

The background of the page is a large, sepia-toned antique map with a grid of latitude and longitude lines. The map is centered behind a dark brown vertical band that contains the main text.

New Markets & Territories Point to Future Success

BY JACK FOSTER

Time and money have become short for reps and manufacturers, but investing some of both will lead to a more secure future and an increase in customers. Not only will it be worth it, it will be necessary.



Diversity, growth, expansion and sound business planning are the words

that come to the fore when consultants to the rep profession consider the pressing need for independent reps to develop new markets and territories.

In the opinion of Hank Bergson, former president of NEMRA, “It’s absolutely inevitable that the rep face this challenge at some point in the life of his agency.”

According to Bergson, president of Henry Bergson Associates, LLC, Katonah, New York, “Unfortunately there are a lot of reps out there who feel they are quite secure in the niche they’ve filled for some time. [They often think,] ‘I’m the very best at driving my specific product into my specific market/territory.’ Generally, we find that this is the ‘go-to’ guy who’s the very best at serving large OEMs, Home Depot, Sam’s Club, etc. Their thinking is this approach has worked successfully, so why change?”

In partial answer to the question,

Bergson offers, “I’m the last guy to say this is the wrong approach, but all it takes is one sea change or some sort of a small atom bomb, and the rep is faced with a considerable challenge.”

Contributing his real-world experience to this subject is Paul Pease, The Pease Group, Hermosa Beach, California. Pease maintains, “A need to develop new markets is a fundamental necessity for business growth and survival. As an example, during the 1981-82 recession, I was selling servo drives as a direct salesperson (it doesn’t matter whether it’s rep or direct for the sake of this discussion) for a company that was 90% vested in the machine tool market. The machine tool market sales plunged by more than 50% during that time, which killed us. We were determined not to be stuck in one market again. So throughout the ‘80s, we worked on developing the paper converting, printing, food and beverage processing, material handling [markets] – anything that required some type of controlled motion but was being done through mechanical means. We went after it with our servo drives and motion controllers.

“Those markets didn’t know they needed us, but we knew we needed them and pursued entering those markets with zeal. It took years of constant pursuit, but the benefit of not being subject to the dramatic swings of any one market helped provide a balanced attack. Interestingly enough, it also forced us to make more money because we got more sales. Nice problem.

“So, yes, reps need to develop new markets. There are several reasons why they don’t. One is based on the fact they get into ‘status quo mode.’ Another reason is the effort

to develop a new market drains time [and] resources from servicing existing accounts. The real killer is that market development generates no income for a long, long time. But if the rep is not conscientious in developing new markets and is trying to get by with the one market they are in, they are playing economic Russian roulette.”

Seeking New Life

Voicing whole-hearted agreement is Bill Heyden, Heyden Training, Naperville, Illinois. Heyden maintains that beating the path to new markets/territories is inevitable, and as with anything that is likely to happen, it’s best to be proactive. “Like they used to say in Star Trek, ‘seek out new life and new civilizations.’ It not only will happen, it has to happen if manufacturers are going to survive and grow. And it has to happen for reps to keep their pipeline full and diverse. Following that path means prosperity and safety for everyone willing to work hard to make it happen.

Asked what happens to the rep who just wants to operate with the status quo (i.e., conduct business as usual), Heyden says, “He/she will keep milking the same cow until it dies. Then he/she will look for another, only to find they are all locked up in someone else’s barn hooked up to automatic milking machines. This happens every day right now. For example, [some] reps rely on one contact at an account, only to find out that person is retiring, being transferred, changing roles, etc.

“The bottom line, if reps are not continually looking for new opportunities at existing accounts, new accounts, and new markets, they will ultimately stand alone blaming customers, the economy, and

everyone and everything they can in an effort to share the blame. The desire to explore for opportunity should be a characteristic we look for in a world-class rep. And the rep should find it to be one of the more fun things he/she does.”

Bergson concurs as he notes, “Even if the rep is working from a relatively strong/diverse base, he can face major problems. I’d make the case that the rep who serves big box stores or relies too heavily on single customers is positioning himself on fragile ground. Take, for example, the rep who maintains, ‘I’m the very best in the world when it comes to serving electrical distribution. By operating with that narrow focus, he’s neglecting other market forces in the world. Can he create a business that will last a lifetime? He’s limiting his opportunities.”

Bergson refers to best-selling author Thomas Friedman’s book *The World is Flat* when he says, “There

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“Let’s look at the world of electronics, for example. While a rep may have been the number-one guy for Texas Instruments, all of a sudden the world flattened, production shifted overseas, components were sourced elsewhere and commissions were split and obviously reduced. A lot of these guys scrambled like crazy to change their business, or they went out of business.

“I would venture to say that these were reps accustomed to operating in a reactive vs. a proactive manner. Having said that, however, it’s important to recognize the fact that good reps know they must be proactive. However, it’s the pressures of the marketplace that often force them to operate reactively. The paradox of the world in which they operate is that while they know





they must carve out the time to develop new markets and territories, job pressure forces them to react instead.”

Avoid Business as Usual

Pease agrees and explains that there are several reasons reps get into “status quo” mode. “One is they worked really hard to develop the business and create a revenue stream that fulfills their financial appetite. Another is the time-focus element. When they were building the business, they were busy learning the market, learning the product lines, marketing, prospecting and cold calling to grow business. But a transition occurs as they gain business. They have to spend more and more of their time holding on to the business they earn – especially in today’s competitive and cost-driven world – where the deal you have today is being shopped for a

lower price tomorrow. Couple that with product shipment and quality issues, and the time once used for prospecting is now being used for maintaining.

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folks don’t see the change going on around them. They don’t realize that even in status quo mode, they will reactively replace a good chunk of their customer base and their line card in the next five years. I say reactively because they don’t do anything about it until it is too late—a competitor takes an account, a principal goes direct/ merges/ or fires the rep for lack of growth. Then all heck breaks loose, and they [have to scramble] to get some new business.

“Even worse are the reps that are hanging on for dear life to get to retirement and just let the business dwindle away around them. They wind up with nothing in the end. It’s like watching a train wreck.”

Taking a Proactive Stance

Since all three consultants agree that the rep who “stands pat” isn’t going to cut it in the future, the

question is, what are some logical steps the proactive rep should take, and what are some common mistakes or pitfalls they might face?

The first to tackle that question is Pease. “The rep should identify what markets to attack with the agency’s key lines. Then in doing a little homework with the agency’s principals, the rep should find out who is going to have their back for what market. You can’t develop it alone; the key principals have to be active participants. The biggest pitfall is the speed of entry into the new market. Whatever time you think it is going to take, it will take

Heyden says, “I think the best way to answer this question and zero in on key points is to list critical elements to effectively... identify and capture new market opportunities. Among others it’s critical to:

- Plan;
- Prospect;
- Identify potential;
- Document;
- Engage decision-makers for that piece of business;
- Start with phone contact, then get personal;
- Develop a call plan based on potential;
- Set priorities based on probable

healthcare, education, transportation and energy are predicted to be the highest growth markets over the next 5-10 years);

- Understand how you, your organization and the suppliers you represent can best position yourselves to capture market share;
- Networking products will lead the way, but it won’t stop there;
- Hold your reps, yourself and your suppliers accountable;
- Engage in ‘positive’ confrontation when necessary (this goes both ways);
- Be pro-active. Unfortunately some reps react and can’t adjust until it’s



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way longer. But that doesn’t mean you shouldn’t develop new markets. In fact, it means the pursuit of developing a new market should start sooner rather than later. I remember our national sales manager cajoling us back in 1981 to look into other markets, then in 1982 we were regretting not taking his advice much more seriously and much sooner.”

- matches;
- Focus on effective 1st and efficient 2nd ;
- Develop plans with manufacturers whenever possible;
- Understand and sell value – monetize key benefits;
- Follow-up after the solution has been in place for a period of time;
- Research market potential (e.g.,

- too late (so have a strategy);
- Train on your supplier products (know them inside and out);
- Understand key product markets and decision-makers, and have an engagement strategy;
- Be easy to conduct business with;
- Don’t be afraid to change old habits (often they are too light to be felt until they are too heavy to

be broken);

- Understand key price points;
- Don't hide from your manufacturers; they know you are there. Out of sight can mean out of mind;
- Create a monthly conversion list, with pluses and minuses, for discussion with suppliers;
- Set aside time each day to prospect, prospect and prospect some more. Effective prospecting means getting personal;
- Prospecting will keep you sharp and up-to-date, and you will trip over some major businesses. Think of it as exercise for the sales professional;

to market – and some of those are still paying dividends today.

Never Forget Synergy

Bergson maintains that the concepts of synergy and communications have to be kept constantly in mind. “Among the first questions the rep has to ask and answer are ‘Where else can I take products that my manufacturers have? Who else will buy these or related products?’ These questions are both territory and market oriented. I would maintain that the level of diversity I see among reps is alive and well. And the question remains, is the existing rep

over again, it's that it is essential for the rep to have a real, live, honest to goodness living strategic plan. And by that, I'm not saying just to have the [plan] they might have completed for CPMR, then put on a shelf and never looked at again. The strategic plan I'm talking about is the one they refer to and use on a daily basis.

“Along with that strategic plan, it's essential that the rep and the manufacturer are in constant communications regarding the plan. In my opinion, every 18 months to two years, the rep has an obligation to take himself and other



- Positive thinking is key. Energy transfers, both positive and negative;
- Celebrate successes with your manufacturer suppliers;
- Differentiate yourself, your organization, your manufacturer and the products you represent;
- Remember, every product was new at some point, and someone took the risk to invest time bringing it

going to take synergistic products to market, or will the manufacturer have to sign on with another rep to do that job for him? The proactive rep will realize the opportunity and grow with it.”

Bergson says that communication and planning remain key to a successful venture. “If I had any single piece of advice that I'd offer over and

key members of his firm, together with his strategic plan, and have a real, live planning meeting with his manufacturers.

“The focus of any meeting such as this is for the rep to communicate, ‘Here's what I'm doing and where I'm going as an agency, and I want you to tell me where you're going as a manufacturer.’ The key here is that



we need some sort of measurement of our ‘going togetherness.’ Are we going in the same [direction]? Are we on the same page? If not, we have to figure out how to get divorced sooner, rather than later. If it’s later, then things really get messy and divergent.”

Manufacturer Support

Bergson’s point concerning communicating with the manufacturer stresses the need for the two marketing partners (manufacturer and rep) to work closely together. All three consultants offer strong opinions about the role of the manufacturer when it comes to the rep looking to expand his market/territory.

According to Pease, “The manufacturer needs to provide focused resources to help the rep develop the market. That means product literature, web pages, inside support staff, applications support and marketing promotion into the new market. If necessary, the manufacturer should devote a person to the area to help develop the new market in coordination with the rep agency. I have seen

this work every time a manufacturer dedicates someone to help the rep develop the new market.”

Heyden believes, “It’s not so much a scenario as it is joint expectations to effectively and efficiently bring products to market. I highlighted those activities above that should absolutely be part of those teamwork

zero in on those specific activities appropriate to that organization.

“So what the rep needs to do is understand common responsibilities, but just as important, take time to understand the supplier organization. [The rep must learn about] their history, resources, objectives, go-to-market strategy, expectations,

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ventures regardless of the objectives illustrated in the big picture. Having said that, it is important to understand the supplier organization and their objectives so that you can

products, personnel, etc., so that he or she can customize the approach specific to that organization. That approach will include some of the above activities and some outside

this list, as he/she better understands where that manufacturer needs to go.

“Here are just a few examples to illustrate why this is so important:

- “I coach quite a few sales professionals who recognize the need to make improvements. It is not uncommon for many of them to not have the needed contacts and communications to understand the supplier organization. Credibility and trust are quickly lost if the manufacturer recognizes that, and they of course will. Just about every medium to large supplier has product training available on their products. Many times it is available on-line. It is important for reps to routinely access that training and take any assessments associated with it. Manufacturers often keep record of who takes their training, not so much to see scores but to see commitment to learning something about them and the products they are working to sell.
- “Here’s another one. Most medium to large suppliers have in-house marketing experts dedicated to under-

standing price points, forecasting, etc... It’s amazing how many internal direct sales folks don’t even know that person exists, much less utilize them. So you can just imagine the disconnect reps may have with some of these valuable internal supplier resources. I know this firsthand, having worked on the manufacturer/supplier end for a leading supplier of electrical, electronic, and network communications products. If you can engage with these key resources, they will give you a leg-up on many of the elements already mentioned, and not only that, your name and the name of your rep organization will move up on their list. The same holds true for people resources such as engineers, product development managers, etc. Get to know them and use them. That’s how win-win relationships are formed.

- “Here’s another from the other perspective. Often reps may ask for important help, assistance, information, etc., from their supplier manufacturer. It’s worth recognizing that it’s not unusual for manufacturers to focus 24/7 on building better

and better products. If you are not getting what was promised, it’s okay to engage in positive confrontation. Confrontation often gets misused or abused and consequently gets a bad name. You know this when people change the name to discussion, meeting, teamwork, etc. There is such a thing as positive confrontation. Manufacturer suppliers do it all the time internally in order to make the best products at the least possible cost. Don’t be afraid to get in there and have professional discussions of what’s going well and not so well. If they don’t know, they can’t help. They’re counting on us to be the selling experts [that] inform them of any obstacles to gaining customer commitments. If you do, they can help in ways you probably haven’t imagined.”

Manufacturers Should Participate

On a final point related to the rep expanding markets/territories, each of the industry consultants interviewed for this article stressed that it was reasonable for the rep to expect his manufacturer to participate in





expansion plans. At the same time, they emphasized that manufacturers should be proactive when it comes to supporting their reps.

For instance, Heyden offers, “The investment is not so much currency, but rather the monetary value of the investment of time and energy. Depending upon the big picture, this could vary widely from a modest to a quite large investment. And it could vary as to the balance of the investment among rep and manufacturer/supplier.

“For example, should the manufacturer supplier be larger, with marketing specialists, and the rep taps into that resource, the investment by the rep is minimal and the investment by the manufacturer quite large. Should the situation be reversed, so will be the investment.”

Following up on how and how much a manufacturer might invest in the rep’s efforts, Pease says, “First, a manufacturer may wonder why a rep agency that is already earning

income should be paid or actively supported with direct factory personnel to develop a new market. Marketing is not a strong suit for most rep agencies. Look at any organization that has a direct sales force. They have a [separate] sales department and marketing department, who, I might add candidly, are often at each other’s throats... Both are cost-centers for the business. If marketing could be done by sales, and vice-versa, then it would be just one department...But it hasn’t been, it isn’t now, and it won’t be in the future. Marketing and sales are separate departments, with separate budgets, and separate personnel. The same applies to the rep world.

“If the market development timeframe is over six months, then there should be some financial participation/incentive/investment on the part of the manufacturer. One way to do this was already mentioned: dedicate a person to the new market development to work with the rep

firm getting things going. The factory guy can make sure that the marketing efforts are accurately directed to the right spots in the market, and any opportunities that turn into prospects in need of qualification can then be co-developed with the rep agency. Some manufacturers want to hand-hold the first couple of forays into new markets to make sure they get it right.

“Other ways to do this are to actually pay the rep agency to help develop the market. This can be done via either a retainer or a draw against future commissions. While the manufacturer may argue that they pay for sales, well, that is precisely the point: they pay salespeople commission to sell and marketing people a salary to market. But I think if a retainer or draw is paid, then there must be agreed-upon metrics, measures and milestones to hit in order to earn the retainer or the advance. Still, I believe that whatever amount is invested in the form of a retainer


or draw is going to pay dividends for both the manufacturer and the rep. I successfully negotiated draws against future commissions (back in the '80s and '90s) five times – from as low as \$1,500 per month to \$6,000 per month – and every one of these cases paid off for both the agency and the manufacturer.”

Bergson puts a bit of a different spin on the subject of investing in business. According to the former NEMRA leader, “What we’ve gone through in a variety of markets over the last couple of years has been very interesting. We’ve gone through the recession, and sales have dipped just about everywhere. As that has been going on, most reps have been very reticent to do what many manufacturers, distributors and contractors have done: that is, to shrink their work force. They’ve resisted that step because the rep work force is very small and specialized. [Instead, many reps have spent] money out of their own pockets to maintain

their sales capacity. Most rep firms are defined by the quality of their sales forces, and rep firm principals don’t want to let those quality people go. As the recession got longer and deeper, this had been a challenging process.

“Now that we’re pulling out of the recession, the question has to be asked do you have sufficient resources to survive the recovery? Is the salesperson you retained the correct guy to succeed in the new market during the course of the recovery state? Do you need to expand rapidly and seize other opportunities (markets/territories), and do you have the capital and wherewithal to accomplish that task? At the point of recovery, which is where we are right now, reps need to look up and see new market opportunities.”

In conclusion, Bill Heyden advises reps to “Invest your time and energy in understanding your manufacturer suppliers – their goals, resources, etc. Then identify critical

activities that would need to happen to effectively bring those products to market. Put an ‘R’ for rep or ‘M’ for manufacturer next to each activity, indicating who is best to perform that activity. This needs to be based on the big picture research you have done, rather than how you would want it to be allocated. Put an estimated time next to each associated with the monetary value that investment represents. Then sit down with your rep principal and make decisions as to whether to move forward or not. Affix timing to a move-forward strategy. Or perhaps consider further discussions between the rep principal and the high-level supplier contact to explore re-distribution of duty. Adopt an ‘explorer attitude.’ You’ll be glad you did.” 

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