
Reps Ponder Growth Plans For The Future



It's a combination of factors coming together that dictates whether an agency makes the move from the small one- to three-man operation to a much larger agency that serves a much larger market. Generally among the variables that go into the decision-making process are the:

- Agency owner's goals from the outset.
- Demands of the territory and its customers.
- Requirements the principals set forth in the coverage they expect from the agency.
- Inherent desire to take advantage of opportunity — whenever it presents itself.

As examples of how and why an agency may have stayed the course from the first day or changed the way it conducts business, consider some of the following views.

According to Wayne Bond, Process Technology Assocs., Inc., Nazareth, Pennsylvania, "Our goal as an agency has always been that we want to grow sales. Having said that, however, we've recently cut back on the number of manufacturers we represent. Cur-

rently we represent what I'd call four large manufacturers and two smaller ones. We elected to follow this course because any effort on our behalf to take on additional smaller accounts would entail a great deal of effort and work, and neither we nor the manufacturer would be happy if our efforts didn't result in increased sales. We simply have neither the people nor the time to put any more on our plate right now. For us to achieve the results we'd need to validate the effort, it would take a tremendous investment on our part."

Bond notes that his agency has three outside salespeople, one inside person and another person who handles accounting.

Surviving the Energy Bust

It's inevitable that during the life of an agency the owner will reach a fork in the organizational road when he's got to make one of two decisions:

- Do I stay as I am?
- Or, do I do what it takes to become a much larger organization?

Over the 27-year life span of his agency, Mack Sorrells, who still classifies Mack E. Sorrells Company, Inc., Rockwall, Texas, as a small agency, has asked and answered those questions. "At one time we had 13 people in the

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Wayne Bond

agency and operated two warehouses," he explains. "The 'energy bust' took care of all of that for us. But the size of your agency is really dictated by the needs of the marketplace and the agency's ability to meet those needs. I don't think your decision to change what you are is made because of the size of your territory. After all, the territory I serve is one million square miles. I feel my agency — with people in Houston and Dallas — is ideal for the business we're in.

"For anyone who's facing a business decision, however, it's important to remember there's a need for you to remodel your agency as the marketplace demands. For the future, I'm open to the possibility that we might go through some sort of an osmosis process, but right now we're where we should be."

"Depending on the day and the mood I'm in, I think a couple of ways about my business." That's how Peter Kennedy, Kennedy Industrial Sales, Fairfield, Con-

necticut, looks at his single-man agency business. "Sometimes I think I'm just the right size as I am. But before I know what's happened, I think I'd like to grow bigger.

"Staying the same — a single-man operation — has the obvious benefit of allowing me to operate with no employees and avoiding all the extra work and headaches that can bring. I don't have any of the concerns that go along with hiring and supervising someone. The downside to that is it can serve to limit your potential as there are some principals who only want to work with multi-man operations."

He continues, "If I ever decided to bring someone in with me, it would have to be business-justified. In other words, the market would have to demand it. Then I'd have to face all the concerns that anyone else in my position would have to face. Do I go the sub-rep route? Do I hire an experienced rep who would demand higher compensation? Or, do I go the way of hiring a less-experienced person and then have to face the prospect of training him over the period of time when he might not bring in that much business for me, but the potential would be there for the future?"

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Mack Sorrells

Going the Experienced or Inexperienced Route

Another single-man agency is

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Greg Reynolds

Target Marketing Assocs., Inc., Rocky Hill, Connecticut. According to Greg Reynolds, “At one time in the past I took on a sub-rep in an effort to become larger, but it really didn’t work out for me. The question of whether I remain as I am or make an effort to grow larger is one that I ask myself all the time. If I could find the right person and make it work for me, then I guess the answer would have to be ‘Yes, grow!’ But taking on employees is a hugely expensive venture.”

As fellow Connecticut rep Peter Kennedy detailed earlier, Reynolds knows he’d have to answer the questions:

- Do I pay a lot for an experienced rep who already knows something about the product and territory?
- Or, do I bring in a relatively inexperienced person, train him, and bring him along with the prospect that he might run the agency someday?

“Naturally, if you do the former, then you’re faced with the prospect of paying him a good salary reflective of his experience,” Reynolds says. “After all, he’s going to demand some serious dollars. At the same time, if you’re as small as I am, you can’t necessarily afford to make a mistake be-

cause you’ve got to have someone in place who can produce immediately. So, if you follow the latter course, you’re not talking about someone who can produce right away.

“Perhaps the sub-rep method is a way to grow your business. That’s what I tried. I paid the sub-rep a fixed amount retainer for a couple of months, but it didn’t work out.”

Reynolds continues that if he ever decides to make the decision to grow larger in the future, “I don’t know which route I’d take. One thing that has occurred to me, however, is the fact that if I take someone in, it might be wise to have someone like Rembrandt or some other firm do the employee screening for me.”

At this point, Reynolds speaks a bit about the cost of hiring qualified sales personnel for an agency. “As an agency owner, when you hire an employee you have to make sure he produces enough sales in order to positively contribute to the bottom line. If you look at big corporations, if they add an employee and a mistake is made, it’s no big deal. In small firms such as mine, if I make a mistake like that, it can be disastrous. These are just some of the things I keep in mind as I consider what I should do for the future.”

Going International

If Mack Sorrells and his company went through an “energy bust,” it took a “land crisis” for Pat Cobb and his agency to reinvent themselves. When Cobb, CPMR, bought World Class Industries, Inc., Hiawatha, Iowa, in 1981, he explains that he had four or five people working for him. He says his agency went through a virtual metamorphosis following what he calls the “land crisis” in his part of the United States. According to Cobb, “Land values crashed and the agricultural world as we were used to it stopped. Our customer base had no business, our principals that stayed with us couldn’t pay us, and the rest of them fired us. As a result, we were faced with the decision of changing who and what we were and how we went to market. We decided we had to get out of the strictly rep business, move into international sourcing, and actually do some product assembly.”

When visitors drop by his company’s web site (www.worldclassind.com) they’ll read what he’s speaking about. Very clearly stated, here’s what World Class Industries is today: “Got a supply problem? World Class Industries can solve it. From sourcing raw forgings and castings to

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Pat Cobb

finished power tools that are tested, packed and ready for retail sale. Plus value-added service such as product assembly, warehousing and inventory control, and vendor consolidation...Each new phase of our business was added because we had a customer with a need that required an innovative solution."

From its four- or five-employee beginning in 1981, World Class Industries now employs 38 people. According to Cobb, "Our customer base hasn't changed over time, but the way we go to market has. The end result is that as the world changed, we changed with it."

Weighing Risks vs. Opportunities

"We've gone through a lot of changes as to how we operate here in Texas," explains Dan Townsend, vice president of operations, Hugh M. Cunningham, Inc., Dallas, Texas. "We changed how and what we do largely because we feel that when opportunity presents itself, you have to take advantage of it. It's a little bit like what you go through in life. When you're 60 years old, you may be a little less willing to take a risk, and you're happy with

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Dan Townsend

your situation. On the other hand, let's say you're 35, and an opportunity is there. Because of the difference in your expectations, you're a lot more willing to move on it. Your risk levels are different. To that point, we're looking toward some regional expansion in the areas we serve. Where we've been a Texas rep for the last three to five years, we're now evaluating expansion geographically to neighboring states."

The expansion Townsend speaks about will occur in the variety of industries that the agency serves including electrical, plumbing, HVAC, utilities, fire protection and irrigation. "I'd explain that the approach we've taken with such expansion is to look at the opportunities as they present themselves, fulfill any obligations they entail, and then move on. Before making a move,

we'll look at our manufacturers and consider what synergies we can leverage as we move ahead to take advantage of any opportunity. After we complete what has to be done to realize those opportunities, we take a look at geographic expansion."

He adds that the expansion Hugh Cunningham has completed has been accomplished via merger/consolidation with other agencies, or buying smaller firms.

So, as you can see, the decision to expand or to run leaner is never an easy one. Principal satisfaction, changing markets and personnel costs are just some of the factors to consider. By reading and networking widely, you can stay on top of changes in your marketplace and make sure your agency is the right size for your customers, your principals and you. □

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