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# PTRA Attendees Focus On Manufacturing's Economic Impact

**T**here was no shortage of valuable take-home information for the more than 220 registrants — including 50 first-time attendees — at the 33rd Annual PTRA Conference in San Antonio, Texas. The four-day conference, conducted under the theme of *Joining Forces for Increased Profits*, provided attendees wide-ranging presentations on important subjects including the economy, marketing, health care options, working with distributors, and inside sales support.

Addressing the economy — and more specifically how it is impacting the manufacturing sector — Stephen Gold, vice president and executive director of the National Association of Manufacturers (NAM), Washington, D.C., noted that “if we’re to enjoy the benefits of a ‘new economy’ it’s going to need manufacturing at the core, providing a critical mass. Manufacturing matters. It creates jobs, but moreover, it is the single most important generator of wealth in this country.”

Gold emphasized that the importance of manufacturing was not necessarily in the products that are produced, but rather “it’s the manufacturing process that makes us prosperous. Manufacturing starts with an idea. Either it comes from someone like Thomas Edison or Steve Jobs. Then manufacturing research and development leads to investment in people, equipment and various other spillovers that result in unintended benefits for the economy. All of these spillovers lead to more competitive pricing, higher quality products, and a higher standard of living.”

Continuing to stress the importance of manufacturing as a contributor to the economy, Gold ex-



*PTRA's outgoing president, Gregg Smith (right) presents a gavel to incoming president, Mark Tsatsos.*

*Below: The conference started with a welcome reception.*





*Left to right: Tom Calvario, Mike Richie, Don Elfstrom and Duncan MacDonald related some of their experiences training and compensating inside sales staffs during the panel presentation on “Inside Sales and Support.”*



*MANA President/CEO Joe Miller compares notes with the NAM’s Stephen Gold prior to the latter’s presentation on “U.S. Manufacturing in a Global Economy.”*

plained that manufacturing has a greater impact on other parts of the economy than any other sector. “For instance, for every dollar of manufactured goods produced in this country, it leads to \$1.43 in other sectors of the economy. Manufacturing lets other industries get involved.”

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### Impact of Globalization

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Taking a bead on the subject of globalization and how growing competition from Asia will impact U.S.-based manufacturing, Gold discussed challenges the United States faces:

- Rising non-production costs — “What U.S. manufacturers face here are self-inflicted wounds. There are five factors that add considerably to non-production costs: governmental regulations; health care costs; high energy and raw material costs; taxation; and high legal costs.”

He explained that when you add these costs together, “it adds 22 percent to our overhead. That means every morning a manufacturer opens for business, he faces 22 percent in additional costs that competitors in other areas of the world do not. This puts us at a tremendous competitive disadvantage.”

- Rising global competition — “Our current trade



*The importance of reps building relationships with independent distributors was stressed by James Webster, DXP Enterprises, Inc., Houston, Texas.*

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deficit is in excess of \$650 billion. And the vast majority of that is with countries with whom we don't have trade agreements. Two-thirds of the deficit comes from trade with Asia."

Having covered the challenge to U.S. manufacturing in working in this environment, he went on to cover opportunities that currently exist because of this country's innovation, productivity and desirability:

- Innovation — "Innovation has been our competitive advantage for more than a century. Remember, 90 percent of all patents in this country come from the manufacturing segment and two-thirds of all patents come from manufacturing R&D."
- Productivity — "We've always done more with less. Manufacturing has outpaced the rest of our economy in terms of increasing productivity. That productivity comes from advancements in Just-in-Time delivery, lean manufacturing, supply chain management, digital technology, increased automation and a high-performance workforce."
- Desirability — "Worldwide there is a desirability for our products owing to the quality of our design and the superiority of our processes. For example, in 2004 we exported more than \$18 billion worth of products to 203 different countries."
- Educated workforce — "We boast more high school and college graduates than any other country in the world. Our ultimate goal is to have those graduates choose manufacturing as a career."

At the conclusion of his presentation, Gold listed specific areas that manufacturers and reps in attendance should pay special attention to in the days and months ahead. Included in those major policy legislative issues were:

- "The most important issue everyone should be concerned with is energy. There's an energy bill in front of Congress that everyone should pay attention to."
- Social Security reform.
- The Central American Free Trade Agreement (CAFTA) — "If this legislation is not passed, it will adversely affect the economies of Central American countries. China will continue to take jobs from them."
- General legal reform, including product liability.

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### Inside Sales and Support

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The economy was hardly all that manufacturers and reps learned about during their time in San Antonio. Earlier in the conference they learned about the following:

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- In a panel discussion devoted to inside sales and support, the audience learned that many rep firms feel pressure to perform tasks previously performed by their manufacturers. The same panel emphasized the importance of continued training for inside sales.

In a discussion on the former subject, it was agreed that there appears to be a trend among many manufacturers to transfer to the rep functions that were at one time under the purview of the manufacturer — with no additional compensation provided to perform the tasks. To counter that pressure one panel member made the point that "We asked for — and received — an additional percentage point from one of



***John Haskell reminded manufacturers how important it is to have their reps provide forecasting information on a regular basis.***

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our manufacturers for additional work that we perform. Our experience has been that there's no harm in asking and, in fact, when you discuss the subject with your manufacturers, you may be surprised how agreeable they are."

On the subject of training, all participants agreed that constant training remains critically important for the inside sales staff. Approaches to training vary from "nothing formal, with all of us just pitching in on a day-to-day basis," to "we put dedicated time aside to complete needed training. In addition, whenever special training programs become available to our sales staff, we make sure our inside people are included."

Panel participants were: Don Elfstrom, CPMR, Kacey Enterprises, Inc.; Tom Calvario, CPMR, Mahx F. Linster, Inc.; Duncan MacDonald, CPMR, Engineered Industrial Products; and Mike Richie, CPMR, J.T. Chapman Company. The panel was moderated by Joe Miller, president/CEO of MANA.

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### The Value Reps Provide Distributors

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A ringing endorsement for the role the manufacturers' representatives play in business was offered by James Webster, DXP Enterprises, Inc., Houston, Texas. DXP is a distributor of capital equipment, technical services and MRO products to the industrial market. "What you do for a living is what this country was built on," he told his audience. "When you opened up your rep firms, you didn't always get the cream of the crop when it comes to lines. But you continued to move forward and built your business by selling, pioneering and building business-to-business relationships."

Webster continued, however, that in order for the rep to flourish in the future, "You've got to reinvent yourself every day. We all have to be learning something new constantly. If you can't learn something that adds value to what you offer, you're not going to be here in the future. In order to reinvent yourself, you've got to constantly read, learn and build relations."

Webster emphasized the importance of reps building and maintaining relationships with independent distributors when he said: "If you come to me and other distributors with a new product, we'll take the time to listen to you and sell the product. It's important that we work together because if we don't, one day we'll wake up and we'll be gone."

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### Partners in Profits

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After tracing how the relationship between manufacturer and rep has changed from 1900 to the present, MANA President/CEO Joe Miller described how the relationship today benefits both parties. "In the early stages of this, the 21st century, we're at a point where reps are more professional than they've ever been before. Manufacturers, who are experiencing intense pressure on margins, are going lean by downsizing. Their middle management has almost disappeared, and they're exercising vigorous cost control. As a result, reps are more in demand today than ever before."

He described some of the value-added services that manufacturers' representatives currently offer to their manufacturers that encourage the demand for their services:

- Lead qualification.
- JIT delivery.
- Consultative selling.
- Order entry.
- Account management.
- Assembly and kitting.
- Regional sales management.
- Engineering and field work.

Once the manufacturer and the rep agree on what services are to be performed and by whom, what they should strive for is the perfect relationship between each other, according to Miller. Some of the elements that Miller maintained must appear in that relationship are:

- Concern about mutual profitability.
- Mutual respect, understanding, loyalty and integrity.
- Excellent communication up and down between the two.
- Efforts to maximize respective strengths and minimize weaknesses.
- A sharing of mutual objectives.
- Existence of a mutual territorial plan.

Other sessions conducted during the course of the four-day PTRAs conference focused on health care options for reps and the importance of marketing — for both the manufacturer and the rep.

Next year's PTRAs Conference is scheduled for April 26-29, 2006 in Cancun, Mexico.

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