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# Exclusive Territory vs. Select Account Basis

by DAVE DOLIN

**D**uring the past nine years I have had the good fortune of interviewing more than 1,000 rep agencies and more than 150 manufacturers in various industries such as electronics, metal, plastics and other industrial products. From time to time it appears that a new approach is beginning to take root as to how manufacturers/agencies view their respective roles in selecting business for their principals.

I have recently noticed a growing tendency for manufacturers to seek representatives based on a “select account” basis vs. exclusive territories. This is not universally accepted nor with great enthusiasm, since change is never welcomed. However, as time rolls on, some of the manufacturers feel this trend will replace the traditional exclusive territory which has been in vogue for many years. Permit me to describe what I feel is a fair comparison without offering any bias or prejudice. The ultimate objective is to provide the manufacturer with numerous business opportunities, and at the

same time allow the agency to generate new business at the least possible cost. I am sure that each of you have faced this either as an option or as a prerequisite, and can certainly find both the value and the downside of either system.

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## Exclusive Territory

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This traditional territory approach has been in vogue for many years and continues to be accepted by both the factory and agency. Not only does the rep feel well protected in his sandbox, but he will reap the benefits of finding new accounts, big and small, throughout his staked-out territory. This activity enhances his position with the factory since the

manufacturer feels that the rep is beating the bushes regardless of the time spent in finding marginal accounts. As we all know, the only thing the rep has to sell is his time, and undoubtedly the majority of his sales are focused on as few as three, or as many as eight major accounts (representing 80 percent of his business on a given line) and struggling to provide new opportunities at marginal accounts — at an exceedingly high price.

In the meantime, the manufacturer is very much aware of the agency being unable to sell a number of class “A” OEM accounts, and is patient, hoping that some of them will become active customers. We all know that no matter where the territory

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is, and no matter who the principal and the reps are, there will be some significant customers who are not being sold to. It's an unwritten "given" that many of these accounts will remain elusive and not part of their sales. It comes down to a mutual acceptance that the cost of loyalty and tradition will be expensive to both the manufacturer and ultimately the rep. Checkmate!

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### Select Account Basis

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Both the principal and the client are focusing on a key number of accounts, usually selected by



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the agency. With some minor modification, there are additions and deletions up to six months to a year covering active accounts vs. dormant. Both parties can add or delete based on history and activity. Both parties are well aware that this is not the ideal way to develop a strength or commitment covering loyalty and other glue that is good both in growth and downturns in the economy. However, the manufacturer reserves the right to add another rep(s) as long as it does not interfere with the existing rep's account list. This arrangement probably leads most people to say that this rep is a "hired gun" with no long-term relationship. However, the rep is not going to chase smoke stacks or marginal business. The manufacturer has the right to hire those reps who might have the relationships and history with key accounts not presently active with his company. It is a marriage of convenience with all parties accepting a tenuous relationship based on performance only.

I don't feel qualified to recommend one system over the other, but during my 35-year history as a rep, I grew up in the environ-

ment of longevity, loyalty and very few mergers and buyouts to mar our mutual relationship. We worked our territories, and we did invest good money in future business opportunities in the hopes that this would protect us from continued pressure. When you consider that today well over 50 percent of all marriages end in divorce, and that rep association with principals is determined by economic factors not based on the rep's performance, you then have to evaluate and judge what is best for you. While it's nice to have a strong sense of belonging, the manufacturer's first obligation is to his board or shareholding public and will act accordingly. At the same time, the rep is determined to remain solvent and to provide business opportunities wherever they come from. It's very expensive to chase smoke stacks.

I suggest that when you are next approached to represent a line for representation that you carefully weigh the good and the bad; i.e., the short-term benefits and the long haul as to the unknown level of relationship and building of continuity and integrity with both your customer and your principal. □

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