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# A Different Approach To A World Market



*Rosanne Brunello-McCay*

A number of variables have combined to change the face of Mountain Rep, Chandler, Arizona, and the approach its owner takes to address the needs of the marketplace:

- First, there was the business impact of 9/11.
- Next, was the growth of outsourcing coupled with misconceptions concerning what exactly was entailed with that trend.
- Then came the evolution of “rep commissions as a thing of the past.”
- And finally there was the repositioning of the MANA-member firm from a traditional independent representatives agency to one that provides a complete menu of marketing services.

Before describing what Mountain Rep’s president, Rosanne Brunello-McCay, has done to remake the firm’s mission and image, it’s useful to gain a perspective of how her rep business has changed since *Agency Sales* last visited in 2002.

According to Brunello-McCay, “Many Americans do not understand the word ‘outsourcing.’ The media continue to insist that

outsourcing (to low-cost countries) is a negative position for the U.S. A number of conditions have to be considered, however, before adopting an objective/informed opinion regarding outsourcing. Having said that, what makes me think I have the solution that will satisfy this concern?”

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## Losing Jobs or Saving Businesses?

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She continues, “We need to remain the world leader in business. We have the strongest military; the highest technological capabilities; the largest purchasing power; and the largest ‘spend’ in the world. For many reasons, however, we are losing our competitive edge. U.S. companies cannot stay competitive in a world market if the total cost of manufacturing exceeds the cost obtainable in other countries. The United States has to be proactive by developing a business philosophy that will help us not only stay competitive on a short-term level, but keep that competitive edge forever. Since

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competition is worldwide, we must learn to be more efficient any way we can.”

Achieving the goal of becoming more efficient brings change, explains Brunello-McCay. “To be competitive in a global market means providing marketing services; low-cost, shortened lead times; and product availability — without necessarily carrying inventory. The need to outsource product — which does not match a company’s core competency — is necessary in order to stay competitive in today’s market.

“Outsourcing is a way to subcontract products/services that a company does not have the capability or capacity to manufacture in-house at a competitive price. Many alliances have been formed between companies that can provide such items at a lower cost; hence, low-cost centers. A low cost center may not necessarily be out of our country, however. There are many businesses that may be able to produce a product at a rate where the incentives received and the savings in soft costs make up for the higher production rates.

“Regardless of where the least expensive manufacturing facility may be, we should regulate what and where our wealth and intelligence are shared. Many controls are already in place to limit the amount of intelligence we share

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with neighbors. Perhaps the answer is to govern what is allowed to leave our country and address anyone or any company that does not follow.

“By continuing to give away our technological advantages, we will lose our positioning as the world leader in innovation. Not all countries have to obey our patent laws. China loves it when a product is offloaded to a company within their country. They are now going to capitalize on a product that looks and acts just like yours; however, it will be better, smaller, less expensive and the time to market will be shorter than the parts you subcontracted to them. China does not have to honor our patent laws. How long do you think it will take for them to obtain the knowledge that is needed to produce product on their own, without foreign investment? Not long, I assure you!

“The solution, in my opinion, is to retain all large U.S. contracts to be placed with a U.S.-registered

company, keeping the ‘spend’ in America. As a result, our money stays home. We set the baseline of what the market will bear, and then bear it. This way, our position as leader within the global economy has not been tampered with. We share our intelligence at our discretion. We control the rate at which these foreign nations develop — both financially and culturally. If we can slow the speed of progression in these Third World countries, we control the competition.

“Let us place orders with American companies whose business savvy enables them to capitalize on the low wages obtainable in different parts of the world. These are the companies that are setting themselves in front of their competition.”

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#### **Working a Business Corridor**

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With those words serving as background, Brunello-McCay continues that what she has done with Mountain Rep is change the firm from the traditional “rep-working-for-commission” model (as described in the November 2002 issue of *Agency Sales*), to one that has carved out a unique niche in the marketplace. As stated on the agency’s web site ([www.mtnrep.com](http://www.mtnrep.com)), “Our mission

***“Let us place orders with American companies whose business savvy enables them to capitalize on the low wages obtainable in different parts of the world.”***

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is to develop relationships between the sub-contract manufacturer and the OEM (Original Equipment Manufacturer)."

To further that goal, she explains that Mountain Rep now focuses its efforts on what is known as the Arizona-Sonora Corridor Network (ASCON). "I focus my efforts in this 370-mile long stretch and seek contracts from 'first-tier' manufacturers located there." She explains that the first-tier U.S.-based manufacturer may then subcontract the business elsewhere, but the "spend" is kept here in the United States. "Sure, we're still dealing with businesses in Mexico and China, but it's only on a second-tier level," she says.

She continues that the U.S. move to outsourcing overseas is going to continue "with or without my efforts, but by dealing with U.S. companies in this manner we're able to keep the spend here." She adds that thus far the effort has proven very popular with machine shops, and she sees the auto and aerospace industries following.

"I'd say the effort has been very

successful, owing to the fact that outsourcing has become so accepted. And once I explain to prospects who might have been reluctant in the past, I've been able to turn what was once a negative into a positive."

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### **The Rationale for Retainers**

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Commenting on another negative that she's turned into a positive, Brunello-McCay explains how her belief that commissions may be a thing of the past for reps has changed her agency operation. "Following 9/11, when business in general dropped off and many companies looked for any number of reasons to avoid paying reps for what they were doing, it became evident that traditional commissions for reps were a thing of the past. Instead of business as usual for reps, it has become incumbent for reps to start today preparing for the future."

As a result, when she went back full-time to Mountain Rep after a couple of years as the western regional sales manager for another company, Brunello-

McCay realized she had better change the way she was being compensated.

"Sure, I'm back to being a rep and being paid commissions, but there's more to it than that. If only I could have avoided all the time and energy it took collecting commissions that were owed me for work I had already performed. That's why in my work with ASCON, I require principals to pay me a monthly retainer for the work I do on their behalf. Here's how I present it: Pay me a retainer for the work I'm doing for you today. Plus, I receive commission for new business I bring in. It's been my experience that when suppliers have cash flow problems, they're not all that concerned with the rep being paid. This approach guarantees my compensation."

She adds that as more and more principals hear her message, they're agreeing with her position. "I tell them exactly what they're going to get for their investment. I communicate my value-add as a rep and let them know how I'm developing business for them in the ASCON corridor."

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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](mailto:mana@manaonline.org) • Web site: [www.manaonline.org](http://www.manaonline.org)

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