
How Buy/Sell Works For Some

When addressing the subject of independent reps who buy/sell products, it was suggested that it's a little like being pregnant — you either are or you're not. You either buy/sell or you don't.

In speaking with several reps on the subject, those words ring true as some indicated that by definition, an independent manufacturers' representative is not a distributor. As a result, if they are to remain as an independent rep, it is not their charge to take on the task of distribution. Others, however, indicated that in serving the markets and the customers that make up their territories, there are bona fide reasons why the rep can and should operate as a distributor.

The latter instance is indicative of the fact that some reps are buying and reselling products for a number of reasons, not the least of which is to enhance their profitability. Whether buy/sell has al-

ways been a factor in the rep's business or is emerging now as a growing trend remains to be seen. What is a fact right now, however, is that reps have some very specific views on the matter.

For instance, consider one rep who serves the plumbing industry and maintains, "I know many reps who buy/sell. In my opinion if what they're doing involves 'A' and 'B' items, they're providing a disservice to the channel and in fact they're adding cost. As a result, our channel becomes less competitive."

Defining What a Rep Is

Then there's the West Coast



John McNellis
MANA's district 5 director

rep whose voice betrayed his disapproval of reps being other than reps. "There's an obvious conflict of interest here," he says. "When you operate by buying and then reselling, you focus more on capturing the sale at the end user. Your charter as a rep is, in fact, to not only capture the sale at the distributor but also to create demand in the market. When you

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concentrate on buying and reselling, your goals change, and you're not representing all the interest of the manufacturers you work with."

If that's how two reps who don't buy/sell feel, here's what another who is actively engaged in the process says.

John McNellis, McReps, Inc., Oconomowoc, Wisconsin, explains, "In some cases we buy and sell OEM components where there are small- to medium-sized manufacturers located outside the United States that can provide three out of the four necessary requirements to the marketplace. What they can provide are quality, competitive price and internal factory support. What's missing are service and delivery, and that's where we come in. A local or regional stocking of parts is needed to provide almost immediate delivery to customers. This situation results when the customer has pushed back to the manufacturer to hold stock. Since the manufacturer can't or won't do that, we're provided with an opportunity to either maintain or gain new business. And, that's what we do."

McNellis continues that he's heard of other rep firms faced with similar situations that have either created a separate secondary company to handle the stocking and selling or have just incorporated that function into the service provided by the rep firm. "There are pros and cons to both methods. From a legal and logistical standpoint, it makes sense to have a separate entity. Along with that approach, however, comes additional paperwork and administrative costs."

As to why the buy/sell function

is even being discussed, McNellis explains, "The markets and customers we serve are constantly changing. As reps, it's expected that we change along with them in whatever shape or form that results in a triple win — that is, it works for the manufacturer, the rep and the customer. For some reps, buy/sell may not be the course to pursue. For others, it may be the only course. I think a lot of it depends upon the industry and specific products we're talking about, not to mention considering what the competition is doing."

Drawing Another Arrow

He concluded by saying, "I'm obviously pro buy/sell. I view it this way: If you buy/sell, that's another arrow in your arsenal of services. If using that arrow results in the triple win I spoke about, then use it. If not and buy/sell won't work in your market, use one of your other arrows — whatever it might be."

Gary Smith, G.L. Smith Associates, Inc., Yorba Linda, California, utters the word "survival" when the subject of buy/sell is raised. According to Smith, "We all know that the definition of an independent rep is one who is an independent contract salesman — he's not a distributor. Having said that, however, it's something we're thinking of getting into. Why? It's a matter of survival. The standard commission rates we deal with are around five percent, and it's getting harder and harder to get our factories to maintain those rates. At the same time, it's difficult to live off the



Gary Smith



Michael Elovitz

margins we work with. By setting up a secondary company to handle your buy/sell activities, you'd be able to achieve increased income, while being better able to meet the needs of your customers.

A similar view is offered by Michael Elovitz, Elotek Systems, Inc., San Clemente, California, who notes that in the electronics industry, "Around 10 percent of the reps buy/sell." The major reasons he cites are, once again, increased income and the ability to better serve customers. "Most of the principals don't necessarily



Dennis Tulimieri



Monroe Bunge

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want the rep to do it, however. They don’t want the rep to become a customer, they want you to be a rep. We do it to accommodate customers when they place multiple orders for multiple principals that we rep, to round out an order, when they want to place a single order, or when a principal won’t take a certain credit card.”

Picking Up for Local Distribution

Bob O’Brien, Signal Enterprises, Inc., Montrose, California, explains that his agency engages in buy/sell when “principals don’t have very good local distribution. What the manufacturers want in those cases is someone to stock a little and to provide the customer with someone local to talk to. The advantages in such arrangements are that we don’t lose a sale and we make a larger commission and a profit on the sale.

While Dennis Tulimieri, Tulimieri Associates, Inc., Glastonbury, Connecticut, does not buy/sell products, he notes that his agency does offer services to customers on product modifications or field service. “We’re an authorized regional modification center for our principals. In everything we do we’re very cautious not to interfere with the channel to market.” He goes on to note that whatever services his agency provides are clearly in support of the channel he works in.

While admitting that he’s waffling a bit when it comes to deciding on whether to buy/sell, Monroe Bunge, Goldenwest Sales & Associates, Huntington Beach, California, admits he’s probably going to go forward with the

move. “I’ve got one manufacturer who has approached me about it. My initial reaction was that I’d like to just rep him for about six months to see if the product will really move. However, having said that, I’ve got to admit that I’m ready to move ahead right now.”

He adds that he’ll probably do it in the second quarter of this year, “even though I’m scared. I can lose a lot of money on this.” As some other reps have already done, Bunge explains that his buy/sell effort will be conducted via a secondary firm to his rep agency.

As he considers the move, he admits the lack of activity in the California market is what is driving his decision. “In times like this when nothing is happening, you’ve got to do something yourself to make things move. If you do nothing, then nothing will happen.”

The only downside to buy/sell according to David Snyder, D & D Engineering, Northridge, California, occurs when customers exhibit some confusion about the role of the rep. According to Snyder, “There are some product lines customers like to buy from us because we’re a vendor. In other instances, when we’re the rep, we have to explain the difference to them. When that happens, they’re patient enough to listen to our explanation and there’s really never been a problem.”

He adds that just as the other reps interviewed for this article, there are differences in the commission rate when the rep acts as a rep vs. acting as a distributor.

And finally, Tom Felts, TechRep Components, Inc., Lomita, California, explains that his agency got involved in buy/sell about 10 years ago when a Japanese manu-

facturer indicated they weren't looking for a rep in the United States, what they wanted was a distributor. "It looked like a good

fit for us and worked well with what we were already repping. We went ahead and took on the line and it's worked well for us ever

since. In addition, the line has been very profitable and paid much more than the standard five percent commission."

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