



REPRINTED FROM

**agency sales<sup>®</sup> magazine**

may 2010 • vol.40, no.05

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REPS INVEST TIME AND MONEY INTO DEVELOPING  
THEIR TERRITORIES. **DO NOT SIGN ON WITH A  
PRINCIPAL THAT DOESN'T VALUE YOUR WORK.**



# DON'T BE AFRAID TO “JUST SAY NO”

BY JACK FOSTER

**WHEN** Nancy Reagan uttered the words “Just Say No” several years ago, she was urging children to stay clear of the dangers of drugs. Who would have thought that those same words might serve as advice to independent manufacturers’ representatives when it comes to turning down what could be a detrimental business opportunity?

That’s exactly what John Ahlering, president, Coastal Technology Group, did earlier this year, and he has no regrets for his decision. Ahlering’s refusal to accept a ques-

tionable business opportunity was one he didn’t make lightly. Given the same set of circumstances, he maintains he’d make the same decision over and over again.

Here’s how the rep from Murrells Inlet, South Carolina, describes the scenario that led to his decision. “Just as so many other reps, I receive plenty of inquiries, through MANA and other sources, from manufacturers who are seeking representation. In this instance, the initial contact led to a conversation with the company’s national sales manager. The product

in question was...a GPS software tracking system [designed] for a rail transport trucking company [to track] container ships that arrive in various ports. Since I sold a product similar to this in the past, it was actually the type of product that I'd be very comfortable with."

### Lengthy Sales Cycle

"From the start, I recognized that included in the sales cycle would be the need for the rep to research and identify potential customers throughout the territory. Once that was done, you'd follow up by sending sales literature and ultimately making an appointment, at which time we'd

it very well. While a factory direct employee would conduct the demo, we'd have to complete all the work to find potential customers."

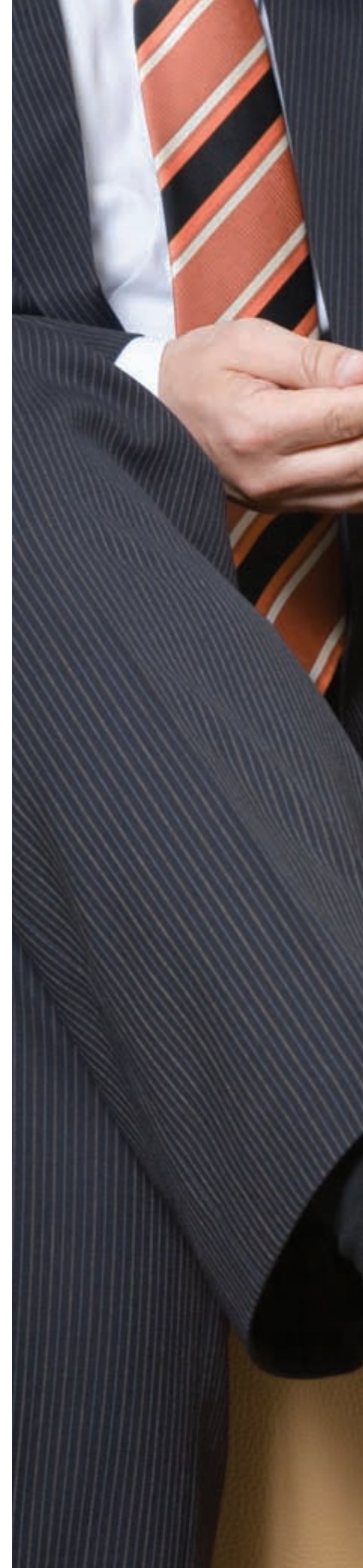
Ahlering continues that products such as these are especially attractive. "They generally have a high sales commission rate – in the neighborhood of 15-20% – with a typical software package costing in the neighborhood of a couple of hundred thousand dollars." Who could blame Ahlering for his interest in this line?

The key here, obviously, is that there's a lot of work the rep has to complete prior to the sale. And, since the rep is heavily investing

**SINCE THE REP IS HEAVILY INVESTING HIS TIME AND RESOURCES, IT'S HARDLY UNUSUAL FOR THE REP TO EXPECT SOME RETURN AND A SHARED INVESTMENT FROM THE MANUFACTURER.**

conduct a hands-on product demonstration. This is all nothing new for a rep in dealing with a product line for which there is no existing business in the territory. It's what we do, and we know how to do

his time and resources, it's hardly unusual for the rep to expect some return and a shared investment from the manufacturer in this effort. Now is when things get interesting.



## THIS IS PIONEERING WORK, PLAIN AND SIMPLE, AND MY EFFORTS IN COMPLETING THAT WORK ARE WORTH SOMETHING.

### Rep Business Model

Ahlering notes, "After speaking with the national sales manager, I detected a bit of confusion on his part. I was trying to learn if there was going to be a good match for me and my agency. As a part of determining the value of that match, in passing I asked him about his company's sales rep business model. For instance, if there was no existing business in the territory for his product, as the independent rep for the territory, would I be charged with developing business and expected to put on the table my expertise and business contacts? I asked if the company had budgeted for what I referred to as a 'shared territorial development expense.'" The national sales manager immediately responded with a negative and added that he was going to check with his company's CEO.

Sure enough, the CEO got back to Ahlering via e-mail and indicated that he understood the rep's request, thought the manufacturer and the rep would make a good match and didn't want anything standing in the way of implementing that match. "He asked me to send him a written copy of what I had in mind."

This is the point where Ahlering's MANA membership became

especially valuable. "I immediately called MANA President Bryan Shirley to discuss the matter. Bryan was kind enough to share with me some of his past experience, including a document he crafted that allowed a manufacturer to choose from any one of several different levels of service, all aimed at jump-starting a manufacturer's business in a pioneer territory. Bryan's plan basically spelled out that for a set figure he would complete A, B and C for the manufacturer. For a higher figure, he'd complete A, B, C, D and E, and so on. I included some of Bryan's suggestions into my own document and sent it off to the manufacturer."

Included in Ahlering's proposal was a monthly fee that would cover the cost of the work he would complete to develop the territory. "While the fee might have seemed high to the manufacturer, my feeling was that it gave me room to negotiate. Plus, the payment of such a fee was an acknowledgement of the value of the work I was willing to perform for the manufacturer. The details of my proposal included all the pioneering service activities that are necessary to launch new business, [such as] research, reporting and developing business contacts. I would also do all I could to

become educated on the product and determine which accounts to target in my marketing/sales efforts.”

When the CEO got back to the rep, things didn’t progress in a positive direction. “Chuckling and laughing, the CEO just kept on saying ‘John, John, John, in all my years I’ve never seen a document such as this. Good luck to you if you can find a manufacturer willing to pay you for these efforts.’”

### Backing Away from Bad Business

Following the phone conversation, Ahlering wrote the CEO expressing his appreciation for the opportunity to speak with him. At the same time, he “re-emphasized the point that there currently is no business for this product in my territory. In addition to developing that business, I was willing to act as a consultant for the company in their marketing efforts. This is pioneering work, plain and simple, and my efforts in completing that work are worth something. That’s why I proposed the shared territorial development fee to cover a specified period of time. I expressed disappointment that he didn’t agree with my point of view, and I backed away from any further negotiations and wished him good luck in his future efforts.”

Lest anyone think Ahlering entered this fray naively or without some background, he was quick to note that he’s worked with a shared territorial development fee previously. “Earlier in my career as a rep, I had an arrangement with a manufacturer [to] pay me \$2,500 monthly to develop business for him. So, this is hardly anything that’s all that new.”

Ahlering continues that he’s convinced this manufacturer will continue to hunt around looking for a rep who will take the line on the manufacturer’s terms. “Today there is a multitude of product lines with no existing business that are looking for representation. From the rep’s perspective, it’s never too early in the negotiating process to introduce the concept of the shared territorial development fee. But, when the rep brings it up, it should be done casually and tactfully. You don’t have to be specific, but you should emphasize the point that it’s going to take six months, [maybe even] a year or two, to truly develop the business. During that period of time, the rep is making an investment on behalf of the manufacturer. How is he going

**“THE REP IS MAKING AN INVESTMENT ON BEHALF OF THE MANUFACTURER. HOW IS HE GOING TO DEFRAY COSTS, UNLESS THE MANUFACTURER PARTICIPATES?”**

to defray costs, unless the manufacturer participates? I can’t be expected to do what I do for nothing.”

When all is said and done, however, Ahlering maintains that a rep should “not be afraid [or] reluctant to just say ‘no’ when it comes to taking on a line that has no existing business. I’d maintain that if more reps would follow that path, there would be a greater understanding of and acceptance of the concept of the shared territorial development fee.” 