



Reps Network At Keystone 2005 Conference

Succession planning, globalization, communication and the continued evolution of the rep were just some of the elements that provided the framework for *Keystone 2005*, the rep summit sponsored by MANA and NEMRA in Louisville, Kentucky.

Put together under the theme of “Many Industries — One Profession,” the three-day *Keystone 2005* conference served as a summit for professional independent manufacturers’ representatives. The purpose of the rep-only meeting was to present “an event at which participants could focus on improving their expertise by learning with — and from — each other.”

And that’s exactly what participants did when, for example, they listened to a panel of reps who have already gone through the succession process.

The Succession Planning Process

Kicking off the session entitled “Preparing for the Sale or Succession

of Your Agency,” Marc Lewyn, CV Financial Advisors, Atlanta, Georgia, who has worked with many firms that have successfully completed the succession process, explained, “An individual’s ultimate success depends upon an exit plan. Like any other process within a business, planning for your inevitable exit pays off in:

- “Creating a higher value for your business.
- “Matters of tax liability.
- “The area of allowing you to

objectively consider several possible options — none of which may be a sale to a third party.”

Among the steps that Lewyn advises are these:

- Establish your objectives.
- Promote the value of the business.
- Clarify whether the goal is to sell to an insider or an outsider
- If the goal is to sell to an insider, determine how the buyer can generate cash necessary to make the transaction happen.
- Rely on a great advisory team.

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Above: Robert Nadeau, Industrial Performance Group, covered learning how to promote your services as an indispensable part of the sales equation.



Steve Waterhouse, The Waterhouse Group, addressed the group on the advantages and disadvantages of strategic selling alliances.



Michael Rowe (left), Rowe Marketing Group, speaks on internal team selling. Seated are the rest of the internal team selling panel (left to right) George Hayward, United Sales Associates; Kurt Nelson, Nelson & Associates; and Rick Johnson, CPMR, Andrews-Johnson-Brusacoram.

Assisting Lewyn in the discussion was a panel of manufacturers' representatives well acquainted and experienced with the exit or succession-planning process.

A slow, gradual approach to a succession plan is what is advocated by Joe Yore, CPMR, Electrical Marketing Services, Inc, Altamonte Springs, Florida. According to Yore, "Your transition needs to be slow and well thought out to be successful. I'd recommend five years for preparation and five more for its execution. It's equally important to have the right person involved with you in your succession planning. All your work will collapse if that individual lacks character and competence."

Echoing Yore's thoughts was Ken Blank, Mahx F. Linster, Inc., Alpharetta, Georgia, who emphasized that any exit plan "should be in place at least five to ten years prior to its actual execution date. In addition, all of an agency's principals should clearly



Above: Panel moderators (left to right) Bill Fitch; Rick Johnson, CPMR; Jamey Yore, CPMR; and Mack Sorrells, CPMR, responded to a variety of questions during an open discussion.



Left: David Cunningham, Hugh M. Cunningham, Inc., taking a break during a panel discussion on how the changing marketplace affects the role of the rep.



Pat Cobb, CPMR, World Class Industries, Inc., emphasized the need for reps to be prepared while anticipating the opportunities and threats presented by a "globalized" world.



Nancy Sciotto, NEMRA, speaks with a Keystone attendee during a break.

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know what this plan is, and you should get each of them to sign off on it. Above all else, avoid surprises in order to ensure that what results is a *win/win/win* proposition. By that I mean it should be good for the agency, good for the buyer, and good for principals/customers.”

Among the major points made by John McNellis, McReps, Inc., Oconomowoc, Wisconsin, as he looked back over the execution of his agency’s succession plan with his father, were the following:

- “We drew up an employee contract with my father. The contract contained all the benefits and detailed his responsibilities. Included in the agreement was 5 percent of the stock in the agency. That went a long way toward having him keep his interest in the agency and contributing to the success of the agency.”
- “Because it was a lengthy (eight-year) plan, it allowed for gradual principal acceptance of the change.”
- “It’s important to jointly hire a CPA and attorney, or make sure that each of the parties has the counsel of those advisors.”
- “Make sure you have a business plan in place and review it regularly.”
- “While my father has retired, the company has hired him back in an amount of five to six hours a week. He receives salary plus incentives and that has resulted in a win/win for all of us.”

The panel was moderated by Bill Fitch, Component Management, Inc., Spartanburg, South Carolina.

Impact of Globalization

The more than 125 *Keystone* attendees got their first taste of the globalization discussion when Pat Cleary, senior vice president of the National Association of Manufacturers (NAM), spoke on “Globalization and the Changing Marketplace.”

According to Cleary, a veteran when it comes to addressing rep groups, free and fair trade remain important issues in today’s business world. At the same time, globalization has served as a double-edged sword for U.S. reps and their principals — presenting both opportunities and threats. Increased markets for their products represent the opportunities, and greatly increased competition from offshore manufacturers represent the threats. Many products continue to be manufactured in America as U.S. business still provides strategic advantages to the world. And while U.S. exports created tens of thousands of jobs last year, those exports have fallen below the level of imports.

Among the reasons that exports trail the level of imports, according to Cleary, is the fact that the United States “carries a 22-percent cost disadvantage on its back in terms of legal costs. We carry the heaviest corporate tax

burden of any country in the world. We spend more on environmental compliance than any other country, and a total of 2 percent of our gross domestic product (GDP) goes to legal costs.” Terming those legal costs a “rat hole,” he continued that “we spend seven-and-a-half times what our closest competitor (Germany) does.”

He concluded by saying that manufacturing “is critically important to the United States’ economy and our standard of living. We are challenged today as we have never been challenged before. NAM is there to help us meet that challenge.”

A Global View for Reps

If Cleary introduced the subject of globalization to *Keystone* attendees, John Cower, vice president and general manager of Hubbell Electrical Products, advanced the subject in his presentation entitled “Globalization — A Focused View for Manufacturers’ Representatives.”

Cower has been involved in international outsourcing for just about every component of the supply chain for more than 35 years. Over that period of time, he’s seen firsthand how outsourcing on a global scale impacts manufacturers’ representatives, manufacturers and customers. Cower and two manufacturing colleagues shared some of that experience during their presentation, the goal of which was to describe what’s happened globally and illustrate why it’s important at the end of the day for agents to make a jump wholeheartedly one way or the other when it comes to embracing globalization.

Speaking from his perspective

of working almost exclusively with reps over the years, Cower explained, "When I started working globally in 1969, the driving force for us as manufacturers was to sell as much U.S.-manufactured product overseas as we could. Then in the 1970s, the view was held that anything imported from Japan and China was 'junk.'

"Times have changed, and we've changed with them. Changes have taken place either because labor is chasing capital or capital is chasing labor. Regardless of the reason, today the United States is viewed by the world as an important market. And we, in turn, view the rest of the world as a critical market for our products. As those changes have occurred, manufacturers' representatives and their principals have been impacted."

Cower emphasized, "I've always bet heavily on the rep's side of the equation because manufacturers' representatives provide me with the luxury of being able to marshal a number of skills to sell products in all sorts of creative ways — ways that would never be available to me by using a direct sales force. Reps allow me to market and sell a large collection of products worldwide, all under one umbrella."

To explain his company's view of reps and global marketing, Cower described a complex

project Hubbell secured and showed how globalization came into play for the rep. According to Cower, "This project involved multiples of agents and resulted in tens of millions of dollars in orders. That's what globalization is all about."

Assisting Cower in his presentation were Robert Cochran, who has responsibility for Hubbell's reps located outside the United States and Don Organ, a former rep, who is in charge of insourcing and outsourcing every component in the supply chain for the manufacturer.

The Inevitability of Evolution

When the subject turned to evolution of the rep firm, a panel of reps who have actually gone through a "morphing" process explained the need to take advantage of change whenever possible.

"How Will the Changing Marketplace Affect the Role of the Representative?" served as the umbrella theme under which a panel of four representatives discussed the implications of globalization and offshore manufacturing and how those factors can affect the role of the rep.

According to Mack Sorrells, Mack W. Sorrells Co., Inc., Rockwall, Texas, who moderated the panel, "Each participating rep has to some extent moved beyond

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the traditional rep model. Each of them will describe how they've taken a variety of proactive steps that have allowed them to reinvent themselves and be successful."

The reps who have changed and taken advantage of the opportunities change presents were:

- Pat Cobb, CPMR, World Class Industries, Inc., Hiawatha, Iowa. Cobb emphasized the need for reps to be prepared while anticipating the opportunities and threats being presented by a 'globalized' world. "For instance, we've changed ourselves as a company to more than accommodate the process. We're no longer a rep in the traditional sense. What we've done is to position our warehousing and computer capabilities to enable us to serve an international market. Our feeling is that if we're not prepared for tomorrow, the world will pass us by."

- Gene Morris, Morris Marketing Group, Greenville, South Carolina, explained that his agency services construction supply houses. "We've been able to grow our business by focusing on what the customer and the industry need now — not necessarily on what we thought the industry needs. Part of what we do is to bring customer awareness to the job site. We say to the consumer, 'We can do whatever you want, and we get paid for doing it.' The key for us has been to do things. We don't get paid when all we do

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is whine and complain about things. We make up our minds and we do something. Once you do something, it's up to you — the rep — to tell your principals and your distributor what you did and how you did it. You've got to take credit and communicate what you're doing in serving the market. If you become invisible, you will go away. Make sure you have a trail of your accomplishments. Review all that you've done and once again take credit for it.”

• According to Chuck Hopper, CEH Consulting, Inc., Punta Gorda, Florida, “When I retired as a rep four years ago, I decided that it was time to look at something new and different. We started an import company and established relationships with foreign manufacturers.” The company that he started took aim at serving the telephone structured wiring market — “a vertical market with major competitive players.” He explained that “part of

our motivation was to learn something new while becoming less dependent on others. At the same time, we wanted a reasonable chance to succeed, and succeed we have.”

• A desire to be less dependent upon a single manufacturer or customer was part of the motivating force that drove Dave Cunningham, Hugh Cunningham Company, Dallas, Texas, to construct a company made up of seven business groups serving multiple construction markets. “In total we have 102 people working for us. Our business groups can be one- or two-person operations, each of which has separate profit and loss responsibility.” He adds that “we offer product diversification with synergistic and complementary lines. All together, we rep about 90 different product categories.”

The Importance of Communicating

When Charlie Ingram took the podium in front of the audience of reps during his presentation entitled “Keeping Your Representatives Informed — One Manufacturer’s Story,” he followed up on a point made earlier in the conference — the importance of communicating with your manufacturers. According to Ingram, vice president sales and market-

ing, Eriez Magnetics, Erie, Pennsylvania, it’s critical that the rep not remain “invisible” in front of their manufacturer. “You don’t get the credit unless you take the credit,” he advised. “Your manufacturer doesn’t know all the functions you perform for them unless you tell him. Now, does that mean submitting sales call reports? **No!** Sales call reports are stuff. They’re nothing more than clutter.”

Ingram explained that his reps communicate with him when something has to be communicated. “I’m interested in what your plans are for the coming year. Do you have succession plans for your agency? That’s something we’ll lose sleep over. Are you adding any lines? Are you dropping anyone? Are you doing anything different in the territory compared to how you operated in the past? How’s our headquarters’ support? Is there anything you need that you’re not getting from us?”

“That’s what it’s all about when we talk about communication.”

These presentations represent just a portion of the programming available to reps during the *Keystone 2005* conference. Among the other highlights were panel discussions on internal team selling, high-tech tools that reps are using, presentations on legislation of importance to reps, how reps sell value, and the value of forming strategic selling alliances. □

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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
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