Knowing When To Resign A Line

Only Make A Move When You Know What's Best For You

When manufacturers' representatives were interviewed on the subject of resigning a line, a consensus developed about when/how/why to make such a decision. At the top of the list of considerations to take into account before parting company with a manufacturer was the fact the rep has to determine what's best for him and his business. One of the major tools that can assist in the decision-making process is the line productivity analysis.

While those who have successfully completed MRERF's CPMR program are well acquainted with line productivity analysis, it's surprising how many manufacturers don't know this process even exists. At one recent industry meeting of manufacturers and reps, one manufacturer had never heard of the subject until one of his reps had brought him up to speed on where his company stood in relation to all the other manufacturers on the rep's line card.

An article that appears in MRERF's third edition of the *Operations Manual for Manufacturers' Representatives Firms* is of particular assistance when it comes to answering the question: "When do I resign a line?"

According to the article bylined by Scott Lindberg, CPMR, Gene Foster and Bob Parsons, it's incumbent upon the rep to know and understand each line's profitability. "Without this knowledge, you may be focusing your company's efforts in the wrong direction."

> ***A line profitability analysis will assist in "determining how much time and effort a major line is consuming vs. how much commission revenue is being produced."***

Questions to Answer

Among the first steps the article advocates in search of a line's profitability is to determine:

- If a profit is truly being realized by a line.
- Which lines are paying the bills.
- If too much time is being spent on a particular line.
- If the time spent is an asset or detriment to the firm.
- Which lines are slipping in terms of commissions.
- Which lines are "high pain and high maintenance."

The authors point out that for the purposes of analysis, lines may be categorized into three distinct groups:

- ***Majors*** — These lines "...supply the bulk of any given representative's income, i.e., as much as 20% or more. Because of the dominance of a major line as an income producer, however, the representative often fails to review the line's cost of operation. It is just assumed that the line is profitable.

"In fact, large lines can be very costly to maintain. Support people are in the territory more frequently than others, and because of the line's activity, they dominate their representative's planning time. Further, odds are that the larger lines are more commodity in nature, selling product into a larger share of the available customer base in the territory. This will expose the representative to off-shore manufacturing and/or outsourcing to turn-key assembly operation. At best, the representative faces a split or shared credit (commission) with another representative. At worst, he loses track of the business completely."

The authors emphasize that a line profitability analysis will assist in "determining how much time and effort a major line is consuming vs. how much commission revenue is being produced. Often, a representative must weigh the value of keeping a large, highly productive line that demands too much attention against the effort necessary to replace the income from that line via other existing or newly acquired lines."

• ***Rock-Solid Regulars*** — These lines often rank down the line when it comes to the rep's earning potential. However, "They are often easy to work with, and their demands are as reasonable as are their people. They are almost 'transparent' as far as your profitability analysis goes and relatively easy to forecast. The temptation with these regulars is to service them to the limit, but wise representatives know that these lines also need aggressive selling attention.

"A representative's future often lies with this group."

• ***Fillers*** — The article points out that "...fillers help pay the bills. Most representatives have two or three of these lines and seldom think about what it costs them to carry the lines because they demand so little attention....

"On the surface, there would seem to be little, if any, harm in carrying these lines. In reality, they can cost a representative access to larger, better-established principals who sell the same or very nearly the same products. A competitor to one of your fillers does not know that the line is a filler and often assumes that you would not consider giving up an established line."

In addition to segmenting your lines into majors, regulars and fillers, the authors emphasize the importance of considering "synergy" before making any important decisions. "A filler can be elevated to the status of a regular line if it is synergistic with one or two or three majors on your line card. Large representative firms often have complementary synergistic line structures. A smaller firm may have two or even three 'pockets of synergism.' Any more should be cause for concern. The profitability of a representative's top line is improved when all the other lines 'tag along' in synergistic single file. And in turn, each of the tag-along lines becomes more profitable."

There is much more to the subject of line profitability analysis and when if ever to resign a line. Reps — and manufacturers for that matter — who desire more information concerning this subject should contact MRERF (www.mrerf.org) about the *Operations Manual*. ❒