
Consumer Reps Encounter Similar Trends And Challenges

For the independent manufacturers' representative serving the consumer goods segment of the marketplace, there are more similarities than differences when comparing their business climate and accompanying trends and challenges to those of their peers in other industries. At least that's the picture painted from conversations with reps who serve that consumer segment.



At the outset of *Agency Sales'* interviews with three consumer-oriented reps the question was asked, "What's the same and what's different between your experiences and those of reps serving electrical, electronic, industrial and other markets?" As one, each of the reps responded, "Tell me what's going on in those industries and I'll let you know if similar trends are impacting me and my agency." For starters, here are their responses as to whether they've been impacted by:

- Merger or consolidation activity? — "Yes"
- Increased pressure on commission rates? — "Yes"
- Manufacturers asking/requiring their reps to perform added services without necessarily having their commissions adjusted? — "Yes"
- Impact of foreign sources of supply? — "Yes"
- Are there benefits in belonging to more than one rep association? — "Yes"
- Optimistic or pessimistic about the future? — "Optimistic"

More than 25 years ago, Steve Grossman found himself face-to-face with a career decision. He already had nine years under his belt as a buyer of general merchandise. Deciding not to follow that career path, he opted to become an independent manufacturers' representative. A quarter of a century later he heads GM Partners, Arlington Heights, Illinois, and he's armed with a clear

view of the business climate he works in and what the future holds for him. GM Partners provides professional representation for housewares manufacturers.

Merger and Consolidation Activity

Grossman notes, "One of the major trends impacting our industry right now is consolidation. We've seen a lot of merger and consolidation activity. Following that, we've seen the disappearance of many of the regional chains we used to make sales calls on. As a result, we've got fewer people to call on. To counter this trend, the rep must realize that appointments are going to be much more difficult to schedule. The majority of your prospects resist change and want to give preference to their existing suppliers. A certain amount of frustration is going to develop because it's the rep's natural inclination to want to be out there selling. He can't necessarily do that if he can't get the appointments he needs with the decision-makers.

"Then there's the stretching out of lead times. As I'm talking to you right now (November 2005), I'm already starting to work on Christmas 2006. That's how far in advance we've got to work."

To meet this challenge, he maintains that the rep has to be very clear in developing the goals he has for himself.

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like many reps serving the industrial market, for reps in the consumer sector, "There's been a major impact as the result of overseas manufacturing. This is a trend that's been escalating for us for more than five years now. Most of the products we deal with come out of China. Is that a problem or an opportunity? I don't know. I think it's like anything else in life — it's a combination of the two."

When it comes to manufacturers offloading more tasks than ever before onto the shoulders of their reps, Grossman says, "There's a certain amount of subtlety in what the manufacturer is requiring of us today. For instance, if we need product sheets or other types of product/promotional lit-

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erature, the reaction of the manufacturer might very well be ‘Here’s where you can find what you want. You can print out what you need yourself.’ In general, anything the manufacturer is able to push down to the rep, that’s what he’ll do because he’s running leaner than ever before. Now the question might be posed, when do I say ‘No’? That all depends upon the number of dollars the line has. If I say ‘No,’ I had better be able to substantiate what my objection is. Perhaps my response is ‘I can’t do what you’re asking at the five-percent commission level. Either we have to come to some sort of agreement, or I can’t do it.’ The bottom-line consideration here is that you truly have to run your business as a business, and you can reach the point where you have to decide

whether you can afford to do something or not.”

Dual Association Membership

Grossman is quick to point out the importance of his membership and participation in two rep associations — MANA and the International Housewares Representatives Association (IHRA). “I’d maintain that there are more similarities than differences among the reps serving different disciplines. That’s why I’m in favor of dual rep association membership. MANA provides me with various product/services and education that my industry-specific association doesn’t offer. MANA is very broad in its approach to educating the rep. What they offer is information on general trends and information on the rep

profession in general. On the other hand, what I receive from IHRA is more focused information and networking opportunities that I can’t get from MANA.”

Grossman is a past president and chairman of IHRA.

For more specifics on trends that Grossman identifies as important to consumer reps, readers are encouraged to read his columns which appear online in the IHRA newsletter (www.ihra.org).

Eyeing the Gourmet Market

Grossman isn’t alone when it comes to grappling with the after-effects of consolidation in the consumer products segment. According to Peter Bang-Knudsen, Bang-Knudsen, Inc., Seattle, Washington, “As I read what’s going on in other industries and speak with reps who work in those industries, it’s clear to me that we’re all facing the effects of the consolidation trend.”

Bang-Knudsen, Inc. specializes in gourmet housewares wholesale to high-end retailers, mail order and e-commerce sites in the Pacific Northwest.

He continues, “We’ve been affected by at least four major consolidations on the vendor side this year. I used to work with eight major department stores in my territory. Now I’m down to four.”

To survive the consolidation movement, Bang-Knudsen says, “I found that high-end gourmet grocery stores are the fastest growing type of retailer. They sell a better type of housewares than the department stores used to.” In addition, his agency has ventured into Internet retailing and working with small specialty stores. “We had one specialty store that was a 25-year customer. We con-

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tinue to work with them as they embarked on expanding. Now they have 50 stores and we're still working with them."

Bang-Knudsen explains that these market changes haven't really impacted his people. "What we've had to do, however, is to update our own internal systems to include much more use of electronic commerce, EDI ordering capability, etc. Naturally, we've had to become much more computer literate because our major accounts demand that of us as they require us to perform their clerical work and fill out their matrixes and spreadsheets."

Commenting on the trend of manufacturers requiring more of their reps, he says, "We're living and working in a changing world. As part of that change, manufacturers require more of us. We absorb the cost and they consider that as part of what we do for them."

Just as Grossman, Bang-Knudsen lives with the growing impact of China as a source for products. "Everything we sell comes from China." He adds, "We rep the oldest bakeware company in the United States. Last year they moved all their manufacturing to China. Also, we've seen a good deal of our European imports are now being manufactured in China."

Importance of Relationships

What do these trends, changes and challenges mean for Bang-Knudsen and his agency? "I see more opportunities than anything else," he maintains. "Throughout my entire career as a rep, customers have had the capability to order remotely by using toll-free numbers or EDI. However, what remains is the fact that they still

need a sales rep to hold their hand while they make the buying decision. Relationship building and handholding give the rep a reason to be in front of the customer. Human beings want and need reassurance. That's why they need people (reps) like us."

Bang-Knudsen notes, as did Grossman before him, the benefits of joint rep association membership in these rather turbulent times. "IHRA is a terrific meeting place for people I know and work with in our industry. While I rarely see people from my industry at various MANA events, that association provides a lot of the literature and educational programs that are pretty much universal for reps. I also value the conferences they sponsor, *Agency Sales* magazine and MANA's efforts when it comes to lobbying."

Centralized Buying Decisions

Sounding a little like an echo of the two other reps, David Friedman, The Northeast Group, Inc., Needham, Massachusetts, says that over the last 10-15 years, retail in the Northeast has been devastated by consolidation activity. Citing the New England area he serves, Friedman says that at one time you could shop at an Ames, Caldor's or Bradlees, and now they're all gone. "The buying power and decision making has changed. Decisions are now usually centralized in one location that buy for the entire region or nation. It's the rep who works in that headquarters location who is the one most apt to get the business. Sometimes, but not often, the buying is done regionally. What we've had to do over the past decade is to adjust and spread our wings, and that's exactly what

we've done. In addition, where in the past there might have been some business we'd ignore, we no longer do that. Today, for instance, we sell to Staples, CVS and to supermarkets — all avenues that weren't necessarily on our radar in the past. There's no real difference in the number of lines that we represent today — rather the major difference now is to whom we sell."

A rep for 32 years, Friedman maintains his optimism for the future. "To be pessimistic would be the 'kiss of death.' Pessimism becomes a self-fulfilling prophecy. Sure, we may be looking at a rough year next year, but we can make it happen and we will. Business is being done, you simply have to go out and find it. I hear too much pessimism from other reps concerning the problems they face. What they face are the same problems that we (reps in all industries) all encounter. For instance, consider the pressure on commission rates. We regularly receive kudos for the way our agency operates even in the face of commission pressure. As a result, whenever we have a principal asking us to perform additional tasks for them, our response is to ask them, 'Do you want to have us perform at the same level we've been performing at or do you want us to stretch ourselves thin and become like all the other agencies you work with?' □

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