic Theme

In rep association annual meetings held on opposite sides of the continent, the theme was the same — the economy and its impact on the independent rep.

On the West Coast, the Power-Motion Technology Representatives Association (PTRA) received a review of the current economic business climate by an executive from the National Association of Manufacturers (NAM). In Philadelphia, electrical reps received an economic forecast from the U.S. Chamber of Commerce.

Speaking to the PTRA group, Patrick Cleary, senior vice president, public and external affairs for NAM, admitted that his organization's goal is to "create a climate in the United States that allows manufacturing to survive and prosper. We don't have that climate today — but that's what we want."

To emphasize how important

the manufacturing sector is to the U.S. economy, Cleary said that 75 percent of all exports from this country come from the manufacturing community.

To achieve its stated goal of an improved manufacturing climate, Cleary emphasized that NAM's agenda includes:

- reducing the cost of doing business in the United States,
- achieving a level playing field with all of this country's trading partners,
- developing a tax system that encourages investment and innovation, and
- maintaining an adequate supply of skilled workers.

One fly in the ointment that mitigates against reaching those lofty goals, according to Cleary, are the legal costs that accompany any business in this country. "The legal costs associated with running a business in this country are equal to two percent of the United States' gross domestic product (GDP). As a result, we have a cost disadvantage vs. any of our trading partners."

To reach NAM's stated goals, Cleary urged his listeners to make



Patrick Cleary, senior vice president, public and external affairs, NAM (left) and Joe Miller, president/CEO, MANA.

sure they identify issues that matter to their companies. "Once that's done, communicate with employees on how those issues affect them. Urge them to take action on those issues. Inform them where candidates running for election stand, and then get them registered and out to the polls."

Economy and the Electrical Rep

Meanwhile, a few thousand miles away on the East Coast, the National Electrical Manufacturers' Representatives Association (NEMRA) was conducting its annual conference. Keynoting that meeting was Martin Regalia, vice president and chief economist, U.S. Chamber of Commerce. Starting off on a humorous note, Regalia repeated a quote from John Kenneth Galbraith, who maintained, "The problem with economists isn't that they don't know, it's just that they don't know that they don't know."

With that as a preface, he said, "We are slowly coming out of a recession. The job numbers have turned slightly positive and we're over the hump, and that's good."

He said the economy continues to grow, owing mostly to personal consumption figures — "That's the big dog." He explained that "tax cuts stimulated the economy and people are going to continue to spend." He cautioned, however, that "consumer debt remains a problem and it's a problem that will continue to soak up discretionary income."

Regalia said he sees improvement in the trade situation between the United States and China, as soon as the latter adopts

"a more realistic monetary policy." On the domestic front, the economist sees little chance of major increases in interest rates this year. "The Federal Reserve doesn't like to get involved in election-year politics," he maintained. "We probably won't see any increase until next January or February."

Editor's Note: Unfortunately this prediction did not hold water as the FED raised interest rates ¼ point in June.

Trends Affecting Reps

Also speaking at the PTRA conference in Huntington Beach,



Martin Regalia, vice president and chief economist, U.S. Chamber of Commerce.

75% of all exports from this country come from the manufacturing community.



Attendees at the PTRA (Power-Motion Technology Representatives Association) meeting on the current economic business climate.

Outsourcing is in and reps have become more professional in their craft. What this results in is an excellent environment for rep firms.

California, was Joe Miller, MANA's president and CEO. In his presentation, Miller alerted the audience to the major trends MANA has identified as affecting the future of independent reps. Included in those trends are:

- Global competition — Among the ways this trend is manifesting itself is through the production and supply from third world countries of quality goods at better-than-competitive prices. This trend has placed considerable pressure on principals' margins, which trickles down to the rep's margins. One result of this trend is that some reps have been able to profit through conducting business with foreign principals.
- Demands for improved productivity — At the same time that manufacturers have moved toward becoming "lean and mean," those same manufacturers are beginning to shift some of their traditional tasks to field sales. The typical rep reaction is that this is fine — as long as the rep is compensated for perform-

ing additional tasks. Another outgrowth of this trend is that principals are becoming more productive. As they achieve their productivity goals, they expect their reps to also improve their productivity. Technology is seen as an aid here.

- A shift in the supply/demand equation — While the number of rep firms continues to decrease, the number of manufacturers using reps continues to move upward. In addition, manufacturers from all over the world covet the U.S. market. Outsourcing is in, and reps have become more professional in their craft. What this results in is an excellent environment for rep firms.
- The emergence of new forms of compensation — As mentioned previously, as manufacturers shift additional tasks to their rep field sales force, reps react by requiring additional compensation. As a result, some new forms of compensation have evolved, including pay for shifted cost, shared territory development costs, and changes in split commission formulas.
- The fact that reps now have less time in the field — As the cost of conducting a single sales call has risen to more than \$300, reps are finding they are spending less time in the field. To counter this trend, the rep's role is changing, relationships have become more important than ever before, and the rep has become

more professional in running his business and calling on customers.

- There continues to be an increasing pace of change — As agencies continue to grow larger, product life cycles continue to shorten, and reps and principals are seeing shorter business relationships, reps have to change the way they operate.

After covering these major trends, Miller went on to offer his audience a number of coping strategies they can employ in order to succeed. Those coping strategies include many that have been reported in *Agency Sales*.

In addition to the economic presentation at the NEMRA conference, another highlight of that meeting was a panel discussion composed of reps, distributors and manufacturers discussing issues of common interest. Among the major points that came out of that roundtable was a listing by one manufacturer of the major traits a good rep has to possess in order to provide value to the distribution channel. Among those attributes were:

- The rep must be industry-savvy.
- He must be involved in his industry associations, including rep associations.
- He must be knowledgeable concerning local and national market conditions.
- He must be technologically up-to-speed.
- The owner and all the employees must be trained and educated in the products they sell.
- They must have a succession plan in place and must share that plan with their principals.
- They must have a diverse, synergistic line of products.
- They must have a reputation for integrity and honesty in their territory. □

...relationships have become more important than ever before, and the rep has become more professional in running his business and calling on customers.

Copyright © 2004, Manufacturers' Agents National Association

One Spectrum Pointe, Suite 150, Lake Forest, CA 92630-2283 • Phone: (949) 859-4040 • Toll-free: (877) 626-2776 • Fax: (949) 855-2973

E-mail: mana@manaonline.org • Web site: www.manoonline.org • All rights reserved. Reproduction without permission is strictly prohibited.