



REPRINTED FROM

# agency sales<sup>®</sup> magazine

november 2008 • vol.38, no.11

16A Journey, Suite 200  
Aliso Viejo, CA 92656-3317

toll-free 877-626-2776  
local calls 949-859-4040  
fax 949-855-2973

[MANAonline.org](http://MANAonline.org)

.....  
COPYRIGHT ©2008, MANUFACTURERS' AGENTS NATIONAL ASSOCIATION (MANA)  
ALL RIGHTS RESERVED. REPRODUCTION WITHOUT PERMISSION IS STRICTLY PROHIBITED.  
.....

# THE COSTS OF POOR REP SELECTION

PREPARATION PAYS OFF IN MORE WAYS THAN ONE

EDITORIAL | JAY OWNBY





## JAY OWNBY

Jay Ownby joined the MANA executive staff in 2004, following 20 years of sales and marketing management experience in the electronics industry, including ownership of a manufacturers' rep firm. As a rep, Jay was a MANA member for more than 10 years and served on both regional and national Boards of Directors for the Electronics Representatives Association (ERA). Jay holds a BS degree in chemistry and an MBA in marketing and finance. He is MANA's Director of Strategic Alliances and his responsibilities include serving as Executive Director for both the Power-Motion Technology Representatives Association (PTRA) and MANA's Capital Equipment Special Interest Group.

## Selecting a manufacturers' representative is just as important as hiring an employee. Say what? You can't be serious!

An employee starts costing me money the day I hire him. A rep pays all of his own expenses from day one and doesn't cost me a dime until he sells something and I send him a commission check. If I make a mistake in hiring an employee it can take me months to find out. Then I have to go through the agony of terminating him or her and recruiting, interviewing, and hiring a replacement; all the money I paid in salary and benefits was totally wasted. If I make a mistake in hiring a rep firm, and they don't sell anything, they don't cost me anything and I can simply replace them.

On the surface, that would seem to be a logical conclusion. There's no argument about the costs involved in the poor selection of an employee. But let's look a little deeper into the costs of making the wrong rep selection. Let's start with the theoretical selection of the best possible available representative for your product line in a given territory. This "best possible" rep will produce the full amount of potential business for your company in that territory. And what about the second or the third best rep? They will produce less than the full amount of potential business for your company in the territory... forever!

How much lost business does selecting *less* than the best rep amount to? No one will ever know. But it's a given that only the best rep will produce the most business for you over time.

The loss of potential business falls into the category of opportunity costs. There are also direct costs involved in the selection of the wrong rep. First of all, it will take you six or more months to realize that you have made a mistake. All of the time and expense invested in the process of interviewing and selection, contract negotiation, shipping product literature and samples, training, motivating, visiting the territory, making joint sales calls, etc., are rendered totally valueless.

And then you're right back to ground zero, right? Wrong! You are now *below* ground zero. Why? When you start your interview process again, expect to be asked the following questions in some form or another from your new list of prospective reps:


- ✓ Who was your previous rep in this territory?
- ✓ When did you part company with them? Why?
- ✓ How long were they your rep?
- ✓ Why did you hire them in the first place and then fire them so quickly?
- ✓ Have you terminated any other reps recently?
- ✓ May I have the names of those reps, and your other current reps?

Now, what do you think your chances are of signing up the best possible rep in the territory? Or even just a *good* rep?

And what about the new rep that you *do* sign up? What about your potential customers? The new rep can expect to run into questions such as, "What happened to Joe? I thought they repped this company. They were in here just last month." How much confidence in your company have you built with this customer and others like them?

The bottom line of poor rep selection is this:

- ✓ If you select anything less than the best possible rep for your company in a given territory, you will realize less than the full amount of potential business in that territory... *forever*.
- ✓ If you make a bad selection and find it necessary to terminate the rep, you will virtually eliminate the possibility of hiring the best rep, and substantially decrease the probability of hiring even a good rep. More lost potential business... *forever*.

How can you optimize your chances of finding and hiring the best reps? Start by reading MANA's new Special Report: **Selecting the Right Representative or Principal Partners**. Order it online at [MANAonline.org](http://MANAonline.org) (MANA members can download for free in the Member Area of the site). Then, decide up-front to spend as much time as needed to complete a thorough due-diligence process. Before signing a contract, visit your final rep candidates in their offices, and invite your final selection to visit your factory or offices. Finally, negotiate a fair and balanced contract with the rep firm that you have chosen. 

## An employee starts costing me money the day I hire him. A rep pays all of his own expenses from day one...