

REGIONAL

SALES MANAGEMENT AND THE ROLE OF THE

SALES MANAGER

EDITORIAL | JOHN HASKELL





RSM

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**MANUFACTURERS NEED TO ASK THEMSELVES ABOUT
THE VALUE OF THE RSM FUNCTION.**



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Why do manufacturers think they need regional sales managers (RSMs)? Most companies employing the RSM approach have two or three field "sales managers" operating regionally. This amounts to an investment of at least \$500,000 per year for a typical company. **If a company does \$25 million or less, this investment is 2 percent+ of revenue. That is a huge investment. Where is the return-on-investment?**

A substantial rep firm with 10-15 lines is probably dealing with an RSM for at least 50 percent of its lines. That is five to eight or more field sales managers who are responsible for rep performance in some way, shape or form.

The rep is an independent substantial business whose business is managing a sales force in a "branch office" format. The manufacturers' representative offers the principal [manufacturer] a branch office in return for commission.

The relationship between the principal and the rep firm is 100 percent based on commission income. Therefore, the question is posed: what makes manufacturers think that they need to spend valuable funds on putting someone out there to manage the reps?

SALES MANAGER IN THE REP FIRM

A rep firm with more than two salespeople must have some sort of sales management function. The two partners may not call it sales management, but when they do their informal annual review of results and plans for their key lines, they are managing the sales process.

In larger rep firms, the sales management function is more defined. When one or more owners/principals of the rep firm have employee salespeople working for them, the reps know they have to manage the process of selling.

So why do manufacturers believe they need to superimpose an RSM on the process?

LACK OF TRUST

The fact that the rep firm has many masters seems to bother manufacturers. For years manufacturers who go to market

with reps have worried about "share of mind, share of time." This mantra reverberates throughout the world of reps. Every principal is focused on the fact that his or her reps have more than one line.

The lack of understanding of the multiple-line-selling process is surprising. The fundamental basis of going to market through reps is the fact that the rep firm is an entrepreneurial organization that has assembled a package of lines. The rep firm line card presents an overview of the lines. A basic understanding of how and why the reps have the lines is the starting point for building a rational, effective plan for that rep's territory.

LACK OF KNOWLEDGE

Manufacturer senior management and the RSMs seem to be devoid of knowledge of how a rep firm functions. When company leaders are questioned about the nature of their reps' business, they are generally uninformed and unconcerned.

In a 45-question survey, we asked managers in the lighting industry what they knew about the rep business. The survey "Analysis of Rep Effectiveness" garnered scores averaging under 60 percent. This is truly shocking, as each of the people answering the questions said he or she was in a position to manage their company's program of selling with manufacturers' reps.

QUESTIONS THAT MATTER

A sampling of the questions with comments follows:

1. **Contract:** Do you personally know all of the key points in your company's rep contract?

MANUFACTURERS NEED TO ASK THEMSELVES ABOUT THE VALUE OF THE RSM FUNCTION.

PUTTING A “REGIONAL SALES MANAGER” OVER A FIELD SALES ORGANIZATION THAT HAS ITS OWN SALES MANAGEMENT FUNCTION IS REDUNDANT, OFFENSIVE AND UNNECESSARY.

Clearly knowing the details of your contractual relationship is vital to working with a key vendor like the rep firm that represents 5 percent-20 percent+ of your revenue.

2. Commission Income: Can you estimate the rep’s total revenue [commission income]? Money talks in sales. If you don’t know what the overall commission income of the rep firm is, how do you know where you stand? You don’t have to be in the top three or five to be successful, but it certainly is beneficial to know your position in terms of the income you provide to your reps.

3. Multiple-Line Selling Rationale: Do you understand your rep’s line card and their multiple-line rationale?

This is a major issue. Why does the rep have the lines they do? What is the benefit of their other lines to your company? Are there any conflicts? How do the reps position your line in relationship to their other lines? How often does your company “come out of the bag?”

4. Working together? Do you have a structured, planned field-visit program?

If you have an RSM or three, do they have planned schedules and a detailed system for working with your reps? The RSM can be a benefit to the company and the rep if the work is planned in advance and there are specific objectives.

Having the RSM be an asset to the rep firm is critical to the process of building sales. Very few reps would consider the RSM a plus for the sales program.

5. RSM value: Do you have a written/published job description for the regional manager? What is the RSM there to do? Do the reps truly understand the RSM’s role? Is the RSM truly a “sales manager” or is the RSM in the field to work with end-users, supply technical information, and support the rep organization? If the RSM is not really a “sales manager” then the name can be working against your company.

The complete 45-question survey is available to you for download at drrevenue.com. You are welcome to it.

THE BOTTOM-LINE

Manufacturers need to ask themselves about the value of the RSM function. If as suggested above, the RSM is a technical person or a customer detailing person, then the name of the job and the presumed function are wrong.

It may be a very good investment for a company to have a sales engineer or technical rep or design engineer in the field working with the reps calling on customers. At one small company, the need for a field person to educate the reps and work on technical specs with very sophisticated customers was apparent as we rolled out a major expansion of the rep sales force. The owner/president of this company did not trust reps. I had a real battle to get him to stay away from the title RSM. By hiring and training a very effective “sales engineer” we were able to support the reps and avoid any appearance of lack of trust or need to control. The share of mind issues were eliminated by having the sales engineer in the field regularly with the reps. When he traveled with the reps, they consistently uncovered opportunities. The opportunities required additional service and support from the reps.

It was very clear to the rep firm principal [owner] and each of the field reps that commission dollars would result from the joint efforts of the sales engineer and themselves.

That is the bottom line. Putting a “regional sales manager” over a field sales organization that has its own sales management function is redundant, offensive and unnecessary.

Do you eliminate the RSM? Maybe or maybe not. It may simply be prudent and efficient to change the title, re-write the job description and pro-actively sell the function to the reps. Adding to the team rather than creating antagonism may make for much greater success in these difficult times. 🙏

EVERY PRINCIPAL IS FOCUSED ON THE FACT THAT HIS OR HER REPS HAVE MORE THAN ONE LINE.