
Capital Equipment Reps Meet Unique Challenges

A rep is a rep is a rep. Sounds good on paper, and in many cases it's true, but once you drill down into what's required of independent manufacturers' representatives in specific industries, you may find that comparing them and what they do and the markets they serve, it's a little like comparing apples and oranges.

The best case in point might very well be capital equipment reps. The fact that this group's needs, wants, desires and plans for the future might be different from those of their more commodity-oriented peers is quickly discerned from a series of conversations. As a matter of fact, those who toil in the capital equipment markets tend to emphasize their differences from commodity reps, rather than their similarities.

High on the list of elements that set them apart from their brethren are:

- The high-tech orientation of many of the products they sell.
- Long lead times, which cause them undue concern for keeping the pipeline full and carefully watching their cash flow.

- Performing services that they are not always compensated for.
- The ever-present concern that some principals might balk at large commission payments and seek to bypass them and sell/service accounts direct — thereby avoiding commission payments that they may have already earned.

High-Tech Expertise

According to MANA member Mike Zakur, Canam Industries, Kinnelon, New Jersey, he's carved out a niche for himself that requires him to not only sell products to customers, but also to convince principals to contract with him in the first place. "What I've done," he explains, "is to con-

centrate on those principals that have high-tech needs in the marketplace. At the same time, they may be manufacturers that have given up on the idea that an outsourced salesperson can do the job for them. Perhaps their belief is that there is no individual that possesses the levels of proficiency and commitment that are needed to get the job done. As a result, I've got two sales jobs — selling myself to the manufacturer, and selling product to the customer."

Following up on that theme, Zakur notes that different skill sets are needed for technical sales. "I would never insinuate that an individual dealing in commodity products doesn't have to know the product and work hard to develop relationships. But the real question is the differences that technical sales require. With the former, the sales approach might be something like 'how many do you need and when do you want them?' With the latter, however, there's a level of detail work that is critical."

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Lengthy Lead Times

Missionary work is what's often mentioned by MANA member Ed Bobacher, Anjo Enterprises, Inc., Ringwood, New Jersey, as he describes a typical sales cycle. "From the introduction of a product line to market, it often takes three months. Following that, the time to our second sales call can be another three months, followed by three more before an order might be placed. By the time the item is shipped and paid for, it might be as long as a year later. It's easy to see that an agency's revenue for capital equipment sales can be extended over a long period of time. To meet that challenge, and to ultimately succeed as an agency, you've got to work hard and develop an ongoing revenue stream. If not, you'll be out of money in a hurry."

Bobacher is hardly alone in that view. Skip Burnham, Dick Burnham Technical Sales, Inc., a MANA member from Milford, Massachusetts, points to one project he's been involved with that stretches back four years, and has yet to generate any income. "We're involved with what could turn out to be one of our greatest projects," he explains, "but to date we haven't received a dime for our efforts. I guess that's just the nature of the beast. What we'll continue to do is to put forth our best efforts. God knows what will happen before it's all done."

The challenge with long-lead-time projects, according to Burnham, "is to get your customers to order products on time. There's always an approval process involved (e.g., approvals, drawings, re-approvals, modifica-

tions, etc.) that you have to live through."

To deal with the long lead times and to generate much-needed income in the interim, Burnham says he's asked for some payments or retainers from manufacturers and has only received "lip service" in return. "They say something like 'We'll see what we can do.' But in the end we go begging for money."

Compensation for Services Rendered

"If anyone has found a way to get compensated for consulting services performed for an engineering firm, I'd like to hear about it." That's the scenario MANA District 8 Director Richard Sinclair, Applied Process Equipment, Inc., Scottsdale, Arizona, cites as a real challenge. "Historically, the pattern has developed that the agency is at the beck and call of the engineering firm. As a result, we perform a good deal of free consulting work with the engineers and then the information is passed along to the manufacturer."

How to get paid for those services? That's what Sinclair and others wrestle with. "Perhaps if we can get an engineering firm to truly appreciate our contribution, we'll get paid."

Another rep has come to terms with the fact that reps aren't always compensated for all that they do on behalf of their customers and principals. According to MANA member Arthur McAra, ASM Enterprises, LLC, Wexford, Pennsylvania, "I've been in business for 35 years and I expect to do all that I do on their behalf. I don't

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Here are just a few of the areas that MANA members are effectively selling in the capital goods arena:

- Scientific instruments
- Pumps
- Compressors
- Turbines and generators
- Test equipment
- Factory automation systems
- Packaging equipment
- Machinery and machine tools
- Robotics
- Boilers
- Motors, transmissions and drives
- Major office equipment
- Turnkey projects
- Material handling equipment
- Process equipment
- Pipe, valves and fittings
- Agricultural equipment
- Earth-moving and construction equipment
- Major HVAC systems and components
- Computer software and hardware systems

really feel any additional pressure to perform added services.”

Collecting Commissions

By their very size, the amount of commission paid on some capital equipment orders is bound to get the manufacturer's — not to mention the agency's — attention. And, when that happens, sometimes things do not end well.

That's what Joe Bockrath, Accurate Machinework, Inc., a Newport Beach, California-based MANA member, cites as a challenge for those involved with capital equipment. “I'd say that most reps sell products well under \$100,000. My products start at \$500,000 and go as high as \$875,000. We're used to dealing with the long sales cycle for these products but sometimes a manufacturer will look at the size of the payment and feel he could handle

the account direct.

“I know a solution to this problem is to get the manufacturer to sign a contract. I just went through that process and the manufacturer refused to sign. Then there's the question of if a contract is signed, how enforceable is it? This is something we have to face all the time.”

Finally, Rodger Burgess, Blue Ridge Industrial Sales, Inc., a MANA member based in Atlanta, Georgia, notes that the customer base he serves is under pressure to survive. “Our customer base is shrinking. Add to that the fact that if one of our customers doesn't need the large machines we sell, it hurts our overall business. Sure, manufacturers are still looking to sell to this market, but the number of customers is dwindling.”

These and other concerns should come as no surprise to independent manufacturers' representatives that are involved in the

sale and service of capital equipment. To address these matters, MANA has formed a Capital Equipment Special Interest Group (CAPSIG) that may be the ideal networking opportunity for its members. The CAPSIG is conducting a two-day educational and networking conference dedicated to the unique issues facing sellers of capital equipment. Attendees will have an opportunity to learn from knowledgeable speakers and from others to improve their business skills. The conference is scheduled for November 9–10, 2005 in Louisville, Kentucky. The program will address such topics as:

- Legal and risk management.
- Representing foreign principals.
- Managing cash flow in the capital equipment sales business.

For detailed information, including an application form, interested MANA members should visit the MANA web site (www.MANAonline.org).