
MANA Capital Equipment Reps Meet Marketing/Sales Challenges

If MANA's second Capital Equipment Special Interest Group (CAPSIG) conference needed an endorsement, it got one in the form of these words from one rep that attended the three-day meeting in Louisville, Kentucky, last fall: "I'm a convert. The entire theme of this meeting is so different from any other meeting of reps I've attended. What usually happens is during conversations, everyone is just telling each

other 'war stories.' That's not the case here. People are genuinely interested in the subject matter and in contributing and helping each other out. This trip has paid for itself in what I've been able to learn in just three days."

A schedule of educational/informational and networking opportunities led up to that opinion. Among the subjects that comprised the CAPSIG meeting were the following:

Manufacturers Competing in a Global Market: The Cost Burden from Washington

A call to action was issued by Pat Cleary, senior vice president, communications, for the National Association of Manufacturers, when he urged his audience to take positive steps to better compete in the global marketplace.

In making his point that change is necessary in order for



Negotiating Rep Contracts — A rep-lawyer dialogue between Don Swibes (right), Swico Technologies, Inc. and attorney Dan Beederman, Schoenberg, Fisher, Newman and Rosenberg, Ltd.



Bob Gerrard, Gerrard & Associates, Inc., moderates a discussion on sales strategy development for capital equipment products.

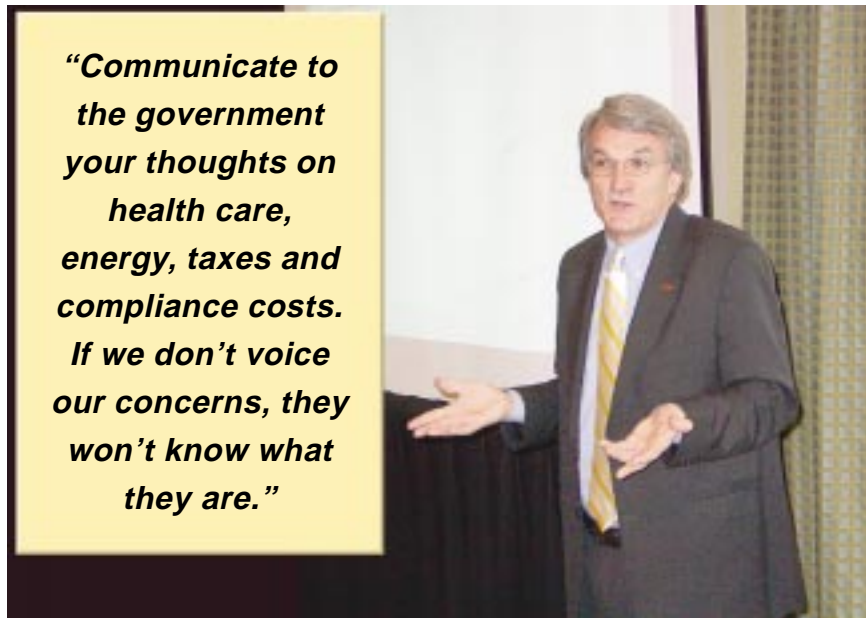
U.S. companies to compete on a level playing field with the rest of the world, Cleary noted that when individuals get involved in the political process, change can and does occur. To effect that change, he urged reps to tell their story and communicate their problems and concerns to elected officials. "Communicate to the government your thoughts on health care, energy, taxes and compliance costs. If we don't voice our concerns, they won't know what they are. We need you (reps) in the game for one big reason — because this is one big game. This is real life, and the government is playing with your money."

He continued that President Ronald Reagan maintained, "Saying Congress spends our money like drunken sailors does a disservice to drunken sailors. At least the sailors are spending their own money. Congress is spending ours."

As to how reps and other business owners can best be heard by the government, Cleary maintained, "There is nothing like constituents involved in politics. Constituents' politics is nuclear power."

Before providing that advice to his audience, the NAM executive offered a view of the international landscape that American businesses have to navigate to be successful, and he outlined many of the problems facing them. For instance, U.S. manufacturing:

- Operates at a 31.7 percent cost disadvantage vs. world trading partners/competitors.
- Has the highest natural gas prices and tort costs in the world. Considering tort costs, "We spend more on tort costs (i.e., two percent of our GDP) than most countries entire GDP," Cleary noted.



Pat Cleary, National Association of Manufacturers (NAM), presented "Manufacturers Competing in a Global Market: The Cost Burden from Washington."



Left to right: Steve Baker, Carrier Vibrating Equipment; David Gerrard, Gerrard & Associates, Inc. and Cy Howington, MyRepCoach, comprised the panel for the discussion on sales strategy development for capital equipment products.



Left: Marty Grimes, Assembly Solutions, Inc., moderates the panel discussion on "Changes/Trends in Capital Equipment Buying Practices." Above: The panel (left to right) Cory Earl, Nypro; Bob Thompson, General Electric Capital Equipment Sourcing; Steve Fischer, Precision Automation Company, Inc.; Gene Bressler, Automation Tool Company.



Left to right: Marty Grimes, Todd Bassett, Carl Janson and Bryant Callaghan (not pictured) receive plaques for their service on the CAPSIG Advisory Council.

- Operates under the second-highest corporate tax rate in the world and the highest pollution abatement costs in the world.

Clearly hardly presented an entirely negative picture for U.S. manufacturing, however. He noted that in addition to employing 14 million people, U.S. manufacturing is:

- The world's eighth largest economy and is equal to that of Mexico and India combined and larger than the respective economies of Spain and Canada.
- Responsible for nearly two-thirds (62 percent) of all U.S. exports of goods and services.
- Responsible for three-fifths of all industrial research and development.
- Responsible for 90 percent of all patents.

In order for U.S. manufacturing to reach its full potential, Cleary says, "We need to operate on a level playing field. For in-

stance, in our relations with China, we need to achieve:

- Respect for intellectual property — The Chinese government maintains it is powerless when it comes to the pirating of American products. That's not true. It really comes down to what they *want* to control. Try pirating the logo for the Beijing Olympics, and then you'll see how powerless they are. If they catch you doing that, the first offense is beheading. Then, they ratchet up the punishment from there.
- No currency manipulation.
- No illegal subsidies for manufacturing.
- Compliance with all World Trade Organization agreements.
- And finally, we need more free trade agreements. Ninety percent of our trade deficit is with those countries with whom we don't have free trade agreements. These agreements open up markets for U.S. products."

Negotiating Rep Contracts: A Rep-Lawyer Dialog

Manufacturers' representatives have long employed the process of role-playing to pave the way for successful sales calls. A rep and an attorney took that practice to a different level during the CAPSIG conference when they role-played their way through the often-confusing maze of contract negotiations.

Quickly settling into their respective roles, Don Swibes, Swico Technologies, Inc., and Dan Beederman, Schoenberg, Fisher, Newman & Rosenberg, Ltd., worked their way through a familiar scenario when they considered the steps a rep should take as he begins his relationship with a new manufacturer.

Posing the first question, Swibes asked, "Now that I've got this new line, what am I supposed to do with this new contract?"

Beederman responded, "I don't know how many times I've had a rep come to me and ask me to help them put out a contract fire. So in response to that question, I'd say read the contract and learn right up front what's required of both sides in the agreement. If you don't read the contract before you sign, it's much like walking the plank.

"When you read it, don't be afraid to ask questions. Question any inconsistent areas. Question anything you don't understand. Unless you do that, you'll never understand your power position in the relationship. The basis of your power is your knowledge — knowledge of the principal, the territory and your potential customers. That's the key to your success."

He continued that from the very beginning the rep should consider:

- Have there been any lawsuits involving the principal?
- Did the principal seek you out, or did you seek him?

"Read the contract and learn right up front what's required of both sides in the agreement. If you don't read the contract before you sign it, it's much like you're walking the plank."

- Is he new to the territory?
- What happened to the prior rep?
- Is there any possibility the principal might be sold to another party in the near future?

"You've got to have the answers to all these questions before entering into any written agreement," the attorney stressed.

With that as a beginning, Swibes then asked: "What should I do if after I've developed a lot of business for the principal, he forces me to sign a contract different from the original document? Is that fair or reasonable?"

Beederman quickly responded that while it may not be fair, it could very well be legal — as long as no duress was involved. "Here's what I recommend in such circumstances — however, from the very beginning it's up to you, the rep, to educate the principal as to the value you bring to the table. If it's a situation where it's going to take you up to two years before you're going to show any productivity for your efforts, make sure the principal knows that from the onset of your relationship. Remember, the principal is outsourcing its sales function to you for a reason, and that reason is that it's cost-effective. You're a little like 'Johnny Appleseed' out there — you plant your seeds and wait for the result. Make sure the

"Question any inconsistent areas. Question anything you don't understand. Unless you do that, you'll never understand your power position in the relationship."

“If you have to ramp up your efforts, and if it’s going to take you two years before you’re going to be truly productive for your principal, make sure the terms of the contract allow you to have a ramp-up period.”

principal knows and appreciates that. In the end, however, if the principal takes the position that you have to accept this ‘or else,’ sometimes ‘or else’ is better.”

Swibes then asked a question that many reps have posed in the past: “What should be considered fair termination in any agreement with a manufacturer?”

In response, Beederman offered that fair termination often depends upon what and to whom you’re selling. “If you have to ramp up your efforts, and if it’s going to take you two years before you’re going to be truly productive for your principal, make sure the terms of the contract allow you to have a ramp-up period. If you don’t do that, then at the end of the first year, chances are the principal is going to ask what’s going on. And, if he doesn’t get the answer that satisfies him, he’ll probably take steps to terminate you.”

Staying on target with the subject of termination commission, Swibes asked what to do when terms related to post-termination commissions are vague.

According to the attorney, the rep should be paid for what he’s accomplished. In other words the rep should be paid for those orders that result directly from his

efforts. “What’s not fair in a contract is that the rep receives commissions only when invoices are issued. The rep wants orders entered by the time of termination. In addition, you want commissions on orders 30, 60 and 90 days after termination. Chances are you were working on those orders that came through after you were actually terminated.”

Swibes then raised another question dear to the hearts of reps: “What does the rep do when the principal wants the rep to conform to his reporting requirements?”

Beederman’s key response to this question was, “Are you an independent manufacturers’ rep, or are you an employee of the principal?” In addition, he continued, “Remember that you sell for a living. You don’t write reports for a living. Remind the principal that he hired you to be out in the field, not in an office writing reports. Writing reports takes you away from what you do.”

A number of other important points were addressed by the rep and the attorney during their role-playing session, but perhaps among the keys points that developed from the session were the importance of the rep:

- Reading the contract before signing it.
- Reviewing and negotiating the contract before formally accepting or announcing that you have the line.
- Knowing your goals and limits under the terms of the contract. Be prepared to “walk away.”

- Seeking proper legal counsel before signing a contract.

Changes and Trends in Capital Equipment Buying Practices

The growing importance of communication was emphasized by a panel of reps and principals when they tackled the subject of changes & trends that are impacting capital equipment sales.

Panelists for this session, moderated by Marty Grimes, Assembly Solutions, were: Cory Earl, Nypro; Bob Thompson, General Electric Capital Equipment Sourcing; Gene Bressler, Automation Tool Company; and Steve Fischer, Precision Automation Company, Inc.

When the panel was asked “What could reps do better in order to make themselves more effective salesmen and businessmen?” Fischer was the first to drill home the importance of communication: “Communication is the key, but when I say that, I mean communication both ways — from the rep to the principal and from the principal to the rep. Both parties need to know everything that pertains to customers or projects. Many of us have gone away from verbal communication. Given that fact, written communication works well, because there’s always a record of what has transpired.”

Bressler added that one result of a SWOT analysis that his company recently completed was that communication remains the key

“Communication is the key, but when I say that, I mean communication both ways.”

to any successful relationship. “We want to be assured that our reps spend their time and efforts in the right place. As a result, we depend upon regular communication so we know that they are properly aligned to deliver their value proposition to the customer. When communication exists and people do what they’re supposed to be doing, then no one gets those 30-day notices.”

That comment brought the following opinion from an audience member: “If the rep is good at what he does, he represents the manufacturer’s frontline efforts in the field. If you don’t deliver the goods, however, the manufacturer will be quick to cut you loose. By being proactive in my communication efforts with the principal, I let him know everything of importance that’s happening in the field. He doesn’t have to ask for anything. We all know who the good reps are out there. And why are they good? They know their products, they’re smart enough to know who the decision-makers are with the customers and most important, they know how and when to effectively communicate with their principals.”

In addition to the need for communication, another topic handled by this panel that garnered considerable attention was split commissions. When the audience was asked what types of split commissions they’ve become accustomed to, attendees offered: one-third, one-third and one-third — when order, spec and delivery came from different locations; and 50 percent (order), 25 percent for each of the spec and delivery locations. In response one rep offered, “When we (reps) all feel that we’ve been cheated with split commissions,

“The amateur works on it until he gets the order. The professional works on it until he gets every order.”

then the manufacturer has probably done a good job.” One of the manufacturers in attendance noted, “I’ve seen many times where an injustice has been done to a rep when it comes to split commissions. One thing we should all strive to avoid, however, is to have disagreements among our reps. That’s the absolute worst situation that could occur. Such disputes can be headed off beforehand by having a set policy in place — in writing — that our reps know about before any project develops.”

Additional Discussions

While the presentations and discussions that have already been written about made up a great deal of the CAPSIG programming, there were plenty of other subjects tackled by the conference:

- ***Amateur vs. professional*** — Covered on page 6 in this issue of *Agency Sales* was the presentation by Bob Gerrard, president, Gerrard & Associates, Inc., “Collaboration in Pursuit of Excellence.” An addendum to that article is a quote Gerrard admits to turning to his own use. Speaking of the amateur athlete vs. the professional and comparing that to the amateur and professional rep, he said, “The amateur athlete works until he gets it right. The professional works until he can’t get it wrong.” Adapting that to the world of the rep, he continued, “The amateur works on it until he gets the order. The professional works on it until he gets every order.”

- ***Staying in front of the customer*** — A number of conversations addressed the concern that capital equipment reps have with the long timeline that accompanies major sales. According to one rep, “Often you make a sale, and you know the customer isn’t going to need another for three years or more. What do you do in the meantime to keep yourself uppermost in the mind of that customer so that when three years pass, he thinks of you first?” In response another rep offered, “I relate selling capital equipment to the sale of a house. If you’ve had a good experience with a realtor in the past when it came to selling your house, aren’t you going to remember who helped you?” Some other suggestions were to use newsletters and postcards and to make periodic — but not too often — checkup calls on customers.

- ***Terminating a principal*** — It was mentioned that at some point it might become too expensive to represent a given principal. In other words, the return on investment of time, money and resources just isn’t paying off. Among the reasons why a rep might consider terminating a principal were: commissions are not being paid properly or on time, the principal is not easy to work with, or the rep is reluctant to make joint sales calls with the principal. In summation, one rep offered, “I simply look at quotes generated, and the amount of dollars in sales I realize.” □

Copyright © 2007, Manufacturers’ Agents National Association

One Spectrum Pointe, Suite 150, Lake Forest, CA 92630-2283 • Phone: (949) 859-4040 • Toll-free: (877) 626-2776 • Fax: (949) 855-2973
E-mail: MANA@MANAonline.org • Web site: www.MANAonline.org • All rights reserved. Reproduction without permission is strictly prohibited.