



Sell More = Earn More

Three conversations illustrate the different views that independent representatives and manufacturers can have on the subject of compensation. A manufacturer and two independent representatives pose a number of questions and provide just as many answers when the subject of conversation is how the rep increases his value-add and how that value-add shows a positive result on the bottom line.

- How can the rep earn more from his current manufacturers?
- Are manufacturers off-loading certain tasks to their reps, and are reps being compensated for performing those tasks?
- Should there be a special compensation agreement when it comes to pioneering new lines?
- What's the best way to "incent" the agency's salespeople?

In partial answer to these and other questions, Richard Neumann, national sales manager for Grayhill, Inc., LaGrange, Illinois, advocates that the agency of today had better consider a new business model if it hopes to be successful in the rapidly evolving global marketplace. And part of a philosophy that should accompany that business model is a belief that if the rep wants to earn more, he has to sell more. Grayhill is a major supplier in the electronic components market and is a major user of reps, a major supporter of reps, and has been an active participant in ERA's manufacturer member organization.

Neumann, who works with 23 different rep organizations in the United States and Canada, maintains that the various pressures

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(e.g., the economy, globalization, downsizing among manufacturers, etc.) have exacted pressure on independent manufacturers' rep firms to the point where they have to change the way they've historically conducted business. "When there was a downturn in the economy beginning in 2000, many manufacturers began the move offshore as they chased low-cost labor. The reaction of many reps was to look where they could cut cost. One of the things they did was to cut people so they could remain competitive. That was the wrong move."

On the contrary, Neumann believes what reps should do instead is to keep their people in front of customers, take on new lines — and look for other areas to cut in order to maintain and ensure their economic health.

"I'm not like many other sales managers," he admits. "I think one of the most important things for a rep to do is to increase the number of principals they carry on their line card. Sure, it's hard enough for a manufacturer to achieve mind share with a rep, but if the agency isn't fiscally healthy, what difference does it make?"

The Case for Adding Lines

But, instead of just adding lines for the sake of adding lines, Neumann urges careful consideration. "Reps have to change the way they look at new lines. In the old days, you looked at a new line in your territory as additional commission dollars. And, if you had a choice between two lines, more times than not, you'd choose that which would bring in more dollars. In today's world,



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however, you have to take a careful look at your customer base. Which lines fit better in serving those customers?

"I firmly believe that it's easier for a rep to profile his customer base than ever before. I would suggest that today's rep had better profile his customers and measure how many lines they sell to each customer. By doing that, you can gain a real feel for how synergistic your sales efforts are."

While Neumann urges reps to add lines and keep their salespeople in front of the customer, he does cite some areas where if the rep has to, he can cut costs — all in the interest of staying competitive. "I'm constantly asking reps if they run a lean operation. I ask that because of a couple of considerations. There's one agency I know of that pays more than \$26,000 monthly for two beautiful offices. Is that really necessary? As a manufacturer, I don't care about your brick and mortar. There's a new business model today that allows you to operate out of a virtual office. Why not — if you have to — work out of your home and car?

Others do it successfully.

"The most important considerations today are:

- Having your people in the street — "Remember, we're still in the relationship business here. I want my reps to know who their customers are and what their needs are. It doesn't do any good if you and your people are stuck in some cubbyhole in a nice office. They've got to see customers."

- Electronic communications — "With the tools that are available to us today, the rep can stay in touch with his office, customers and principals with no inconvenience."

This all leads to Neumann's final point: If the independent rep has a desire to earn more, "he's got to sell more."

According to the manufacturer, "The best salesmen are those that want to be 'incented' by commissions. Most reps in my industry are on straight commission. We measure the effectiveness of reps by the commissions we pay. The manufacturer should make his reps work. We've done that and seen that something that was nothing turns into long-term business." □