



REP vs DIRECT

PROS AND PROSE FOR OUTSOURCED SALES

PART I: GOING DIRECT VS. OUTSOURCING



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.

In describing how his company goes to market, vice president of sales **Bob Bukowsky** notes that **Ideal Industries, Inc.** has been working with rep firms for a very long time. The tenure the company has with its reps ranges from three years all the way up to 70+ years; many of these reps have worked with the company for more than two decades. To explain how his company arrived at the point they are today — about three-quarters direct and one-quarter rep sales force — he refers to some early company history.

Ideal Industries, Inc. of Sycamore, Illinois, manufactures a line of electrical products that includes just about everything an electrician might need to do his job. Included are industry-standard wire connectors, fish tapes, benders, wire-pulling lubricants, wire strippers, hand tools and wire management supplies. Also included is a comprehensive family of easy-to-use test and measurement instruments

According to Bukowsky, "From our company's beginnings in 1916, we were mostly sold in territories via an independent rep sales force. Over the years, however, we gradually added some direct people. A change occurred about 25 years ago when there was a move for us to emphasize the direct sales approach. Even though we were still working with a number of reps, we made a concerted effort to hire people right out of college. We trained them for about six months and then set them loose on the territories. That approach didn't work all that well. For instance, we might hire someone, train him well and treat him like gold for half a year and then put him in the Rochester, New York, territory. The problem was he didn't know anyone there, didn't know the territory, or have the relationships we were looking for. Very soon after, he'd leave.

"After following this same approach for a couple of years and not having great success, we tried something different. Every time we have a need for a sales presence in a

given territory, the regional manager and I (and perhaps a few others), would put our heads together to decide upon the most effective manner to market and sell our products in that territory. In some cases it might be a direct salesperson, in other cases it might be a rep firm."

Considering What Works Best

"The variables that come into play when a decision has to be made to go direct vs. rep aren't necessarily those of geography or density of population," he says. "The major point in favor of one vs. another is how hungry and motivated they are, and if they will do what they say they're going to do. Salespeople, in general, will say that they can do anything. It's up to us to make the right decision concerning who's going to really sell our product and give us what we consider to be the right amount of their time."

Citing examples of how various decisions have been made, Bukowsky explains, "For whatever reason, going direct 25 years ago never worked all that well for us, particularly in New York City. Given the density of the population there, you'd think that would be the way we'd go to be successful — but it never worked out. We could never get a job done. We've since switched to reps, and the results have been good."

Bukowsky then points to the Denver area, where for years, "We had a direct person who was doing a great job, but she was wearing herself out trying to cover the entire state. We made a change and kept her in Denver, but surrounded her with reps to cover the rest of the state. That's worked out great."

He concludes by saying, "What direction we go is often determined by an individual's understanding of the needs and wants of the territory. If they truly understand what the customer requires and know 'who's who in the zoo' as well as they say they do, then they should be successful with us."

Looking for the Right Fit

There are a number of similarities in how Ideal Industries and the Croker Division of Fire-End & Croker Corporation,

"The variables that come into play when [deciding] to go direct vs. rep aren't necessarily those of geography or density of population."

“With a line such as ours, training is critical. One of the goals of continued training is to make the rep an expert on what they’re selling.”

Elmsford, New York, work with independent manufacturers’ reps. Simply put, if there’s a good fit, the company has a preference for the rep model.

Fire-End & Croker Corporation was started in 1930 by Anthony J. Sposato Sr., as a fire extinguisher service company, primarily serving the Manhattan area. By 2007, with the help of the acquisitions of Croker Fire Prevention, Standard Fire Hose Division of Zurn Industries, and the majority interest of Superior Fire Hose, the company has become a major source of supply for many types of fire fighting and fire-protection equipment across the United States, Central and South America, the Middle East, Europe and the Far East. The company remains a family-owned, privately-held operation with offices in Elmsford, New York; Pineville, North Carolina and Euless, Texas.

Company president Paul Sposato emphasizes that an important factor in the company’s ability to achieve its growth has been the use of reps. “Over the past 40 years, the Croker Division has been heavily dependent upon independent manufacturers’ reps to market and sell Croker products to contractors and wholesalers involved with new commercial construction — specifically high-rise buildings. These reps had been primarily involved with the commercial plumbing sector, but have now become increasingly specialized within the commercial fire protection industry, which has emerged as an entity of its own.”

Direct vs. Reps

In terms of numbers, Sposato explains that the company presently works with about 20 rep firms across the United States, and employs four direct salespeople. “Naturally, we’ve always had a preference for working with reps,” he says, “for the very reason that reps are only paid when they actually sell something. But, with our industry being what it is, we’ve found that there are some large metropolitan areas where we’ve been better served by having a direct salesperson in place. Our feeling is that, with these direct people, their time is never diluted. We have their exclusive attention all of the time. We’re not competing with the other lines that a rep typically represents. Added to that is the fact that our direct sales guys are career people who’ve been with us for awhile. We’ve had little turnover there.”

He adds that the direct sales approach really works best in those metropolitan areas where the numbers are bigger. “Sure it’s more expensive to use direct sales, but the larger numbers justify their use.”

Returning to the subject of getting enough of a salesman’s time, Sposato explains, “Because we might be viewed as one of the rep’s secondary lines, we’ve had some success by offering higher commission rates in order to incentivize them. We do that in addition to providing product training that keeps them apprised and interested in what we’re offering our customers.”

One concern that the company has had to grapple with over the years is the inability to actually locate prospective reps when the need arises. “There are some areas where we need representation, and we just haven’t had the luck we need to get the right fit.”

When the need for additional representation arises, he notes, “We’ve had some luck by touching base with an allied manufacturer and finding out who he works with. That, coupled with contacting customers for recommendations, has been of assistance.”

Addressing the subject of product training, Sposato emphasizes its importance in the manufacturer-rep relationship. “With a line such as ours, training is critical. One of the goals of continued training is to make the rep an expert on what they’re selling. If you don’t do that, then they’ll lose interest, and ultimately the customer will wind up calling a local distributor or the factory in order to learn what they need to know about the product.”

He continues, “Our reps see the value of training, and they never balk at the need to take some time out of their territory to be brought up to date with what we’re doing. In addition, they get to see us face-to-face, network with us and our people, and let us know what’s happening in the field.”

[EDITOR’S NOTE: During the course of the interview with Agency Sales, Sposato was informed of the availability of the MANAonline Directory. He agreed to participate in a demonstration, in order to learn how MANA can facilitate matchmaking between manufacturers and reps.]

“...people in your company will come and go,
but the rep is always going to be there.
That’s why we believe that using reps is the way to go to market.”

PART 2: THE PROS AND PROSE

One manufacturer’s written words last year sounded like music to the ears of manufacturers’ reps. **Kendrick W. Reaves** is a firm believer in going to market with reps, and he got right to that point when he penned a letter to MANA and AIM/R.

Reaves, national sales and marketing manager for **Cash Acme**, Cullan, Alabama, voiced his enthusiasm for working with AIM/R, “In reviewing Cash Acme’s recent successes — and they have been numerous — it became evident that our manufacturers’ reps have been key. Without the dedication and professionalism of our rep team, Cash Acme would not have enjoyed such dynamic growth and repositioning as a broad-line plumbing products manufacturer.”



“If the rep is working hard and it results in a large check from me,
that’s all I need to know about how much time he’s spending on my behalf.”

The praise in the letter continued, but in an interview with **Agency Sales**, the manufacturing executive got a little more specific. “You can have the best manufactured products in the world, but if no one knows about it, you’re not going to be successful.” That’s why Cash Acme depends upon and works so well with independent manufacturers’ representatives.

Cash Acme is a leading supplier to wholesale distribution with production of several series of regulation valves. The company also services the general plumbing and heating industry with a broad product range including pressure regulators, relief valves, back-flow prevention devices and general plumbing and heating controls.

While he’s only been with the company for the past five years, Reaves looks back at the manufacturer’s 75-plus-year history of working with reps and says, “A larger part of our success in various territories last year was due to the work of our reps in those areas. That’s not to say that we didn’t contribute via our outstanding manufacturing, the efforts of our regional managers and inside/outside support, but our reps were truly outstanding.”

Reaves acknowledges that he can only speak from his own frame of reference as far as working with reps goes. But a major point he makes in favor of reps is the typical tenure of the rep firm in each territory, and how that benefits the manufacturer. “I had a phone conversation in the car this morning with one of our reps on the West Coast,” he relates. “He was talking about a contractor customer and considering the possibility of an order. His words to me were, ‘I’m not worried about him. I know we’ll get the order because I’ve got a solid working relationship with him, and we’ve been working together for years.’”

Territorial Presence

For that rep, those words indicated the strength of a constant presence in the territory, Reaves notes. “Regional managers and other people in your company will come and go, but the rep is always going to be there. That’s why we believe that using reps is the way to go to market.”

For a manufacturer to get to the point where he’s able to benefit from the rep’s presence in the territory, however, he’s got to locate the right rep in the first place. In Reaves’ view, that’s where MANA and AIM/R come in. “Sure, I know that there are any number of ways to get in touch with prospective reps,” he says. “You ought to be communicating with your regional managers, talking with manufacturers of complementary product lines and even seeking the views of distributors and contractors. But in my view, that can result in a rather haphazard way of locating representation. That’s where MANA and AIM/R play such an important

part. Those associations should serve as a reference point for working with reps. That’s what they do for us, and I know I’ve pointed at least five other manufacturers to AIM/R.”

He continues, saying that the associations play an especially important role in delivering the message to both manufacturers and reps, and that rep businesses have to be run productively and efficiently. “When that message is communicated, those businesses will be successful, and those are the kinds of firms we want to conduct business with.

“Remember that any time one of the rep firms I conduct business with goes ‘out of business,’ that costs me time and money. Then I’ve got to deal with everything from inventory, transfers, interviewing and selecting a new rep, and sending my regional manager out in the field to train people at the new firm. The costs can easily be in excess of \$100,000. That’s why we like to work with successful firms.”

Seeking the Successful Business

Working with those rep firms is a lot easier when they are successful businesses, but Reaves is quick to point out that it’s still a lot of work to make the partnership effective. “There are issues — like communicating and being sure we get enough of the rep’s time in the field — that we have to address.

“Any time you work with a rep, you have to keep in mind that he’s representing 8, 10, 12 lines in addition to your line. Every time you call him and send him an email, you’re just one of the many he’s receiving over the course of a day. As a result, it’s easy to fall into the trap of over-communicating. All that accomplishes is to exacerbate what might already be a bad situation.

“We just finished a meeting with many of our reps where we addressed the subject of streamlining our communications with each other. If we communicate only that which needs to be communicated, the result is that we’re going to pay more attention to each other.

“As far as being sure that we’re getting enough of our rep’s time in the field, here’s how I look at that: Work done equals money paid. If the rep is working hard and it results in a large check from me, that’s all I need to know about how much time he’s spending on my behalf.”

Finally Reaves offers that when he’s considering a new rep, or even evaluating a current firm, one important thing that he always keeps in mind as an attribute is, “Does the rep have a plan? Does he communicate that plan to me? And how well does he work on his manufacturer relationships?”

“If we get the right answers to those questions, then I know we’re on the right track.” 