

A rep spends
valuable time
and money
building beneficial
relationships
and sales skills,
making them a cost
and sales-saving
choice for many
manufacturers.



Examining The Rep's Value Proposition

BY JACK FOSTER

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Several years ago, Debra Woods was faced with the task of justifying the continued use of her company's network of independent manufacturers' representatives. She quickly offered a convincing value proposition that tipped the scales in favor of retaining reps. Her experience serves as a valuable lesson to others faced with the same dilemma.

Woods, who is currently the national sales manager for Control Instruments Co., Fairfield, New Jersey, details the scenario that involved a company she previously worked for. "The company had a national sales manager and regional sales

managers, each of whom managed three independent rep firms in their respective regions," she explained. "Their decision to scrutinize and consider eliminating their reps all came down to trying to save money. That's obviously an argument we've all heard before. It fell to me to examine the positives vs. the negatives of using reps."

According to Woods, "The company figured we already had the sales managers in place. Why couldn't they sell and serve the business we had? Approximately 50% of our business was rep-based. The thinking was that by eliminating reps, we could save in the neighborhood of a

quarter of a million dollars annually and thereby increase our cash flow."

Measuring the Rep's Value

Though that kind of thinking could be considered positive, Woods found that a more detailed study of the situation revealed the rep's real value proposition. "We were a company involved in component sales. As a result, all the customers we served had need of different components. That translates into a lot of knocking on doors."

As an example of what the manufacturer would face in the absence of its rep sales force, Woods cites the business the company had in New

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England. “In the six New England states alone, we had about \$8 million in business. Without our reps, that means we would have one person knocking on all the doors in those states to accommodate the business. That just wasn’t going to happen. Conversely, if you’ve got three rep firms - each with four salespeople - selling the same area, you’ve got 12 feet on the street working for you.”

Then she mentions all the “opportunity selling” that would be missing with the absence of field reps. “Because reps have all the relationships in the territory, they take advantage of their time with the customer to develop future sales. They are constantly looking for additional business. Without reps, we easily would have been missing more than \$20 million in future sales. No seeds would have been planted for the future.”

Woods notes that when this was explained to upper management, made up largely of financial people, their reaction was one of surprise. “All they did was look at the bottom-line. They always groused about the size of the checks they had to write for our reps. They really didn’t have an appreciation for the ‘opportunity

selling’ we were concerned with.”

Woods has always appreciated the value of sending large commission checks to reps. “It’s really quite simple. The more we pay them, the more we as a manufacturer are making. I manage reps and sales managers for a living. I want them to make more money than I make. And, when all expenses are considered, bonus and commission checks are only a fraction of our expenses.”

When all was said and done, “The end result was that the company I was with decided that instead of looking to get rid of all their reps, they decided to take a close look at those reps who were producing the most for us. That’s something we would continue to do on a bi-annual basis. Once we determined who those top performers [were, we wanted] do all we [could] to ensure that we get and retain as much of their mind share as possible.”

“What we wound up doing was [retaining] our top-performing reps and [terminating] those who weren’t selling for us. We further rewarded good performance by expanding the territories of many of the top-performing reps.”

Rep Brings Value

As she looked back, Woods offered, “If anything, I’ve learned even more how valuable independent reps are for a manufacturer. The rep brings value to the manufacturer’s table. The rep has the sales organization in place in the territory that the manufacturer doesn’t have to recreate for himself. On top of that, perhaps the most valuable asset the rep has is the relationships in the field.”

“Then there’s all the overhead the manufacturer doesn’t have to pay for. The rep is responsible for his own travel, entertainment, meals, insurance, and other related [expenses]. That’s all paid for by the commission checks we pay the rep.”

“And, we’re not even talking about the selling opportunities that are presented to the rep that normally wouldn’t be there for the direct salesperson.”

With all the positives firmly established, Woods was quick to note that working with reps isn’t without challenges, the largest of which is to become the reps’ emotional favorite and to encourage them to continue to grow the business as much as they can.



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Speaking to becoming a rep's emotional favorite, Woods maintains that this can only be accomplished over time. “If there's loyalty on both ends of the relationship, you can accomplish that goal,” she says. “You instill a sense of loyalty by saying what you're going to do, and doing what you say. Once a rep sees that, they'll respond. An integral part of achieving that loyalty can come with the existence of written contracts, spelling out exactly what is expected of each party.”

Encouraging Growth

When it comes to encouraging reps to grow their businesses, Woods says she's very aware of the many apprehensions about growing too much. “I've heard all the stories about the rep who grows the business too much and the manufacturer decides it's a good time to go direct. That's not the way we operate. But that brings us back to doing what you say and saying what you do. If you cover all those contingencies in a written contract and then exhibit a sense of loyalty with your reps, you won't have any problems with them growing the business. The rep will respond by feeling that the manufacturer really wants us to continue to grow the business and

they're going to reward us for it.”

This approach appears to work well for Woods' present company, Control Instruments, in that it boasts a lengthy tenure in its rep-manufacturer relationships. According to Woods, “Aside from reps who might be new to us, our average time of working with rep firms is 12-13 years.”

Something else Woods has learned over the years is the value of communication between manufacturer and rep. The best way to communicate, she maintains, is by keeping it simple.

“I make every effort to call each of our reps once a week. It's gotten to the point with many of them that when the phone rings, they'll say, ‘Here's our Friday call.’ If that's what I do, what I like in return from our reps is what we call a prospective business forecast. If there's quotable business out there, on a monthly basis I want them to provide me with an update of the potential for that business. That's something I use and it's a huge help to me in my forecasting efforts. On the other hand, if they don't provide me with that information and something comes in and results in a split commission, I'll let them know they never told me about it.”

“I also require an action plan at the end of the year. That provides me with a status of the business in their territory and allows us to agree on target numbers for the next 12 months.”

Woods adds that she loves reps who are proactive when it comes giving her status reports. “When they tell me what's going on, we're able to agree on what we have to do to support them to get the job done. Reps who do that easily get my mind share.”