feature

REPRINTED FROM
agency sales® magazine
november 2008 · vol.38, no.11

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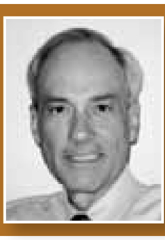
WHY I LOVE TO FIND MY COMPETITOR'S HOUSE ACCOUNTS

EDITORIAL | DOYLE N. EVANS



DOYLE EVANS

Doyle Evans is the president of Pinnacle Marketing Inc., Raleigh, North Carolina. This article appeared as a “guest column” in the space normally occupied by MANA member Harry Abramson, president, Electronic Salesmasters Inc., in the July/August issue of **Electronic Distribution Today** magazine. It appears with permission from Abramson.

As with many things in our business, house accounts are double-edged swords and thus can cut both ways. While reps dislike having them, personally I like to discover my competitors’ house accounts. To clarify, I’m not referring to the hybrid programs where dedicated direct sales staff and independent manufacturers’ representatives work as a team to capture all levels of available business. To be more precise, I’m referring to the principal that assigns a manufacturers’ representative to a territory, but holds back one or more customers as so-called “house accounts,” or customers that will be managed directly by the principal.

The reasons for doing this vary, but usually fall into four categories:

- “We have 100% of the customer’s business, and the rep would add no value.”
- “The business is low margin and we cannot afford to pay commission.”
- “The customer purchases our legacy products, and we are the only game in town.”
- “The customer requested factory-direct coverage, probably thinking that they would receive lower pricing.”

These explanations may or may not be valid, and are not the focus of this article. Indeed, much has been written regarding the wisdom of house accounts in the independent manufacturers’ rep model, and I will leave this debate for another forum. Rather, my point is, once found, house accounts can be low-hanging fruit for a multi-line manufacturers’ rep. Even though the direct supplier may call these “key accounts,” truth is, house accounts are often taken for granted by suppliers, as they assume their business is safe or “locked in” and they have a tendency to drop their guard.

For example, I have seen house accounts handed off to inside clerks to manage. Not a lot of customer face-time with this plan! Or, they rely too heavily on past relationships not realizing customers are running dynamic businesses and alliances change quickly via employee attrition, promotion and new management. Even with the best of intentions, high travel and entertainment costs, scheduling conflicts, and other priorities often prevent good customer care from being executed by factory-direct staffers. (This is where I can do my best work at capturing my competitors’ house account by providing superior inside and outside territory sales support.)

Eventually, the diminished service level is felt by the customer and a business opportunity portal is opened. In other words, the competition becomes vulnerable. Usually these opportunities are centered on competitiveness and/or technological change. However, quality issues that aren’t properly addressed, or alternative channel fulfillment needs can also create an opportunity for the astute representative. Nothing is absolute, but my experience tells me that I have a better chance of covering a house account than an account covered by another manufacturers’ representative. Like me, my rep colleague will be calling on this customer often, monitoring and protecting his business, whereas the direct salesperson does not always have this luxury. The factory-direct representative usually has other “big picture” duties that can take priority over single-account activity.

Complacency in business often leads incumbent suppliers to become lackadaisical in maintaining their competitive edge. With the supplier’s attitude that they are “locked in,” house accounts often pay higher prices, which gives reps even more of an edge in their quest to take the account for their principal. Ironically once the business is lost, the cost is high both in margin and customer rapport, for the incumbent supplier to get back in the game. All of a sudden having their reps involved at these accounts looks affordable, but it is often too late. Almost every rep I know has a story or two about being asked to reengage with a house account after their principal acknowledges the business has declined to a non-profitable level.

Since the direct salesperson has a single product offering, it is difficult to compete with the consultative selling approach of a multi-line manufacturers’ representative. I take advantage of this as I find customers expect me to know their business and look to me for a total solution to their product design needs. Even with product breadth, it is still shallow selling for the direct approach. The odds favor the multi-line

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manufacturers' representatives with a strong line card to gain early access and involvement in their customer's new product designs. This is simply a matter of me having more "touch points" at the customer by virtue of line card synergy. This allows the rep to sell deep, rather than shallow, and a good rep can often help dictate design parameters in favor of his principal's product offering before the incumbent supplier learns of the new design opportunity. Customers do not always call their current suppliers first regarding new projects, especially if that direct vendor is not visible and being proactive at the account. Additionally, he may have a track record of being difficult to work with and the customer does not want to give him a heads-up that he is about to be designed out.

By the mere nature of a house account, it usually means there is no distribution involvement. This can be a big mistake by my competitor and a pathway to capture house account business. Depending upon the situation and customer needs, I may be able to use my distributor partner for dock-to-stock programs, safety stock, vendor reduction programs, and other value-added benefits we can bring to the customer jointly. This is simply a matter of leveraging my distributor's services to make the sale. Although this is not cutting-edge thinking, suppliers with house accounts often do not offer creative ideas for channel fulfillment. After all, it is often assumed these accounts will always be status quo.

Finally, I know my competitor's reps are missing this revenue stream that these house accounts would generate to support their territory maintenance and development. They may even be struggling to make the line profitable within their respective rep businesses. Also, the house account mentality often means that these suppliers do not fully empower their reps or treat them as valued business partners. This may lead to a disgruntled or demoralized sales rep and can be an indication for other opportunities at his Rest of World (ROW) accounts. Accordingly, I feel that these house accounts can be fertile ground for new business opportunities for my principals. This is like icing on the cake, and perhaps the best reason of all why I love to find my competitor's house accounts.

The idea is to identify the house accounts, recognize the signals for needed support and act accordingly.

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