



# REP vs DIRECT

## INSIDE THE MIND OF ONE MANUFACTURER

EDITORIAL | JACK FOSTER

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## JACK FOSTER

**Jack Foster**, president of Foster Communications, is the editor of **Agency Sales Magazine**. In addition to his duties in working with MANA, Jack writes for several other major marketing publications. His experience in publishing includes writing, editing, photography, production and printing. This, combined with Jack's understanding of the independent sales rep function, can provide the winning formula for your communication needs. Email: [jfoster@MANAonline.org](mailto:jfoster@MANAonline.org).

When the subject of discussion is rep vs. factory direct sales force, **Glenn Thompson** comes down firmly on the side of the rep. Thompson, president of **Fantech**, Sarasota, Florida, maintains that **a commissioned rep sales force is "the most effective means of going to market."**

Since 1987, Fantech has been manufacturing and supplying core products including:

- Inline fans for bathroom exhaust, dryer boosting and radon mitigation.
- A full line of indoor air quality equipment such as Heat Recovery and Energy Recovery ventilators and Whole House Hepa Filtration.
- Larger CFM fans for commercial applications such as Inline Centrifugal Fans for Round, Square and Rectangular Duct, Exterior Mounted Centrifugal Fans for Wall and Roof, Multi-Port Centrifugal Fans, Low-Silhouette Axial Fans and Air Curtains.

The company has two North American manufacturing plants including corporate headquarters in Sarasota, Florida, and a 130,000-sq. ft. manufacturing plant in Bouctouche, New Brunswick, Canada.

If Thompson is quick to extol the virtues of working with reps (and he ought to be since his company works with 29 agencies covering the entire United States), he's ready to back up his opinion by discussing the pros and cons of each.

"Let's start with the factory direct sales force," he says. "Since they are direct employees, you can tell them what do. You can assign them tasks that might not seem to be profitable for them. You can also send them off in a direction that they might not see as being good for them or for their territory. Added to that, you can send them into another territory to help out someone else. When all is said and done, you as their employer can control their time."

While those pros may recommend factory direct personnel, he continues that "On the downside, factory direct salesmen typically receive a paycheck regardless of how much they sell. Typically, they are motivated by bonuses even though they regularly receive a decent paycheck. A good deal of the time, their regional sales manager spends a lot of time babysitting them. Quite frankly, it's relatively easy for them to get by without doing a great deal."

## NO NEED TO MOTIVATE

In comparison, here's what he has to say about a rep sales force: "There isn't a great deal you as the manufacturer

have to do in order to charge up or motivate the rep sales force. That's attributable to the fact they are independent businessmen motivated to run their own businesses. As a result, their attitude towards work is quite different. Whatever motivation is needed, comes quite naturally to them. If they don't sell, they don't make money. If they want to make more money, it's directly related to how much effort they want to put into the work. If they don't get up in the morning, then they're going to suffer just like anyone else who doesn't want to work hard. Another plus for me as a manufacturer is the fact that rep sales' costs are a set percentage. You know what your selling expenses will be. It's strictly based on volume."

Sticking with the subject of selling expenses and reps, Thompson explains that when sales go up, the rep is going to earn a higher commission check. And when sales go up considerably, that check is going to be considerably larger. However, he doesn't mind that a bit.

Thompson explains that he knows how the thinking goes with some manufacturers. "They figure if I'm paying the agency more than \$200,000 annually, I can put a direct guy in there and save myself some money. That's not us — we stay with our business model, which is to work with reps.

"Since our reps are paid electronically, if there's anything I miss it's writing checks. And if there's anything I miss a lot, it's writing very large checks. When those large payments are paid, I know the good reps are going to invest in their agencies. They are going to hire additional staff, get more resources for their agency, etc. When they do that, it doesn't bother me a bit how much they earn. On the other hand, if I don't see that investment being put into the agency, then we're obviously going to have a discussion. But, the good ones do that automatically."

While Thompson notes that Fantech has the agency coverage that it needs, when the occasion arises for the company to replace find an agency to gain coverage where needed, "The first place we look is among our existing agencies. I'll let our reps know that we have an opening coming up and ask them for a recommendation. I do this because it's hardly unusual for them to share lines with other agencies. As a result, they get to know their fellow reps in other parts of the country. If they've found a good fit networking with another agency, chances are it will be a good fit for us."

## FACTORY DIRECT SALESMEN TYPICALLY RECEIVE A PAYCHECK REGARDLESS OF HOW MUCH THEY SELL.

### LOOKING FOR QUALITIES IN A REP

When it comes time to consider an agency that he might want to conduct business with, Thompson explains that there are a number of important qualities that he looks for in a rep firm. “For instance, the first and foremost is that an agency is successful in its own right. If they have established lines with good reputable manufacturers, that means a lot to me.

“Then there’s the matter of relationships. We look for reps that have strong relationships with distributors in their territory. If that’s missing, we’re not going to go with them.

“Next we look at the types of activities they engage in in their territory. Basically, if they only call on distributors, then that’s not going to be enough for us. We need deeper contacts in the field such as with contractors and engineers. Then they’ve got to show us that they are willing to conduct training days and other activities for customers.”

Having listed what he values in a rep firm, Thompson continues by admitting there are some challenges that must be addressed in working with independent manufacturers’ reps. “First there’s the matter of communication, but that’s rather easy. Here’s what we want: We want to know what’s going on in the territory. If the rep hears something we ought to be aware of (e.g., problems with specifying our products, competitive activity, major projects, etc.), let us know.

“That gives us two things: First, it tells us that they’re out and about and know what’s happening among their customers; second, it provides us with the intelligence we need to go to market effectively.”

Then there’s the matter of being kept uppermost in the minds of their reps. “One of our major goals — and one that we’ve achieved — is to remain near the top, if not at the absolute top, of the rep’s line card. When they walk into a customer’s location, we want to be sure that the rep presents us as a desirable solution to the customer’s problems and that they look upon us as a profitable line that’s worth their time and effort.” He adds that Fantech is able to do that by paying higher than normal commissions on time. “We also support their local marketing activities and provide them with product samples, literature and anything else they need to get their jobs done.” 📄



**“THERE ISN’T A GREAT DEAL YOU AS THE MANUFACTURER HAVE TO DO IN ORDER TO CHARGE UP OR MOTIVATE THE REP SALES FORCE.**