

Resigned Any Lines Lately? Why?



Based on answers received from reps, this question ought to sit comfortably in the “rhetorical” category; all the reps who were asked that question answered with a resounding, “Yes.”

While the answers were similar if not the same, the reasons for ultimately resigning a line varied a bit. They ran the gamut from poor to lousy contracts, changes in the commission structure, poor product quality and — this was probably the most common — poor return on investment for the effort put into selling a line.

In discussions with reps on the subject of resigning a line, the conversations weren’t necessarily filled with complaints. On the contrary, the reps interviewed for this article emphasized the importance of reps constantly looking at and evaluating the lines they represent to ensure that their efforts on behalf of those manufacturers resulted in a positive bottom line for the rep firm. For instance, consider the following:

- George O’Brien, O’Brien & Associates, Beverly, Massachusetts, is closing in on two decades as a rep. Over that period of time, he can put his finger on two primary reasons why someone like himself may have to resign a line. “My experience has been that when it happens, it’s usually with an overseas company. I deal in ceramic tiles, and one of the frus-

**Mr. Independent
Manufacturers’ Representative,
have you ever resigned from
a manufacturer’s line?**

trating experiences I've had is an unfamiliarity or unwillingness to do business the way we conduct business in the United States.

"Let me give you an example. I may be dealing with a manufacturer from Brazil, Mexico, Spain or Italy. They'll send me samples of the tiles they manufacture, and while the colors are very attractive, they don't match anything here in the United States. What we need and what will sell here are colors that are attractive to the U.S. market. When I mention this to them, their response might be something like, 'Well this is what we have. Try and sell it.' Sure that color will work great in Brazil, but it's just not worth trying to sell it here in the United States."

Not Worth Selling the Niche

A second problem he's run into is the fact that "Sometimes the product is a niche product that is very difficult to sell. It simply doesn't fit in with the type of customer I call on. Bottom line, it's just not worth the time and effort to develop the market and sell into it."

O'Brien notes that usually they'll amicably accept his decision to drop them, but sometimes they're surprised by his decision. He adds that when a parting of the ways does occur, "Once or twice I haven't been paid for the work I've done. When that happens I haven't been looking for late payments or thousands of dollars. It just hasn't been worth it to hire a lawyer to go after what I think I've been entitled to."

- Perhaps owing to the four initials that appear after his name, Dick Olson, CPMR, The Tandem Group, Inc., Muskego, Wisconsin,

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has had experience parting with manufacturers. "We'll talk to the supplier when we see a problem and go through the nine-cell matrix exercise that points out that the cost of doing business with the supplier is too high. Other than the poor ROI, there also have been times when a manufacturer has had a change in marketing philosophy, changes among company personnel or other reasons that have caused a split."

He explains that when the agency has made the decision to call it quits, "Generally the manufacturer isn't surprised — he saw it coming. There have been a few times when we've discussed it after the fact and the manufacturer may ask us why we thought it didn't work out. We'll explain our point of view, and while they listened, I'm not really sure if what I said sank in."

- While admitting he's never actually gone to a manufacturer and explained that he'd like to discontinue their relationship under the terms of the contract, Arthur McAra, ASM Enterprises, LLC., Wexford, Pennsylvania, says it's probably not a bad idea for a rep to consider that under some circumstances.

According to McAra, "It's a good approach to determine which lines, if any, aren't adding to your synergistic approach to the market, or lines with which there's little activity or no communication between you and

the manufacturer. Once you do that, you might be able to rid yourself of some of the dead wood that contributes little to the bottom line."

He continues that many reps are guilty of the practice of saying to themselves, "Why not hold on to this line? It doesn't do any harm, and maybe something will come of it someday." He doesn't necessarily approve of that approach, however.

- Little or no communication growing out of little activity and few orders are some telltale signs that can cause problems — sometimes unsolvable problems — between a rep and a manufacturer. That's the view of Marty Grimes, Assembly Solutions, Inc., Covington, Kentucky.

Here's how a problem can grow. "Let's assume the rep gets into a line and realizes there's little compatibility with his exist-

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ing lines. Perhaps the new line doesn’t enhance the synergy the rep seeks to offer customers. Or maybe it’s going to take too long (in the manufacturer’s view) to get off the ground — the customers just aren’t there at the beginning. You’re just not able to generate the kind of immediate results the manufacturer is looking for. This is an example of unreasonable expectations in the beginning of the relationship.”

Changing Terms

“Often when there’s little activity and no business, the principal will begin to change the terms of the relationship. You may find the development of house accounts, changes in commissions, late commissions, etc.”

If a rep sees the signs but doesn’t do anything to make a

change, does he open himself up for criticism? “Sure, I think so,” says Grimes. “I believe it would benefit the rep and the entire profession if all reps would own up to these negative facts early on in the relationship. If you take corrective action fairly early in the relationship, then you distance yourself from a relationship that isn’t working, and just as important, you open up a new opportunity for the manufacturer and for another rep who might very well be a better fit.”

- It’s a contract problem that Don Swibes Jr., Swico Technologies, Hammond, Indiana, remembers as a reason he and a principal went in opposite directions. “The one example of what we’re talking about developed when the manufacturer simply would not honor the terms of the contract we had signed. He was not living up to his end of the agreement — he was talking out of both sides of his mouth. We felt it was better to resign than to go on. That’s exactly what we did. It didn’t hurt that the line was failing to generate any income.”

- Jim Erdman is quick to praise MANA for providing him with some guidance when it came to dealing with manufacturers. According to Erdman, Chemray, Corp., Westmont, Illinois, “Reps always should be measuring the contributions their lines provide to the agency. Through MANA we’ve been able to learn so many effective techniques that we’ve

been able to apply to our business practices. They have really helped us to grow our agency.”

How Much Time to Devote?

As an example of what he’s referring to, Erdman noted that on one occasion, “We basically looked at the investment put into a line and considered the lack of return within a defined period of time. Once we got into that time period, we knew all the energy we put into the effort wasn’t going to turn it around. When we approached the manufacturer with our decision, the discussion was very amicable and open and we parted ways in agreement.”

- Quality, or the lack thereof, was cited by Susan Fox when she was asked why she left a principal. According to Fox, Applied Industrial Materials, Torrance, California, “When their poor quality became an issue, I didn’t want the line, and quite honestly they didn’t want the orders because they knew they couldn’t fill them properly. When I left them, we just never spoke again. They knew what was happening. Now I’m looking for another line.”

On another occasion, she recalled quitting a principal over a contract. “I worked with the owner of the company on a handshake. Then, when new management came in, they sent me a 10-page contract that made no sense to me at all. One of the terms of the contract was that if I was terminated, I’d have to stay out of the business for two years. I and all the other reps, except one, quit.”

- Ed Reese, Motion Components, Brea, California, recalls when divisions of a larger manufacturer forwarded unfriendly rep

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contracts, he came to the conclusion it was best to move on. Looking back at the experience, he says, "It's a valuable practice for the rep to constantly be evaluating his lines. You have to consider how much time you put into the effort compared to the return. Now, when you do this, that doesn't mean you have to cancel every line that's not performing well on the bottom line. If you rep a line you receive commissions for, there are no problems, you're meeting their needs and the needs of their customers, then why let them go?"

- And finally, two executives with Fi-Tech, Inc., Richmond, Virginia, weigh in with some of their experiences.

According to Todd L. Bassett, CPMR, "Yes, we have resigned lines before. In most cases, we have resigned a line because the strategic direction and management philosophy of the principal was no longer a match for our organization. In two cases I can think of, the parting has been amicable in the long run because we can look back and realize it was the right decision for both organizations.

"Line profitability analysis is an important tool that reps should use to analyze the return that lines generate for them in comparison to the time invested. We should make sure we are spending most of our time on lines that generate the most income for us and pare down the lines that might be taking a lot of our time but not generating sufficient income. That is not to say that we get rid of all of our smaller lines that are generating lower revenue

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for us. These smaller lines may have a strategic fit for us or are complementary to other lines and allow us to generate sales with a low amount of effort."

Adding his thoughts is Jeff Bassett, CPMR: "Line profitability has a lot to do with any decision you make, but upside potential with another more profitable line also plays into the decision. Let's say 'Line A' requires a lot of time, effort, travel cost, etc., and is only providing a certain level of revenue. 'Line B' is a new line with good upside potential and is starting to provide revenue. If you could spend more time with B developing the market and less with A and some of the headaches, then you may be better off in the long run to go with B. This may mean a potential short-term revenue loss from A, but you get rewarded in the future."

Value in New Technology

"The other thing that can happen when you have multiple lines is that one principal develops new technology and in some cases better technology than you have with another principal. The lines may not have competed against one another previously,

but now they do. In this case, you really need to look at each very closely. The analysis may tell you it's better to resign one line and run with the other.

"We have also resigned lines when we decided to pull away from a particular market segment. In this case, we were new to this market and had made significant investments to get into it. We lost a key salesperson, and looking into the future we did not have any immediate chances for success. So, we could continue to invest, hire a new guy and see, or pull the plug and put our efforts in some other areas. We decided to pull the plug and resign. In this case, the principal was not happy, but our justification was clearly there.

"All of these decisions are not very easy. I think most reps are more accustomed to losing a line when the principal decides for a change, not the rep. In the end, you need to do what is best for the long-term success of your business, so this sometimes means changing directions.

"In the end, a rep should have clear, sound reasons for resigning a line. The analysis needs to be done. Clearly our principals do this when they look at changes with their rep networks, so we should be doing the same." □