

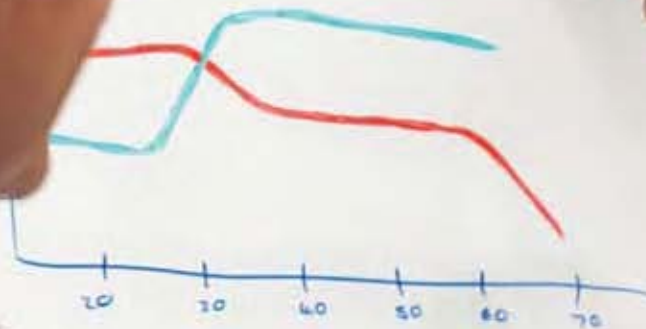
agency sales[®]

a MANA resource for principals and reps

Why Does a Rep Need a Business Plan?

The Rep-
Manufacturer
Rules of Attraction

Sales Reps Wanted —
Everywhere



MANA[®]
Manufacturers & Agents
PROFESSIONAL PARTNERS IN PROFITS

Professionalism

When we talk about MANA members, the first word that always comes to mind is professionalism. The reason is that MANA is the number one resource for professional reps, reps who aspire to become professional, and principals who set high standards of professionalism of reps they choose to be their partners.

This issue of *Agency Sales* magazine discusses rep professionalism, and in speaking with many of MANA's rep and principal members, I've uncovered a number of ways that a professional rep distinguishes him or herself from reps that still need to work on their professionalism.

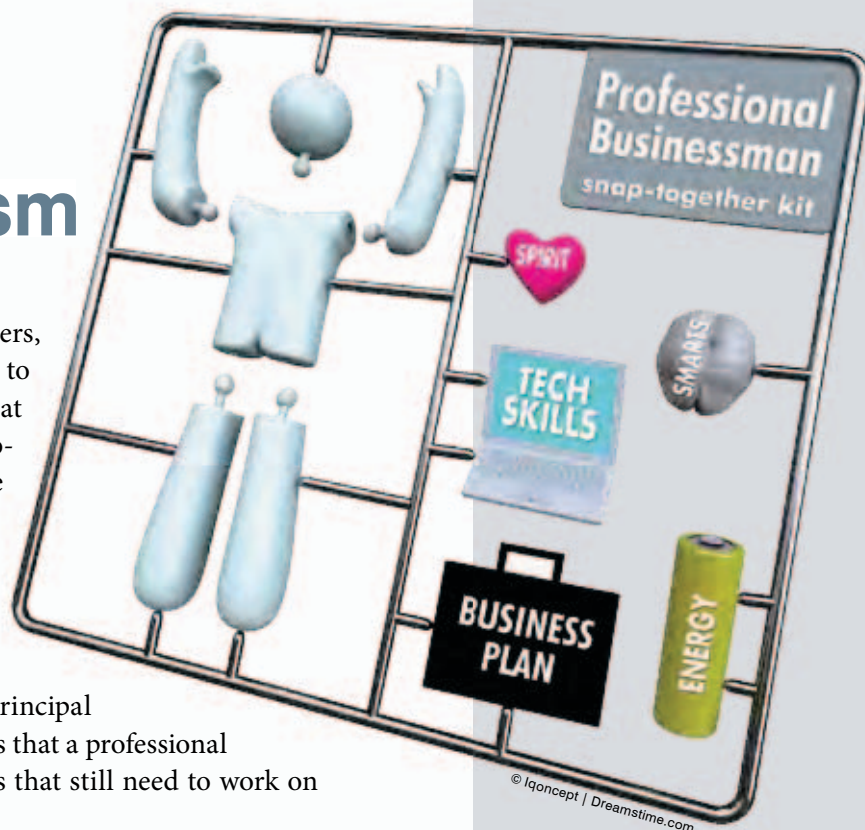
What are the two most commonly mentioned ways that professional reps distinguish themselves? Professional reps:

- Work *on* their business, not just *in* their business.
- Are businesspeople in sales, not salespeople in business.

But are those just slogans, or are they really shorthand for some of the best practices we see among professional reps, such as these:

- Written business plans and objectives, not just sales plans for each of the rep's key principals, but also a five-year plan for the rep company itself.
- A "hot list" of potential candidates for sales positions kept handy so that the firm can swiftly take advantage of opportunities to expand its coverage within its current territory or expand into new territories.
- Annual reviews of the rep firm's line card to reconfirm that each line is still synergistic with the rest of the line card. This lets the firm release lines that no longer fit the line card and reallocate time that would have been spent on those lines to working on synergistic lines that are part of the firm's long-term plans.
- A continuous commitment to training and education, either on the products the firm sells or the skills that sustain and enhance the firm's selling and business operations.
- Succession plans that allow the rep owner to receive the value of his or her firm upon retirement and the rep firm's principals to have continuity of sales services once the rep owner retires.

So when you find a rep firm where the owners and employees have solid plans to be better next week than they were this week, better next month than they were this month, and be better next year than they were this year, then you've probably found a true professional, and a highly valued partner in profits for all the principals on that rep's line card.



Charles Cohon, is CEO and President of MANA and is CEO and Founder of Prime Devices Corporation, a Chicago area MANA member. In 2005 Cohon earned an MBA with honors and with concentrations in strategic management and entrepreneurship from the University of Chicago Booth School of Business, where he "plays a key role in Chicago Booth's *Entrepreneurial Selling* class by serving as a judge for MBA students' final projects" says Professor Craig Wortmann.



MANUFACTURERS' AGENTS NATIONAL ASSOCIATION®
Founded October 17, 1947

MANAonline.org

Code of Ethics

I. The Sales Agency's Responsibilities to the Manufacturer/Principal:

- ☐ To comply with the Principal's terms and conditions of sale.
- ☐ To conscientiously cover the assigned territory, accounts or industry segment.
- ☐ To avoid any form of misrepresentation.
- ☐ To establish relationships only with those Principals which will be well represented by the Sales Agency.
- ☐ To refrain from representing competing lines without written agreement of the Principal.
- ☐ To constantly strive to add value to the relationship between the Principal and the Customers.

II. The Manufacturer's/Principal's Responsibilities to the Sales Agency:

- ☐ To enter into a fair, clearly worded, written Sales Representative (Independent Contractor) Agreement which addresses the needs, concerns, expectations and objectives of both parties.
- ☐ To refrain from modifying the terms of this agreement, except by mutual written consent following full discussion of the matter.
- ☐ To recognize the Sales Agency as an important element in the sales goals of the Principal.
- ☐ To constantly strive to support the Sales Agency's efforts by timely responses and open communication.

III. The Sales Agency's Responsibilities to the Customer:

- ☐ To promote only those products or services which are in the Customer's best interest.
- ☐ To constantly strive to improve the relationship between the Principal and the Customer.
- ☐ To clearly and fairly communicate the needs of all parties in the business relationship.
- ☐ To process Customer problems and questions promptly and accurately.

IV. The Responsibilities of One Sales Agency to Another:

- ☐ To share ideas beneficial to the rep profession.
- ☐ To respect existing Principal relationships of other Sales Agencies.
- ☐ To refrain from using unfair methods to solicit the Customers of another Sales Agency.
- ☐ To cooperate to enhance the professional relationship of the Sales Agency and its Principals by supporting MANA, which was established for that purpose; subscribing to its aims and objectives, and in every practical way working to advance the marketing interests of all Sales Agencies and their Principals.



agency sales[®] features

8 WHY DOES A REP NEED A BUSINESS PLAN?

For the purposes of our discussion, starting (or even maintaining) a successful rep business is a little like taking a trip.

by Jack Foster

12 MANA'S "STEPS TO MANUFACTURERS' AGENT PROFESSIONALISM" PROGRAM

We believe the more professionally you operate your business, the more successful you become.

15 THE REP-MANUFACTURER RULES OF ATTRACTION

If there's any single area of agreement between independent reps and manufacturers it's that finding the right marketing partner is not a task to be taken lightly.

by Jack Foster

18 MANA IS THE ASSOCIATION FOR MANUFACTURERS WHO REQUIRE THE UTMOST PROFESSIONALISM FROM THEIR AGENT PARTNERS

20 HIRING THE RIGHT PEOPLE TO GROW YOUR BUSINESS

Finding, hiring and keeping good sales staff is no easy task.

by Jack Foster

25 POSITIVES OF REP COUNCILS OUTWEIGH ANY NEGATIVES

To be fair, when considering the subject of manufacturer rep councils, there's a positive and a negative side.

by Jack Foster

28 EVALUATING THE MANUFACTURER-AGENT RELATIONSHIP

If you can tune in to the needs of your partner, it is going to be a lot easier to keep them happy.

by Mike McGuire



34 FOUR SALES TRUTHS TO SET YOU FREE

If you're going to be successful in sales over the long haul, there are four concepts you need to fully accept and buy into.

by John Chapin

37 MANA SEMINAR EXAMINES THE MANUFACTURER-REP RELATIONSHIP

Based on the feedback from participants, MANA's Manufacturers' Seminar last fall was the place to be.

by Jack Foster

30 RECRUITING REPS? GOOD LUCK....

I'm writing while engaged in a rep-recruiting project for a mid-sized manufacturer.

by John Haskell

Agency Sales is available online for MANA members at <http://asm.manaonline.org>

departments

2 MANA MINUTE

Professionalism
by Charles Cohon

6 EDITORIAL IN THE FIELD

Why Negotiate a Good Contract?
by Greg Bruno

7 MANA BOARD OF DIRECTORS

43 PRINCIPAL FOCUS

Sales Reps Wanted — Everywhere
by Jack Foster

47 LEGALLY SPEAKING

The Indemnification Clause:
Proceed With Caution
by Mark Smith



agency sales®

EXECUTIVE STAFF

President & CEO	Charles Cohon
Vice President, GM & Secretary/Treasurer	Jerry Leth

EDITORIAL

Editor-in-Chief	Jack Foster
Managing Editor	Jerry Leth

ART & PRODUCTION

Publication Director	Alane LaPlante
----------------------	----------------

ADVERTISING

Advertising Services	Pam Hamlin
----------------------	------------

agency sales® (ISSN 0749-2332), formerly *The Agent and Representative*, is mailed as a paid subscription publication to members of the Manufacturers' Agents National Association and independent paying subscribers. Claims for missing issues should be made within 90 days of issue date. No claims will be honored after that 90-day time period. We assume no responsibility for unsolicited material. Manuscripts, artwork and photographs must be accompanied by stamped, self-addressed envelopes. We reserve the right to publish, in whole or in part, all correspondence received by *Agency Sales* and Manufacturers' Agents National Association. All correspondence sent to *Agency Sales* will be considered *Agency Sales* property.

The purchaser of advertising space in *Agency Sales* assumes all responsibility for the entire content of any advertisement printed for him or her in *Agency Sales* and assumes responsibility for any claims or costs of litigating claims arising therefrom. Publisher reserves the right to refuse advertisements and notices submitted for publication.

Postmaster: Send address changes to *Agency Sales*, 6321 W. Dempster St., Suite 110, Morton Grove, IL 60053. (USPS #879380)

Publisher: Published monthly by Manufacturers' Agents National Association, 6321 W. Dempster St., Suite 110, Morton Grove, IL 60053; phone: 949-859-4040; fax: 949-855-2973; e-mail: mana@manaonline.org. Copyright © 2021 Manufacturers' Agents National Association. All rights reserved. Periodicals postage paid at Laguna Niguel and additional entry office. No part of this magazine may be reproduced without written consent of the publishers and authors.

Cover: © Monkey Business Images | Dreamstime.com

Please Note

We created this sample edition of *Agency Sales* magazine to provide new members an opportunity to read an issue immediately after you join. As a member, you receive *Agency Sales* every month and you can access past issues in the member area of the website. Expect your print copy in the mail the beginning of each month.

Non-members also read this sample issue to learn the content and why *Agency Sales* provides such great value to members.

To view the current classified ads, click here:
www.MANAonline.org/ads/index.html

Why Negotiate A Good Contract?

Sales agencies and principals
rely on each other, and our
mutual growth is intertwined.



Agreement

This Agreement
payment servin

Our mutual dependence is obvious for some but not so for others. There cannot be one winner and one loser when it comes to our contracts. The whole purpose of the agency principal relationship is for both parties to succeed and grow in a mutually profitable manner while servicing our mutual customers' needs. Getting to a win-win contract takes an open mind, a willingness to learn from each other, the ability to accept and understand each other's needs and then turn all that into a mutually profitable relationship. It's not easy but it is worth the effort.

Success is more than mere bookings, shipments, invoices and commissions. Success is growth and longevity for both parties. To get there, however, both parties need to recognize the responsibilities that they have to the other. This includes the requirement for the agent and the principal to perform. Both parties are required to perform, but to what level or capability? This and other questions must be discussed and settled before a fair contract can be negotiated. Both sides must work to understand the other. It is a lack of understanding that often leads to messy and early separations.

I believe that a series of initial conversations must take place ahead of any contract negotiation in order to develop a win-win contract. These conversations enable each party the opportunity to better understand the other. During these discussions, the parties should express their own respective expectations, needs and capabilities. The conversations will ultimately provide for either a path for consensus and a win-win contract or a quick parting.

Often we neither push for nor allow these initial conversations to take place. This leaves the parties with little or no understanding of the other and makes win-win

contracts difficult to obtain. Once each party knows the expectations and capabilities of the other, progress in negotiations can begin and will lead to the development of a win-win contract and a mutually profitable, long-term relationship.

In many ways both the agency and principal are alike, but we rarely discuss this. Manufacturers and sales agencies are always at risk. Both parties have a right and a need to survive, and a win-win contract will provide for this.

When you leave your office and head out onto the road, you buckle your seatbelt. Why? You might say that the answer is obvious. If that were true, then why did we implement seatbelt laws? Essentially, seatbelts protect us from the unexpected impact. Look at a win-win contract as your agency's seatbelt.

Sales agents were born to negotiate, and there may not be anything more important to negotiate than your agency's contracts. I like to think of negotiation as a sport. I take it seriously but slowly and I try different styles to determine what works for my agency and for my principals. Remember that both agencies and principals need each other's cooperation to survive, and that cooperation starts with a win-win contract.

Change is inevitable. A well-written contract will not provide for every change, but it can help to buffer most changes and enable both parties to remain whole. Good contracts help to smooth out changes when principal ownership or management evolves. A good contract will help to insure that changes, when they arrive, neither put an agency out of business nor cause severe damage that would otherwise take years for the agency to offset.

Greg Bruno is founder and president of Midlantic Enterprises, Inc., a multi-person agency selling custom and standard engineered components to OEMs and large industrial companies in the NY to DC corridor. Bruno has been a rep for more than 35 years and is active with the NJ/NY chapter of MANA, participated in the development of the current MANA Agency-Principal Contract and is currently serving on the MANA Board of Directors. Midlantic Enterprises began its 31st year this past August.



Manufacturers' Agents National Association
Successfully connecting reps and manufacturers since 1947.

DIRECTORS AND OFFICERS



John D. Roba
 CT, ME, MA, NH, NY, RI, VT
 Executive Committee Member
 716-633-7565
jroba@robacompany.com



Greg Bruno
 DE, DC, MD, NJ, PA, VA, WV
 856-486-7711
greg@mdl.us.com



Roger Ralston
 AL, AR, FL, GA, LA, MS, NC, SC, TN
 770-304-0396
roger@tri-statecomponents.net



Tom Hayward, CPMR
 IN, KY, MI, OH
 Chairman of the Board
 Executive Committee Member
 513-231-4266
tom.hayward@unitedsales.com



Tim Ryder, CPMR
 IA, IL, MN, MO, ND, SD, WI
 262-784-3750
tryder@rydersales.com



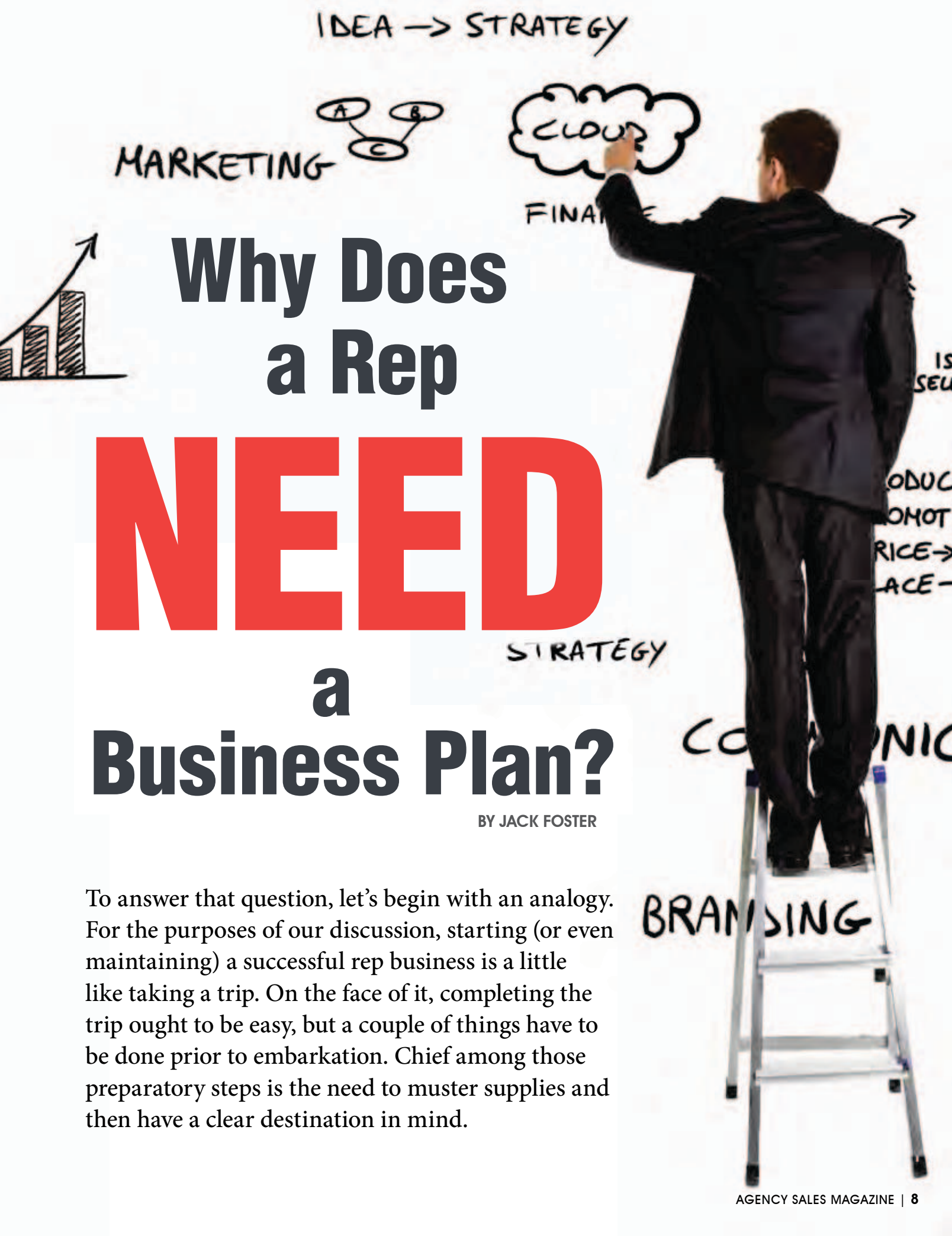
John Sandifer, CPMR
 AZ, CO, KS, NE, NM, OK, TX
 214-679-9417
jsandifer@sancosales.com



Ken McGregor, CPMR
 AK, CA, HI, ID, MT, NV, OR, UT, WA, WY
 Executive Committee Member
 801-566-8225
ken@mcgregor-assoc.com



Craig Lindsay, CSP, CPMR
 INTERNATIONAL
 Executive Committee Member
 905-478-8042
clindsay@pacesettersales.com



IDEA → STRATEGY

MARKETING



FINANCE

Why Does a Rep **NEED** a Business Plan?

BY JACK FOSTER

To answer that question, let's begin with an analogy. For the purposes of our discussion, starting (or even maintaining) a successful rep business is a little like taking a trip. On the face of it, completing the trip ought to be easy, but a couple of things have to be done prior to embarkation. Chief among those preparatory steps is the need to muster supplies and then have a clear destination in mind.

BRANDING

“...they [business people] tend to underestimate the expenses they’re going to encounter and, therefore, start out undercapitalized.”

So too is it with a rep business. From day one, the independent manufacturers’ rep ought to have plenty of supplies (funds) and resources coupled with a clear idea of where he or she wants to be in the future.

That’s just part of the message that Joe Miller, MANA’s former President and CEO, has been preaching for years and continues to preach to this day.

Miller, who conducted the first sessions of MANA’s mentoring program for new reps, maintains that “In my experience, one of the most common occurrences with small business people going into business for themselves — and that includes reps — is that they overestimate the amount of revenue they see coming in. At the same time, they tend to underestimate the expenses they’re going to encounter and, therefore, start out undercapitalized.”

Strategic Actions/Tactical Plans

Here’s where the importance of the business plan comes into play, he says: “A well-thought-out and detailed plan includes both a set of strategic objectives that the rep wants to accomplish as well as tactical action plans to make those objectives come true. One of the many benefits of such an approach is that you can ‘cost out’ actions that you must take. You can anticipate what it’s going to cost to operate the business for a year. You can cost what it will take to bring on the next salesperson. You can cost what it will take to cover the territory. At the same time, you must make an accurate estimate of revenues and what actions you must take to generate that revenue. Then an accurate breakeven analysis can be done.

“A key here is to make the best effort to estimate revenue and expenses accurately. And it’s the business plan that serves as a roadmap to see to it that you don’t lose your way.”

It’s unfortunate, Miller contends, that many business people today approach their businesses in a less than formal manner and do so without the benefit of a business plan. “I immediately call to mind one business person who opened his business without ever forecasting revenues or expenses. One of the first things he did was to get office space and open the doors for business. The last time I had lunch with him he complained that he was barely covering his expenses. This is someone who is a great marketer who immediately started selling himself and his business and got a presence for himself on social media. On the downside, however, he never looked ahead to forecast revenues and expenses, and he never considered the competitive landscape.”

Follow-Through is Critical

After years of advocating that reps create and follow business plans, Miller observes that while his message is mostly politely received, not everyone follows through. “I’ve found that people generally listen to me and admit that what I’m telling them is a good idea. Then unfortunately, most of them go away and don’t put a plan together; or if they do, it may be some sort of a halfhearted effort. One of the problems here is that there are a large number of individuals who go into the rep profession who have been successful in the corporate world, but

“What you need are some basics in your plan that provide you with a reality check of where you are today and where you want to be in the future.”



© Otnaydur | Dreamstime.com

“It should never be a document that is created and then put on a shelf never to be seen again.”

they haven't necessarily had management, budgetary and profit and loss responsibility. On the other hand, there are those who have had that experience and for them it's not necessarily a daunting task."

Miller continues that it's really not all that difficult. "We're not talking rocket science here. What you need are some basics in your plan that provide you with a reality check of where you are today and where you want to be in the future. Your mission statement, for example, can be just a couple of statements describing why the rep is in business. For instance, consider: 'My mission is to provide first-class field sales and service to a group of

manufacturers of complementary products to a customer base in the California market.'

"Then there's the vision statement. If the rep knows where he is today (e.g., presently with no lines and no revenue, but with x amount of money put away to cover living and business expenses for x number of years), in three years: 'I want to have seven complementary lines, be generating \$350,000 per year in commission and have added a second salesperson to my agency.'"

Once again, "The business plan is a reality check. It provides the rep with the key strategies and actions he's identified that he'll need in order to be successful. His

“Even those manufacturers who don’t outright ask to see the rep’s business plan will probably get around to it during the interview process.”

plan should be firmly based on the rep’s competitive advantage, and, if in the course of preparing his plan, the rep determines he has no competitive advantage, he’d better reconsider his course of action.”

Put It in Writing

Another key to a successful business plan, according to Miller, is that it be in writing. “Not only that, but if possible the rep should keep it firmly positioned on the corner of his desk and he should consult it often — monthly is ideal. It should never be a document that is created and then put on a shelf never to be seen again.”

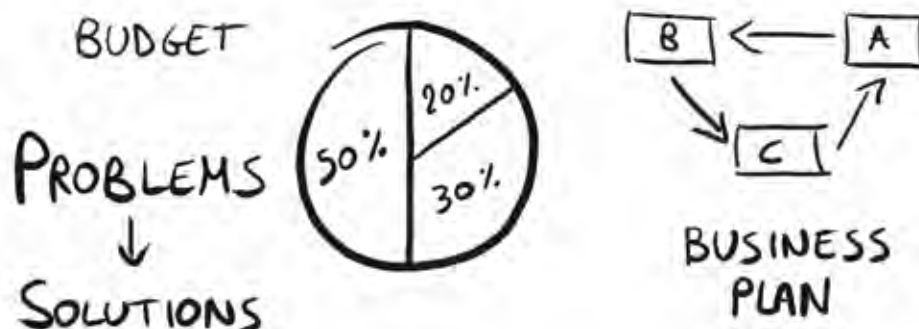
If the argument in favor of a business plan for reps is accepted, what remains for the nascent rep is to go somewhere to get input for his business plan. But, where does he go to do that?

Perhaps owing partly to the fact he’s served as MANA’s CEO, but more probably because a dozen years of his career have been spent as an independent rep, Miller is quick to answer that question. “One of the main reasons MANA is in business is to educate reps to be more successful. The association boasts of a wealth of information on everything a rep needs to know, including how to find rep-friendly manufacturers and operate a successful business. This includes a template for an example of a rep’s business plan.”

If having, consulting and following a business plan

are important for reps, it’s just as important that manufacturers make a concerted effort to conduct business with reps that have business plans. “Even those manufacturers who don’t outright ask to see the rep’s business plan will probably get around to it during the interview process,” Miller says. “At that point, it’s important that the rep stress that he has such a plan and not only that, but he’s interested in sitting down with the manufacturer at least once a year to go over the portion of the plan that relates to that manufacturer’s products. This ensures that both parties will agree on mutual actions and will be on the same page as to what’s expected of the other.”

Another point that Miller emphasizes for the manufacturer is that the existence of a rep business plan is indicative of the fact the rep is a true businessman. At the same time, he says it might be wise for the rep to have more than one version of his business plan for each of three different audiences — manufacturers, bankers and yourself. “I’m not saying there’s anything devious here. The point is that the rep should emphasize different points in each of his versions. For instance, financial viability for the banker; a grasp of what it takes to be effective for the manufacturer; and finally, to provide a concrete action plan for the rep himself. Once again, the emphasis here is to have a plan and to update and consult it regularly.” ☒



MANA's **“Steps** **to** **Manufacturers' Agent** **Professionalism” Program**

MANA defines itself as the association for professional manufacturers' reps and those who aspire to be professional.

We believe the more professionally you operate your business,
the more successful you become.

The greater your professionalism level,
the higher the quality of principals you sign up.

The higher their quality, the greater your sales and commissions.

This issue of *Agency Sales* magazine marks the first in a series that will continue to explore the subject of MANA serving as the association for professional manufacturers' agents and high-quality principals that work with each other as partners in profits. Next month, we'll introduce a similar program for high-quality principals.

The article that preceded this one ("Why Does a Rep Need a Business Plan?") initiates this on-going series of articles that address the professionalism criteria. In subsequent issues of *Agency Sales* magazine, we will focus on the other criteria as listed above. Those articles will be followed with information detailing articles, special reports, teleforums, webinars and other presentations that provide information to reps and their manufacturers.

What follows are references to such articles and presentations that pertain to the discussion at hand.

MANA members and associates may access the various articles and other presentations that address the importance of reps and manufacturers working with business plans by visiting the "member-only" section of the MANA website (www.MANAonline.org).

Webinar

Beginning with the obvious question: Why write a business plan?, Jerry Leth, MANA's vice president and general manager, takes reps through the steps they should follow in order to create a path to the future. Everything from a SWOT analysis, mission and vision statements and defining strategic principles is covered.

Key elements of an effective plan are described in detail in this audio/visual presentation.

Teleforums

- *Business Planning* — Jerry Leth,

Professionalism can be quantified; it's more than just a phrase.

From MANA's perspective, these criteria define a professional manufacturers' agents:

- ✦ Professional manufacturers' agents create business plans, keep them current and use them to guide them to prosperity.
- ✦ Professional manufacturers' agents represent quality principals with whom they work as trusted partners in profits.
- ✦ Professional manufacturers' agents negotiate fair and balanced agreements that protect both parties and retain knowledgeable attorneys to review them prior to signing.
- ✦ Professional manufacturers' agents work with principals as Partners in Profits.
- ✦ Professional manufacturers' agents invest in training to learn effective selling skills.
- ✦ Professional manufacturers' agents leverage technology to maximize productivity.
- ✦ Professional manufacturers' agents analyze line profitability and terminate agreements with unprofitable principals.
- ✦ Professional manufacturers' agents back sell their value to principals to minimize the chances of being fired for doing too good of a job.
- ✦ Professional manufacturers' agents grow their businesses by hiring qualified direct salespeople or sub-reps.
- ✦ Professional manufacturers' agents learn effective ways to work with international principals.
- ✦ Professional manufacturers' agents create succession plans and sell their businesses.

MANA resources to help you take these steps can be found in the member area of the MANA website, www.MANAonline.org

MANA's vice president and general manager, professional trainer Nicki Weiss, and a MANA rep stress the importance of reps having business plans; what are the elements of such a plan and how to use such a plan as a marketing tool.

- *Strategic Planning for Any-Size Agent Firm* — MANA staff and coach/trainer Nicki Weiss host more than 400 participants in a discussion that covers the differences between strategic and others forms of business planning. Also addressed are steps to follow in order to get into a "strategic planning state of mind."

Word Document

An executive summary introduces readers to a typical independent manufacturers' representative agency and provides a synopsis of a workable business plan. Strategies for the agency's future growth are provided as well as typical mission and vision statements.

Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis leads into action plans for future growth. Also emphasized are the need for continued personal development in the profession and the pressing need for a workable succession plan.

Excel Spreadsheet

A revenue plan is offered that includes most of the income (commissions, fees for services) and expenses (insurance, rent, outside services) that a typical agency might face during a three-year period. The spreadsheet provides a clear view of what the rep must anticipate as he/she plans for the future.

Profile of the Manufacturers' Sales Agency

This profile of the typical independent manufacturers' representative agency paints a picture showing who the rep owner is, where he's

been and what his hopes are for the future. It describes the types of business organizations (e.g., partnership, S Corp., LLCs, etc.) favored by reps and lists additional services offered by agencies.

Altogether, readers gain an in-depth look at an entrepreneurial venture where agency owners are usually well compensated.

Agency Sales Magazine Articles


- *C Corporations* — These remain the largest single form of operation of most sales representatives. Tax considerations of the C Corporation, as well as "working condition" fringe benefits are explored.

- *Limited Liability Companies (LLCs)* — For tax purposes, an LLC may be classified into whatever form of business is desired. As a result, an LLC should at least be considered as part of the initial process in the formation of any business or investment entity. LLCs are compared and contrasted with a limited partnership, general partnership, all partnerships, S and C corporations.

- *S Corporations* — the overriding reason for electing to be an S Corporation is taxes. Except in rare instances,

these corporations are not subject to corporate income taxes, but rather have the treatment of a partnership — in that only the "owners" are taxed. The benefits and drawbacks of S Corporations are explored.

- *Implementing a Winning Strategy for Your Rep Firm* — Growth strategy consultant Tom O'Connor has spent a great deal of time working with independent manufacturers' representatives. He takes readers through the strategic planning process that he has found to be successful with any number of reps. Learn why he says, "You don't win the war in your market by cutting costs — you do it by taking share."

- *Vision Quest — Mapping Out a Dynamic Business Growth Plan* — Author Joe Calhoon maintains that mapping out a dynamic business growth plan paves the way to accelerated performance. He advocates that developing a clear and simple plan will strengthen employee morale, increase productivity and improve profitability. An effective planning system is the most reliable predictor of business growth — it keeps everyone on the same page and ultimately leads to higher performance. 

Looking for Reps?

Search for Reps online with the

MANA RepFinder

Get immediate results.

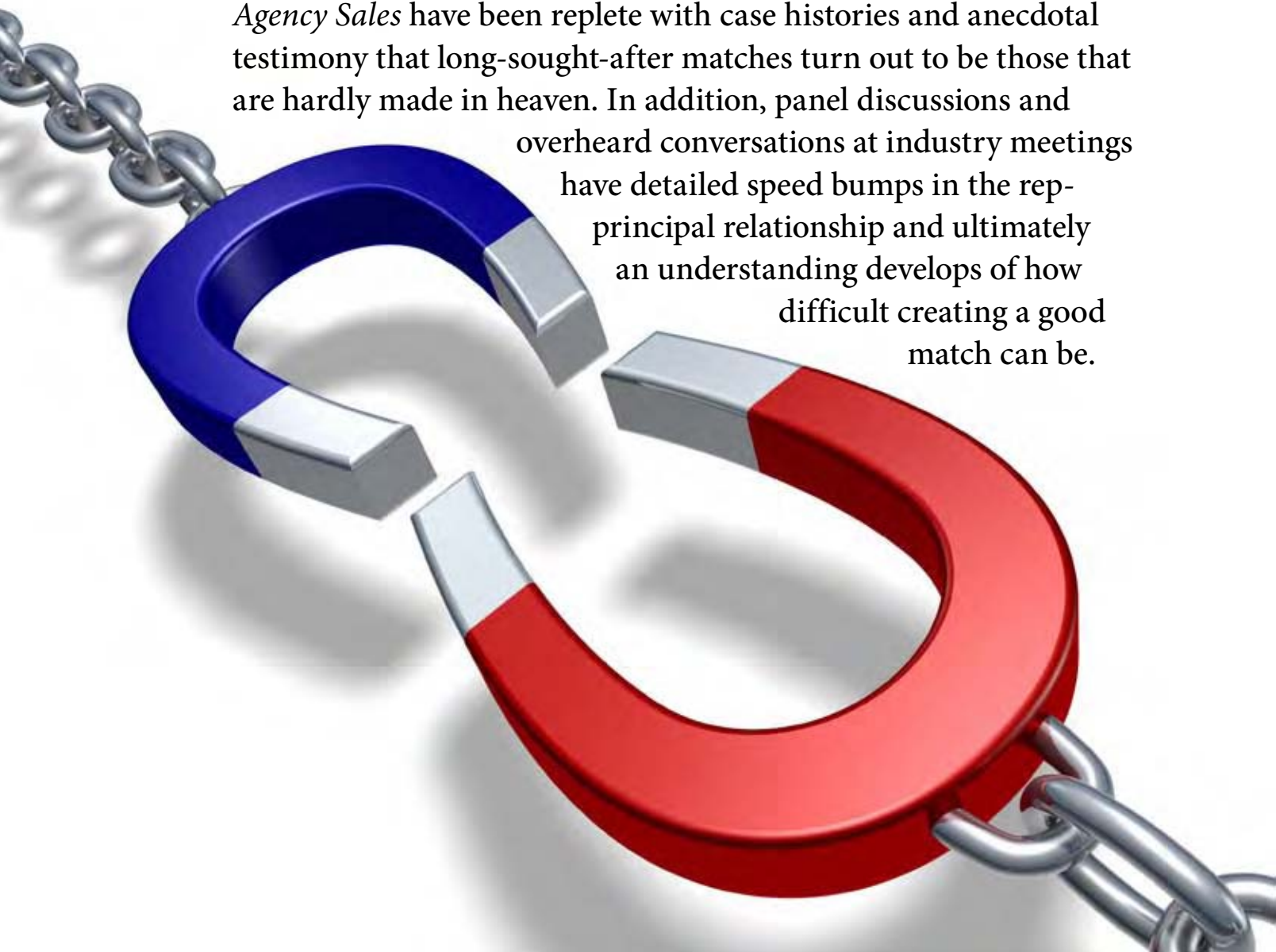
Gain instant access by becoming a MANA member. Join online today.



The Rep-Manufacturer Rules of Attraction

BY JACK FOSTER

If there's any single area of agreement between independent reps and manufacturers it's that finding the right marketing partner is not a task to be taken lightly. Over the years the pages of *Agency Sales* have been replete with case histories and anecdotal testimony that long-sought-after matches turn out to be those that are hardly made in heaven. In addition, panel discussions and overheard conversations at industry meetings have detailed speed bumps in the rep-principal relationship and ultimately an understanding develops of how difficult creating a good match can be.



Reps that don't directly compete with you and manufacturers currently conducting business with your agency serve as excellent sources for referrals.

There is hope, however.

Considering the match-making process first from the reps' perspective, there are many things that the rep should consider as options in the search for quality principals. Based on conversations with a number of reps who have successfully navigated the principal-search process, some of the more productive steps a rep should consider are:

- **MANA membership** — While the majority of *Agency Sales*' readers are already members of the association, reps should always keep in mind the benefits that the organization provides — and perhaps more importantly take advantage of them. For instance, an agency's appearance in MANA's Online Directory will result in attraction from manufacturers worldwide. Association membership also instantly exposes new reps to new manufacturers who are searching for reps in their fields of interest.

The ability to mine MANA's Online Directory for prospective principals in a rep's industry can't be understated. Located in the directory are more than 600 manufacturers who go to market with reps.

- **Networking** — The value of networking with existing principals, rep peers and existing customers cannot be overstated. Reps that don't directly compete with you and manufacturers currently conducting business with your agency serve as excellent sources for referrals. Then there are your current customers. Customers will alert you to their needs for certain products. If they've had positive

experiences with principals in the past and those principals don't have current representation in your territory, chances are the customers will let you know about them.

- **Trade shows** — This falls under the networking discipline. These shows provide an excellent opportunity to meet and establish relationships with prospective principals.

- **Advertising** — *Agency Sales* magazine and more vertical publications serving the rep's specific industry are ideal locations to advertise your interest in representing various product lines. Also, take advantage of the various printed and online directories that list manufacturers in specific industries.

- **News columns** — Regularly read the new appointment and promotion columns of publications serving your industry. When new appointments appear for a company that manufactures products that sound interesting, make contact with the new person to alert them of your interest.

- **New contracts** — Local business publications serve as the ideal source for information concerning major new products in the territory. Once that information is made public, the rep should research potential suppliers of the products that will be needed for the projects.

Considering Prospective Principals

Once these and other steps are completed the rep then has to make some decisions regarding the prospective principals they come into

contact with. What about the manufacturer's:

- **Philosophy toward reps** — Does top management truly believe in going to market with reps? Is there a "rep champion" on staff? What level of inside support will the manufacturer provide for the rep?

- **Stability** — In these days of mergers and consolidations, what is a manufacturer's position in the marketplace? Does he have staying power? How long has the manufacturer been in business? What does the future look like?

- **Relations with reps** — Solicit information from other reps that work with a manufacturer concerning their relations with reps. Do they employ a rep council?

- **Commission practice** — Before firming up any relationship with a manufacturer, the rep should know how and when he will be paid. Other things to keep in mind here are the manufacturer's attitude toward written/verbal contracts; the manufacturer's practice when it comes to house accounts; shared territorial development fees; post-termination compensation.

- **Synergy with your current product line** — The rep should be seeking a manufacturer's product line that complements what he currently represents. At the same time, he wants products that his customers want and need and products that will present opportunities in new markets with new customers.

- **R&D reputation** — Time and again reps maintain that a manufac-

turer's stream of new products is the direct result of a fine-tuned research & development effort — and that's just what a rep is looking for.

The Manufacturers' Perspective

If the aforementioned are just some of the steps reps seeking lines should follow, there's plenty for manufacturers to do as they seek professional representation.


- Just as it was recommended that reps join MANA, that can be a good first step for manufacturers. As an Associate member of MANA, manufacturers can avail themselves of MANA's Online Directory that contains detailed information on the association rep membership. Rep firms are classified under approximately 140 different product/technology/market classifications. Associate members have online access to this database in order to search by region and product classification.

Agency Sales, the association's monthly magazine, reaches MANA's entire membership and provides Associate members with the opportunity to place targeted ads for reps at discounted rates.

MANA's website (www.MANAonline.org), provides a wealth of

information about reps and manufacturers as well as reports on rep profession trends and developments.

MANA's Manufacturers' Seminar (the last session of which took place in May) offers manufacturers looking for reps detailed information concerning finding, selecting and working with reps. An important part of the seminar is the question-and-answer format that allows manufacturers to delve into the details of working with reps. Information concerning additional seminars will appear in *Agency Sales* and on MANA's website.

In addition to MANA membership there are a number of steps manufacturers should take to assist them in their search for representation. Consultants and representative search firms usually have access to rep databases. In addition, various industry-specific representative associations (ERA, PTR, AIM/R, NEMRA, etc.) generally represent the "cream of the crop" of the professional outsourced sales profession. A manufacturer usually has to qualify for admission and join the rep trade association as a manufacturer member in order to gain access to the rep members of the association. 

**MANA's website
(www.MANAonline.org), provides
a wealth of information about reps
and manufacturers as well as
reports on rep profession trends
and developments.**

MANA is the Association for Manufacturers Who Require the Utmost Professionalism From Their Agent Partners

As a manufacturer that outsources the sales function to independent manufacturers' agents, you want to create relationships with the most professional manufacturers' agents willing to work with you. The more professional the manufacturers' agent, the more they sell for you.

On the other side of the relationship, manufacturers' agents want to partner with the highest-quality manufacturers willing to work with them.

The goal is to create long-term and mutually profitable relationships, a "Partners in Profits" relationship.

How Do Manufacturers Achieve "High Quality" Status With Manufacturers' Agents?

There's a lot more to high quality than just the products and services they provide. Product quality, on-time delivery, responsiveness to customer issues are a given. That's not the focus of this program. Below we outline the characteristics of high-quality manufacturers, as seen in the eyes of a manufacturers' agent. In addition, information that MANA has available for manufacturers is detailed. This month, information concerning working with reps and then finding and interviewing reps is included. In future issues, other subjects related to the manufacturer-rep relationship will be included.

- ✦ High-quality manufacturers understand the agent-manufacturer relationship and how it differs from managing direct employees.

- ✦ High-quality manufacturers know how to find and interview prospective manufacturers' agents so at the end of the due diligence process, there is a very high probability the relationship will succeed.

- ✦ High-quality manufacturers create fair and balanced written agreements with their manufacturers' agents that work for both parties.

- ✦ High-quality manufacturers develop trust with their manufacturers' agents to foster frequent and open communication between both parties.

- ✦ High-quality manufacturers form agent councils that

meet and work on how to improve the rep-manufacturer relationships to create greater success for both.

- ✦ High-quality manufacturers meet annually with their manufacturers' agents to create mutual action plans on how to grow territory sales for the following year.

- ✦ High-quality manufacturers know how to set up territory visits for maximum benefit.

- ✦ High-quality manufacturers understand the need for extra consideration when they ask manufacturers' agents to develop missionary territories.

- ✦ High-quality manufacturers train their manufacturers' agents so they know and understand the products the manufacturer provides.

High-Quality Manufacturers Abide By MANA's Code of Ethics.

High-Quality Manufacturers Understand the Rep-Manufacturer Relationship and How It Differs From Managing Direct Employees

Working with manufacturers' agents differs significantly from working with direct employees. The former are business owners and entrepreneurs, the latter are not.

High-quality manufacturers understand this and work with their independent agent force as business partners who work together for mutual profitability. They don't treat their agents as they would an employee.

Manufacturers who understand the rep-manufacturer relationship become the manufacturers' agents' "emotional favorite." This understanding results in their manufacturers' agents devoting more time to these manufacturers' lines. The extra time and effort result in higher sales.

High-quality manufacturers attract higher quality manufacturers' agents.

MANA members and associates may access the various articles and other presentations that address the importance of reps and manufacturers working with business plans by visiting the "member-only" section of the MANA website (www.MANAonline.org).

Educational Resources

✦ **Special report:** *Analyzing the Manufacturers' Agent-Manufacturer Relationship* — MANA's Joe Miller and Jerry Leth offer a detailed examination of the rep-principal relationship. Among the topics discussed are why manufacturers decide to go to market with reps and the role that due diligence plays in establishing the relationship.

✦ **Electronic book:** *Sales Agents-Manufacturers: Adversarial or Cooperative?* — In this e-book, business writer, former sales rep and manufacturer Bob Reiss explores the business relationship and offers tips for each for mutual gain.

✦ **Agency Sales magazine article:** In "Partners in Profits or Adversaries?" Joe Miller, MANA's former President & CEO, explains how some manufacturers destroy bottom-lines with short-term thinking. He cautions that once a manufacturer attempts to treat a rep sales force as he would an employee, the end of the relationship is in sight.

✦ **Teleforum:** MANA staff as well as consultant and former rep and manufacturer Bob Reiss focus on what can be a confusing relationship in "Understanding the Rep-Manufacturer Relationship." Steps for manufacturers to follow in order to ensure a healthy rep-principal relationship are presented as well as tips on how to establish and meet mutual expectations.

High-Quality Manufacturers Know How to Find and Interview Prospective Manufacturers' Agents So At the End of the Due Diligence Process, There Is a Very High Probability the Relationship Will Succeed

High-quality manufacturers select the right representatives from the start. They know where to find professional agents and they know how to go through the due diligence and interview process. This increases substantially the odds of creating long-term and mutually profitable partnerships.

Educational Resources

✦ **Webinar:** *Selecting Your Sales Channel Partners* — Jerry Leth, MANA's Vice President & General Manager, takes readers through the process of choosing marketing partners. Along the way, he discusses what constitutes solid business relationships and what partners should expect from each other.


✦ **Special report:** *Selecting the Right Representative or Manufacturer* — This publication guides manufacturers and reps through the selection process to give each party the best opportunity to make the correct choice.

✦ **Teleforum:** In *Selecting the Right Representative* MANA staff, as well as consultant Nicki Weiss, cover key tactics for manufacturers to employ in the process of selecting independent manufacturers' reps and how to craft rules of engagement with prospective reps.

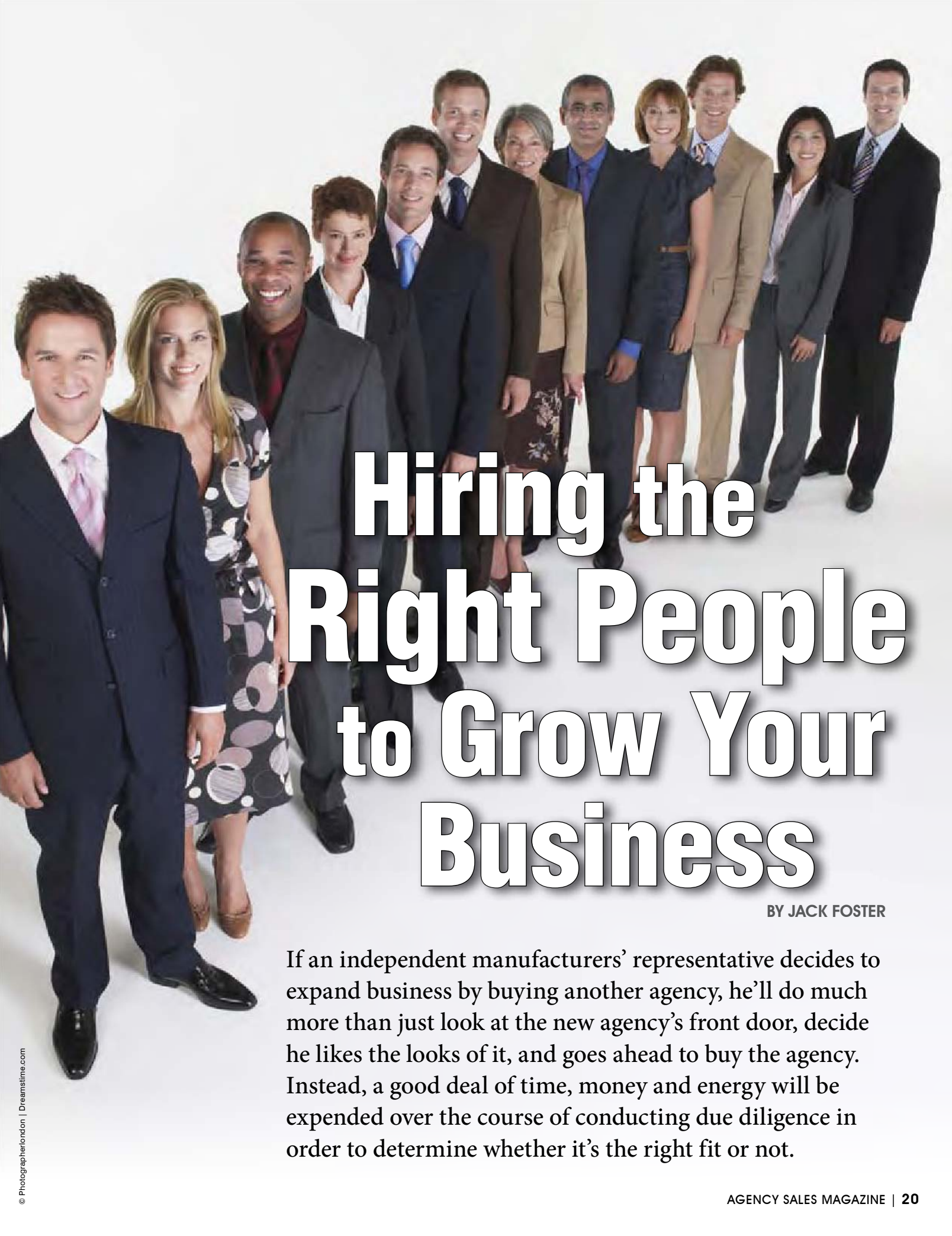
✦ **Agency Sales magazine articles:** Charley Cohon, MANA's President & CEO, takes aim at what is important for manufacturers when they're considering signing on with reps. "Top Considerations When Hiring Manufacturers' Reps" looks at everything from where to find reps, how to get more of the rep's time in the field, how reps are compensated, and much more.

"Advertising for Agents? There's Room for Improvement" — Manufacturers are guided through the process of creating effective ads to get the attention of potential reps. How to do that effectively while avoiding common pitfalls is covered.

"Searching for Agents" — Charley Cohon, MANA's President & CEO, takes manufacturers through the most common methods employed to locate marketing partners. He also examines the concept of data mining as a search tool.

"Looking for Agents?" — Some of the more common search methods are described including MANA's online database, consultants, search firms and representative trade associations. 

MANA resources to help you take these steps can be found in the member area of the MANA website, www.MANAonline.org.



Hiring the Right People to Grow Your Business

BY JACK FOSTER

If an independent manufacturers' representative decides to expand business by buying another agency, he'll do much more than just look at the new agency's front door, decide he likes the looks of it, and goes ahead to buy the agency. Instead, a good deal of time, money and energy will be expended over the course of conducting due diligence in order to determine whether it's the right fit or not.

“Be patient and wait for the right person.”

So too is it when the task at hand is that of hiring salespeople that will help the agency grow its business. There are no hard-and-fast rules and certainly there are no short cuts to take in order to ensure a proper fit.

When *Agency Sales* sought the views of industry veterans on the subject of hiring sales staff, their opinions on the subject varied a bit, but one consistent opinion surfaced with each of them — finding, hiring and keeping good sales staff is no easy task.

“Hard? Sure it’s hard finding and hiring salespeople. Part of the difficulty is that most of the good people already have jobs.” That was the response to the question of hiring new salespeople by Mike Long, CPMR, CSP, Mike Long & Associates, Inc., Concord, North Carolina. But rather than just sitting back and dwelling on the difficulty of the task, Long says that when it comes to interviewing prospective salespeople “I’ve taken a page out of Lee Iacocca’s autobiography.” He explains that the former head of the Chrysler and Ford Motor companies “maintained that there were two things he couldn’t really determine when interviewing someone: do they have any common-sense street smarts; and, will they actually go out there and work? I’ve learned over the years, that the best approach for me is to try and get a determination of those two points when I talk to someone.”

Hiring Someone You Know

To aid him in his approach, Long says, “Unless there’s a very rare situation, I’ve decided that I won’t hire anyone who doesn’t meet one of two criteria: first I have to know them personally, or someone that I know and trust must know them and recommend them. Our general rule

is that we use our own personal network of friends and business associates to locate prospective salespeople. In addition, we’ve had much more success hiring people without ‘experience.’ I’d maintain that new salespeople can be trained the way we like them to be trained. Sure there’s a longer learning curve, but our results have been much better in the long term with this approach. I prefer to train people in the way I want them to sell.

“The key here is to not be impatient. I’ve developed a great deal of patience over the last 20 years and I’ve learned that what we’re doing here is making long-term decisions. So, sure there can be a steep learning curve, but it’s the long-term results that we’re looking for.”

When it comes to any advice he might offer to other agencies faced with the prospect of searching for salespeople to expand their business, Long says:

- “Avoid name droppers. I’ve found that they usually don’t have the relationships they brag about.”
- “Once you get someone on board, provide them with the proper training. They always need some of the basic blocking and tackling information that will help them perform their jobs better.”
- “And, finally, once again, don’t be hasty. Remember that you’re filling a void in your organization and you want to do it correctly. If you make the wrong decision, you’ve probably wasted 6-8 months time. Be patient and wait for the right person.”

An Art — Not a Science

Craig Lindsay, CSP, CPMR, couldn’t agree more with Long that finding and hiring the right person for your organization “is probably the most important thing that we as agency owners do. In our business, people are our most important asset. If we make a mistake, we’ll pay the price for a long time.”

Lindsay, Pacesetter Sales & Associates, McKellar, Ontario, Canada, who serves on MANA’s Board, says that “Finding the right people for your organization is an art and not a science. There are some things you can do, however, to make it more of a science.”

“Some people — especially salespeople — know how to interview well. That’s why it’s so important to ask the right questions and listen carefully to the answers during the interview process.”

“I used the same process to find and hire salesmen for the rep firm I owned for 11 years as I did as a national sales manager looking for independent representatives for my products. The first thing to do is talk to the customer base.”

Among the steps an agency owner can complete, he maintains, are:

- **Due diligence** — “Sure there’s a lot of work, cost and time that must be completed, but it’s one of the major things that has to be done to find the right people.”
- **References** — “Naturally we’ll check references that prospective salespeople provide us. At the same time, however, we’re aware of the fact that prospects will go to the people they know will provide them with the best references. In addition to checking them, though, we’ll also listen carefully during the interview process when it comes to companies they’ve worked with in the past. Sometimes those companies are within our industry and involved people that we know. That’s something we can check on.”
- **Interviewing** — “Some people — especially salespeople — know how to interview well. That’s why it’s so important to ask the right questions and listen carefully to the answers during the interview process. It’s easy to come back with the standard ‘pat answer’ to various questions. When we find that an individual is being vague in their responses and unable to provide concrete examples of how they’ve acted in previous situations, then we usually put up a red flag. That’s why it’s so important to ask open-ended questions and ask the prospect for examples of what they’ve done in the past. That allows you to delve a bit deeper during the interview process.”


After employing all of the above steps and more, Lindsay explains, “All of our efforts are aimed at reducing the number of mistakes we might have made over the years. I and my sales managers have gotten better at the process and all we’re really trying to do is to make our results more predictable.”

Finally, he notes that “the entire process we employ is geared toward hiring good salespeople. The individual must have selling skills. We can always teach them about the product we represent, but they’ve got to come to us with those selling skills. It’s up to us to find those people.”

Survey the Customer Base

When he was asked the same questions about locating the best salespeople for a rep firm, Bill Ingram, Fusion Tank & Silos, Pennsburg, Pennsylvania, explains the process he would follow: “I used the same process to find and hire salesmen for the rep firm I owned for 11 years as I did as a national sales manager looking for independent representatives for my products. The first thing to do is talk to the customer base. Ask ‘Who do you know that is a good and reliable salesman?’ Or in the case of the independent sales representative: ‘Who do you know that is a good and reliable rep firm?’ The response you’d usually get was ‘Bob Jones is a real good pump salesman’ or ‘Jones Sales Associates is a good equipment rep.’ The next question was: ‘Would you buy my products if Bob Jones or Jones Sales Associates was part of our team?’ The ‘Yes’ answer was always the same in either case. How can you go wrong hiring salespeople that customers already buy from and confirm they will continue to do so? You can’t!”

When he’s asked what attributes he values most in a prospective salesperson, Ingram says that “Obviously the best salesmen are the best listeners, so that’s something that you’re looking for. In general, however, you can search out desirable attributes during the interview process. Naturally, you’re looking for a good personality, appearance, someone who’s likeable and doesn’t come across with too many promises.”

Ingram, just as the other representatives interviewed for this article, maintains that the ability to sell is something that’s inherent in the individual. While they can be trained in the products that they are representing, they can’t necessarily be trained how to sell. “What you should be looking for is someone who knows how to sell, and who can be trained according to the way you want them to sell your product line. Here’s what you’re looking for — you want someone who has the guts to walk into a room and sell something. That’s what it’s all about.” 

MANA's “Steps to Manufacturers’ Agent Professionalism” Program

MANA defines itself as the association for professional manufacturers’ reps and those who aspire to be professional.

We believe the more professionally you operate your business, the more successful you become.

The greater your professionalism level, the higher the quality of principals you sign up. The higher their quality, the greater your sales and commissions.

This issue of *Agency Sales* magazine examines the importance of growing your business by hiring employees or sub-reps. Many manufacturers’ agents decide to grow their businesses by hiring direct salespeople or sub-reps. They leverage the efforts of the salespeople or sub-reps to increase sales. Multi-person agent firms attract larger more established principals. Professional manufacturers’ agents grow their businesses by hiring qualified direct salespeople or sub-reps.

MANA members and associates may access the various articles and other presentations that address the importance of reps and manufacturers working together to ensure future success in the territory by visiting the “member-only” section of the MANA website (www.MANAonline.org).

Educational Resources

✦ Special report:

A Manufacturers’ Agent’s Guide to the Use of Independent Contractors — MANA’s legal counsel offers definitions of independent contractors vs. agency employees and discusses the tax implications of each. Important content includes discussion of the 20-point Common Law Test used by the Internal Revenue Service.



© Rangizzz | Dreamstime.com

✦ **Agency Sales articles:**

“There’s No One Way to Pay Sales Staff” — Agency owners weigh in with the various methods they employ to compensate their sales staff. Approaches vary from commission only, draw, base plus commission, and more.

“In Search of the Right Salespeople” — Agency owners offer their thoughts on how to find, hire, train and keep sales superstars.

“Survey Shows Compensation Changes for MANA-ERA-NEMRA Reps” — The joint-agency compensation survey identifies trends, and can assist in strategic planning, offer warnings of things to come and generally provide great fodder for conversations.

“Non-Compete Clauses” — MANA Attorney Mitchell Kramer offers an analysis of non-compete clauses and provides guidance for independent manufacturers’ representatives who are faced with the task of dealing with them.

“The Never-Ending Search for Good Salespeople” — When agencies find themselves in need of attracting, hiring and retaining productive salespeople, they can face a daunting task. In the past, filling sales slots was the fairly simple act of promoting a family member or attracting someone from a competitor, training them in the needs of your market, and sitting back to watch the results. But now, times have changed.

✦ **Legal:**

“Specific Guidelines for Use Between Sales Agency and Employees” — Standardized 8-page form that may be used internally between sales agencies and their employees.

“Sales Agency/Sub-Representative Agreement Guidelines” — Standardized agreement spelling out the responsibilities and rights (including post-termination) of agencies and their sub-reps.

✦ **Teleforums:**

Hiring Salespeople — How to Find Good Candidates, How to Interview — MANA staff, an industry consultant and a MANA member discuss the difficulties involved in finding and interviewing good candidates. Seven typical hiring mistakes are covered and best practices are explored.

Compensation Strategies for Reps — Two MANA-member representatives, association staff and a consultant explore best practices of compensation programs between agencies and their principals and for agencies and their employees.

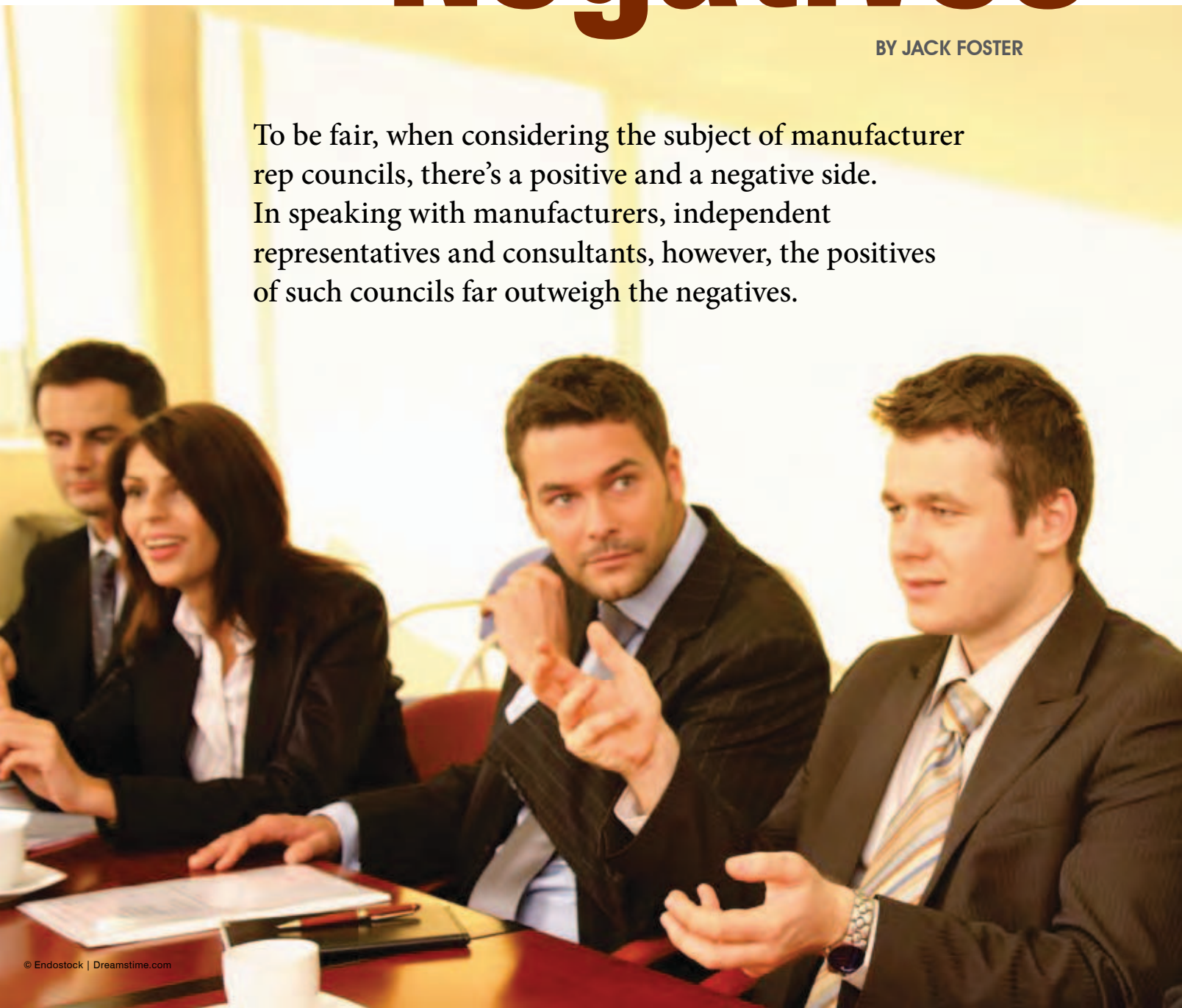
✦ **Website link:**

Link takes MANA members to article: “A Five-Step Process for Finding Your Next Superstar Sales Rep.”

Positives of Rep Councils Outweigh Any Negatives

BY JACK FOSTER

To be fair, when considering the subject of manufacturer rep councils, there's a positive and a negative side. In speaking with manufacturers, independent representatives and consultants, however, the positives of such councils far outweigh the negatives.



“The problem is we’re not getting as much out of our councils as we should.”

Considering some of the negatives, here are some of the more commonly voiced objections to rep councils. First, from agents:

- The meetings and responsibilities of agents serving on councils take away precious face time across the desk from customers.
- Manufacturers don’t listen to what their representatives have to say during these meetings.
- There’s little or no follow-up after council meetings — nothing gets done.
- There’s no formal agenda — discussions wander all over the place.
- There’s an expense incurred by agents who serve on councils.

And, from the manufacturers’ side:

- Council members aren’t honest with us. They only tell us what they think we want to hear.
- Too often meetings lapse into personal complaint sessions with a lot of griping.
- Some agents seem to have a personal agenda and only look for solutions to their individual problems.
- Agents are reluctant to serve on councils.
- Council members don’t follow through on what we’ve discussed.

None of the above are new thoughts and, as a matter of fact, they give proof to the old refrain, “The more things change, the more they remain the same.”

Bill Ingram, a manufacturer and a former rep, who is interviewed in another article in this issue of *Agency Sales*, recently considered the current state of rep councils, a subject he wrote about in this publication

more than 15 years ago. “Everything I wrote about them years ago holds true today. Rep councils — if conducted properly — can be beneficial for manufacturers, agents and customers. The problem is we’re not getting as much out of our councils as we should. Once again, if done properly, rep councils result in increased communication, cooperation and trust among manufacturers and their agents.”

It would appear that the question remains: How should rep councils be constructed and conducted in order to be more productive? That’s a question that MANA and ASM have tackled time and again over the years and what has resulted is a number of recommendations for manufacturers and agents to follow in order to reach that desired higher level of effectiveness.

- If a manufacturer is to establish a rep council, first answer the question, “Why?” What’s the purpose of having a council? Is it just to say you have one? That would appear to be a waste of time, money and effort. Instead, plan how manufacturers and agents can work more closely together in order to benefit their joint efforts to serve customers. Don’t take a single step until goals and priorities are established.
- Get input from agents. Ask the outsourced sales force what they’d like to accomplish via their service on such a council.
- Carefully consider the make-up of this council. Is diversity a consideration? Would it be wise to populate the council with long-tenured agents?

Should newly contracted agents have a presence on the council?

And, keep in mind the fact that agents shouldn’t be the only ones on the council. The manufacturer deserves a seat — or seats — at the table. Individuals from the manufacturer’s side should include top management and those with important functional specialties.

When it comes to the size (the number of people) on the council, there is no hard and fast formula. What it all comes down to is what both sides hope and plan to accomplish. The size of the rep council is important only in that it reflects representation of both the agents and the manufacturer and that it is appropriate for the task to be accomplished.

- The when and the where of the meetings — Taking the “when” first, the majority of manufacturers tend to schedule their rep council meetings on an annual basis. Others also call special council meetings when they or their agents feel there’s a need.

As for the “where,” while it’s hardly unheard of to conduct rep council meetings at resort locations, manufacturers should never hesitate to schedule a meeting for the factory if having it there is integral to the meeting’s success. A benefit of holding the meeting at the factory is that council members are provided an opportunity to meet and interact with other personnel they should get to know well.

- Just as it makes little sense to undertake a trip without a plan — or better yet, a map — so too is it best to


approach a rep council meeting with a well-crafted and thorough agenda.

Experience has shown that when councils fail, often the reason is that one side or the other sees the council as a place to resolve personal disputes or because members don't take their responsibilities seriously.

As a result, it's important to decide in advance the appropriate subject matter to be covered during a rep council meeting. What is appropriate is anything that is important to tasks set by the council, anything that will help sell more products, and anything that will strengthen the bonds between manufacturers and agents.

- Follow up — No rep council meeting can be considered successful without a "call to action." In other words, whatever steps the council has mutually agreed upon should be completed before the next meeting. The responsibility for seeing that action is taken falls squarely on the shoulders of the manufacturer's employees as well as the agent members. Apart from each member carrying out assigned tasks, one agent member and one manufacturer's employee should be assigned the responsibility for communicating with everyone who should be included in the loop.

- Who pays? — It's usually expected that manufacturers pick up all council members' expenses for the meeting, including transportation, lodging and food. It is not appropriate, however, for a council member to expect a manufacturer to pick up the expenses for others that an agent brings to a meeting.

There's a great deal more to consider on the subject of rep councils than is covered in this short article. The accompanying sidebar refers MANA members to some of the informational resources the association provides its membership. 

Form Rep Councils to Improve the Rep-Manufacturer Relationship

High-quality manufacturers strengthen agent relationships when they create rep councils. Rep councils analyze the rep-manufacturer relationship and make recommendations and changes that improve its effectiveness.

Educational Resources

✦ Guideline:

Operating Charter Representative Council — Outlines what manufacturers and agents should include for an effective rep council. Subjects addressed include objectives, membership structure, meetings, expenses, and much more.

✦ Special report:

Open Doors by Building an Effective Rep Council — This special report features interviews with manufacturers and agents covering their experiences with rep councils. Included are articles covering: "Getting the Most Out of the Rep Council"; "Better Late Than Never With a Rep Council"; "The Good, the Bad, and the Ugly About Rep Councils"; and "The Need for More Rep Councils."

✦ Teleforum:

How to Establish and Benefit from Rep Councils — MANA staff and a MANA associate member that has been featured in *Agency Sales* provide insights into the works of rep councils and offer manufacturers some practical tips on how to make them more productive.



EVALUATING the Manufacturer-Agent Relationship

The following article is reprinted with permission from MAFSI Matters Newsletter

BY MIKE MCGUIRE

Do your reps suffer from not having a plan?
Do they fail to communicate with their partners on a proactive basis?
Are they failing to arouse their customer base?
Does their performance suffer at the time you need it most?

A hand in a suit jacket points towards three horizontal bars. The top bar is labeled 'Excellent', the middle bar is labeled 'Average', and the bottom bar is labeled 'Poor'. The bars are arranged vertically and have a glowing effect.

Excellent

Average

Poor

© Gajus | Dreamstime.com

Hmmmmmm! Let MAFSI (Manufacturers' Agents Association for the Food-service Industry) take a look and see if we can diagnose and prescribe the right approach to an appropriate treatment for this serious issue.

The obvious standout when evaluating these questions is ultimately communication and, of course, how good or bad it is. Remember, the most important part of the communication process is being able to listen first. If you can tune in to the needs of your partner, it is going to be a lot easier to keep them happy.

Bringing the expectations of both parties into the forefront of the negotiation and discussion lays the ground work for a long-term agreement where both parties know exactly where they are going....

Setting expectations high and ending up disappointed is a regular human failing. But when it comes to business, it is actually easy to avoid this sort of disappointment by being clear about what you expect and what you are prepared to deliver. When it comes to deciding on the best way to use your rep firm to go to market, it is important to identify expectations for both the rep and the manufacturer and fully understand what it is that the manufacturers' rep has to offer. Once you isolate all the benefits, it is easy to capitalize on the decision how to best go to market with your rep firms.

Reps generally have a well-rounded view of the manufacturer they are engaging but the manufacturer doesn't always have a solid understanding of what it is exactly that the rep firm is going to do, and this is where the communication process really needs to be front and center in order to keep the relationship running smoothly. Bringing the expectations of both parties into the forefront of the negotiation and discussion lays the ground work for a long-term agreement where both parties know exactly where they are going, making it easier to build strategies for success.

It Is Important That Reps Feel Appreciated

Reps are *not* just a step in the sales channel — they are part of the channel. It is just as important for reps to see themselves in this way as it is for manufacturers to appreciate the rep function. The old parental advice 'if you don't respect yourself, you can't expect anyone else to respect you' is probably appropriate to keep top of the list. With that said, it should be stated that reps are coin operated and know where their bread is buttered. They don't need to have their egos stroked; they just need to know that they are valued, particularly for the long term. This acts as the incentive to keep delivering the goods. The old quote 'you're my favorite rep, as I can always count on you to give that extra discount for the sale' is not really something a rep wants to hear, nor is it something that makes a rep want to work hard for their partner.

Most, if not all reps and manufacturers have their favorite partner or two. But what is it that makes these partnerships such a standout. The answer to this question can be found in the do's and don'ts of rep-manufacturer relationships. A partner who has mastered these rules is already ahead of the pack.

The Must Do's for a better relationship:

- **Be exclusive** (manufacturers — no house accounts, and reps — always notify your manufacturers of a line change).
- **Set boundaries** (call backs, meeting schedules, etc.).
- **Be a good communicator** (copy each other on correspondence and never make unilateral deals behind either's back).
- **Be prompt** (pay your representatives on time and accurately [it's their only income!] and reps do what you say you are going to do when you say you are going to do it).
- **Plan one-on-one time** (work with each other on realistic market potential, sales forecasts and quotas).
- **Trust each other** (reps and manufacturers ultimately have each other's best interests at heart — continually work to augment each other's stature in the market).

Once a manufacturer makes a decision to hire a rep firm, the risk and burden of deliverance transfers immediately to the rep. While a bad choice in a rep can bring time delays and forfeiture of deadlines to a manufacturer, the ability to hire another firm leaves the manufacturer with the final power play. Delivering the goods, so to speak, is what the rep firm focuses on because if they don't they lose. This is the greatest win-win for the manufacturer. When a rep firm enters into an agreement with a manufacturer it is because they plan on making good on their service and promise because if they don't, the price and stakes are high. The confidence that can be found in the rep function is undeniable. It is not all about the promise of delivery, though. Let's look at exactly what goes in to the rep function behind the scenes.

What Can Rep Agencies Afford, and Where Do They Invest Their One Major Resource, TIME?

When it comes to the expenses of a rep firm, size does matter.

In a recent survey of MAFSI members, the following data were gathered.

Average size of the rep sales force:

- 40% — 3 or less
- 70% — 5 or less
- 90% — 8 or less
- Average total expense per salesperson \$85 to \$120k

Average inside sales support for a rep:

- 1 sales coordinator for every 2.5 outside salespersons
- 1 admin staff per 500k of revenue

Typical rep organization:

- 9 employees
- Family business
- Main sales office with admin support
- 2 remote salespeople

Average commission by line:

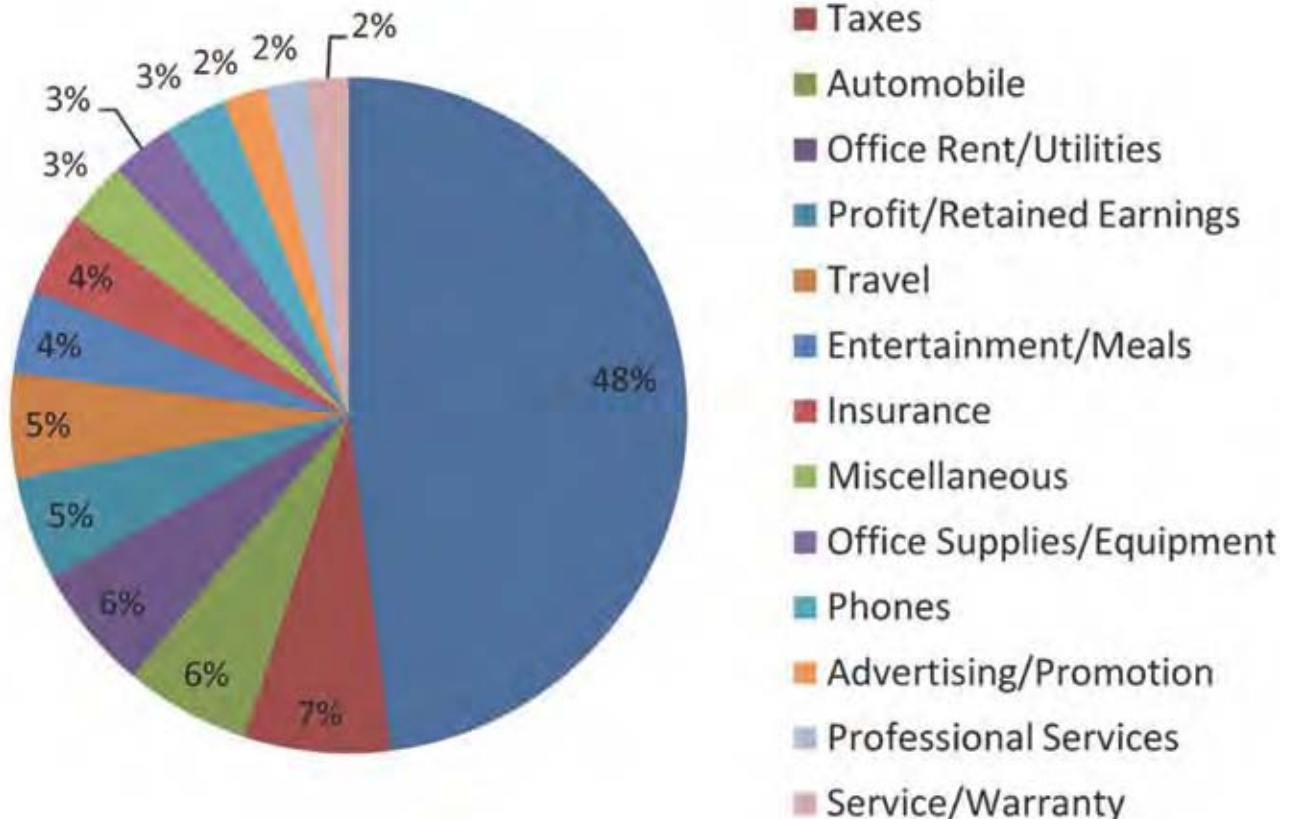
- 31% = 5% commission
- 35% = 6% commission
- 18% = 7% commission

Average agency sales/revenue:

- 65% — \$15 million annual sales or less
- 90% of all reps — under \$30 million
- Average agency revenue under \$1.5 million

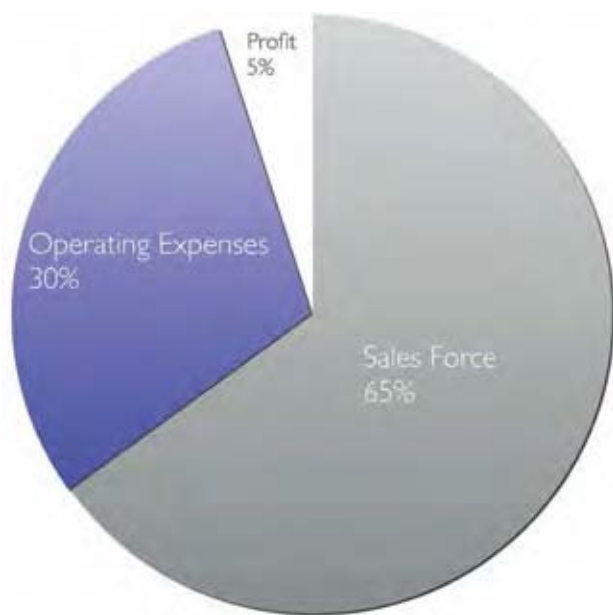
So Where Do the Commissions Go?

Here is an average breakdown on the commission expenditure:



This graph reflects the average rep sales force operating expense and profit.

Operating expenses 30%
Profit 5%
Sales Force 65%



When a rep firm enters into an agreement with a manufacturer it is because they plan on making good on their service and promise because if they don't, the price and stakes are high.

What does it take to make a 5% return on a line card? How many lines do reps actually carry on average?

- 20% represent 10 lines or less
- 40% represent of 17 lines

There is a fine line between how many lines a firm should carry and running a controlled expense department. The following results were reported as being the mainstay areas for expense reduction and cost cutting:

- Cut travel
- Cut expenses and overhead
- Cut healthcare
- Cut salaries
- Add more lines — proceed with caution

Areas where rep firms are looking to expand their annual expenses are these:

- Investing significantly in technology as a means to track expenses and grow service
- Hiring new staff
- Installing or expanding the use of in-house test kitchens
- Show rooms are a great resource and many firms are growing their show floor
- 50% of respondents to 2012 MAFSI survey have kitchen/showroom facilities (approx \$75,000 investment)

On the issue of reps also being distributors, MAFSI learned that 44% redistribute some products and the main source of redistributed product lines were microwaves, filters, ranges and ice machines. 100% of the sales were to dealers.

Coordinating installations is not something that MAFSI reps are known to focus on. In the recent survey only 19% reported being involved in installation while the remaining 81% had no involvement in this install process.

Conclusion

Manufacturer-agent dysfunction can be a serious condition and you should consider having a discussion about it within your partners. In a world where the landscape is constantly changing and technology continues to provide benefits as well as challenges, survival of the fittest is the name of the game. Both reps and manufacturers continue to be challenged by the process of taking a product to market, but change is never ending. You must ask yourself the tough question of how you want to deal with it.

The reps of the future need to be equipped to handle myriad tasks and being average won't necessarily cut it. A rep that can enter his own order on the go, knows his way around technology, knows how to respond to line overlap, drives a team environment, values himself as a rep, believes wholeheartedly in the rep function and knows the importance of communication, is going to


stand at the front of the pack. Firms need to be vigilant in their search for excellence, knowing that having the great staff is not just a given, you have to work at it and make it a priority.

Manufacturers — keep the lines of communication open. Those words are simple but they carry a world of meaning. For instance, if something goes wrong, make sure the rep is first to know. Be sure that you communicate with the customer only through the rep. Explain any company personnel changes, product alterations or other changes promptly and accurately to your reps. Acknowledge reports you receive from the field and answer reps' questions promptly.

These simple changes will result in the achievement of the following, which is sure to cure dysfunction between manufacturers and agents:

- Increased income
- Market knowledge influence and feedback
- Market share growth

- Achievement of sales goals
- Sales force continuity
- Clear strategic direction
- Increased customer base

MAFSI exists to improve, promote and support the rep function and to ultimately cure, once and for all, any disruption in the manufacturer-agent relationship. 



Mike McGuire is a managing partner with Zink Foodservice Group and Top O' The Table in Columbus, Ohio. He was the 2013 MAFSI President and continues to serve on the MAFSI Board of Directors. He may be contacted at: MikeM@zinkmarketing.com.

MANA's on Facebook, Twitter and LinkedIn

Let's face it. Social Media is here to stay; it's not a passing fad. MANA understands that members prefer to stay connected in different ways.

Follow us on ...



FACEBOOK:

Members learn about MANA events, programs and other manufacturers' rep news on the MANA Facebook page.

facebook.com/MANAOonline.org



TWITTER:

Members can follow MANA on Twitter @MANA_Online.

MANA sends "Tweets" notices about upcoming events, news and other information of interest to members. We limit Tweets to no more than five a week.



LINKEDIN:

Members can share ideas and discuss issues on the MANA LinkedIn Group. If you have an issue you want to discuss with members and want to remain anonymous, contact Jerry Leth at MANA and he will work with you to create a post that protects your identity. You must be a MANA member to join the LinkedIn Group.

Four Sales Truths To Set You Free

BY JOHN CHAPIN

If you're going to be successful in sales over the long haul, there are four concepts you need to fully accept and buy into. Missing any one of these will either prevent you from getting off the ground at all, or, if you do get off the ground, missing one of these will sabotage your long-term success and happiness.



Even the strongest and most self-disciplined among us will allow ourselves to falter from time to time, so it's important to have a second and perhaps even third layer of accountability.

Four Ideas to Take Control of Your Sales Career

1 **It's not about chasing the sale.**

Almost everything you chase runs away, and you probably don't want any part of the things that don't run away. It's recently been proven that even Great White Sharks will swim in the other direction if you swim at them and *most* prospects are far more timid than your average shark.

Instead of chasing the sale, work on the connection and the relationship. Your objective here is to make it all about the other person. And by the way, there is no *new* relationship selling, *it's always been about relationships*. The best salespeople, the ones who have had successful careers over the long haul, have not burnt out, and have led happy, fulfilling lives both personally and professionally, have always focused on doing what's right for the other person. That said, are there some sale-chasers out there who have experienced some success? Yes, but it usually comes at the expense of other areas such as: their character, their reputation and their personal life. I'm also guessing they aren't people you like or admire on a personal level. So in order to have a long, happy, successful sales career, take care of people and relationships and instead of having to chase sales, the sales will chase you.

2 **You have to be completely accountable.**

You need to have several levels of accountability in place to ensure you do what you need to do in order to be successful. The most important is accountability to yourself. That said, even the strongest and most self-disciplined among us will allow ourselves to falter from time to time, so it's important to have a second and perhaps even third layer of accountability. Your second level consists of people you work with and other professionals: this group includes managers and bosses, coaches and mentors, mastermind groups, and, in some cases, may even include your peers. The third level of accountability includes friends, family, and other acquaintances. All that said, ultimately the buck stops with you. Even with other people checking on you, it's possible to cut corners, lie, and otherwise fudge things in your favor. You've got to push yourself and be willing to do whatever it takes to hold your feet to the fire even if that includes devices such as trap contracts and large fines.

3 **You've got to be brutally honest with yourself.**

You have to see yourself, and your sales career, warts and all. If you don't have the sales you need, the prospects you need, and the overall results you


want, it's probably your fault. Own it and do something about it. This doesn't mean you have to beat yourself up to the point where you feel so bad about yourself that you can't perform. At the same time, you need to get enough leverage on yourself that you push yourself to get the job done every day. There's a happy medium and balance here, but I find that most people are not half as tough on themselves as they need to be. Most people will skirt responsibility and point the finger elsewhere when it comes to reasons for their failure. Accept responsibility, grab the bull by the horns, and get to work. Success or failure is completely up to you.

4 **You have to get organized and get control of your time.**

Getting organized and getting control of your time begins with goals and a plan. Decide what your business goals are for the year and then break them down to monthly, weekly, and daily activity.

Organize, clean up, and set up your work area, files, computer, calendar, and other tools and then get to work. This doesn't have to be complicated but it does take hard work and self-discipline to stick to your plan and do what must be done every day.

When you're at work, work. And when you're working, make sure it's on the items that will give you the most return on your time, effort and

energy. You should be working on the 20 percent of items that give you 80 percent of your results, all other items should be delegated or eliminated. In sales, most of your time should be spent prospecting, closing, or otherwise chasing business. Continue to improve your organization and time management until you are spending 80-90 percent, or more, of your time in these three key areas and then put checks and balances in place to keep yourself at that level. 



John Chapin's specialty is helping salespeople and sales teams double sales in 12 months. He is an award-winning sales speaker, trainer and coach, a number-one sales rep in three industries, and the primary author of the gold-medal winning *Sales Encyclopedia*. In his 24 years of sales, customer service and management experience, he has sold in some of the toughest markets and economies. Visit his website at www.completeselling.com.

Find reps quickly & easily with the **MANA**[®] **RepFinder** It's as easy as 1-2-3



MANA | online
Manufacturers & Agents
PROFESSIONAL REPS FOR REPS

HOME MEMBER HOME REP FINDER STEPS TO REP PROFESSIONALISM STEPS TO BEING A QUAL

Step 1 | Select Product or Service Classification

Select from the following product classifications to find the rep firm(s) that best suit your needs. If you have trouble finding a product classification that meets your search criteria, choose the **Key-word Search** option at the bottom of this page.

All Product Classifications

- | | |
|--|--|
| <input type="checkbox"/> Abrasives | <input type="checkbox"/> Food/Beverage Ingredients |
| <input type="checkbox"/> Adhesives & Sealants | <input type="checkbox"/> Food/Beverage Products & Services |
| <input type="checkbox"/> Advertising, Specialty Products | <input type="checkbox"/> Food/Snacks/Candy |
| <input type="checkbox"/> Aerospace/Aviation Parts & Services | <input type="checkbox"/> Furniture/Furnishings |

Step 2 | Select States or Territories

Click on the desired states or territories to be included in your search, or select from the following options:

- ☒ all United States
☐ all Canada



Step 3 | Review Search Results

Based on your category and territory selections, your search has provided the following list:

[download EXCEL file](#) 

[download CSV file](#) 

532 RESULTS

TO JOIN GO TO
MANAonline.org



Read with
SmartPhone
QR Code
Reader

Searchable database includes more than 3,000 reps

An aerial photograph of Chicago, showing the city skyline across Lake Michigan. The water is filled with many small white sailboats. In the foreground, there's a green park area with trees and a paved path. The sky is blue with some light clouds.

MANA Seminar *Examines* the Manufacturer-Rep Relationship

BY JACK FOSTER

Based on the feedback from participants, MANA's Manufacturers' Seminar in Chicago last fall was the place to be — that is, for manufacturers truly looking to hit the ground running as they implement plans to partner with independent manufacturers' reps.



Hank Bergson speaking at the October 2012 manufacturer seminar.

“The manufacturer has to be as certain as he can be that the rep he chooses is the most cost-effective in bringing his product to market....”

Seminar leaders Hank Bergson and Kris Hefley promise more of the same in May as they look to educate a fresh crop of manufacturers that are taking their first steps in outsourcing their sales efforts or want to enhance their results from an existing rep sales force.

Scheduled for May 2-3, at the American Management Association Executive Conference Center in Chicago, the day-and-a-half seminar will cover the topics new and seasoned principals will expect, but there is more to the seminar than just the sum of its topics, says Bergson. “The seminar format provides a unique opportunity for in-depth coverage of a number of subjects that manufacturers must consider prior to making a major marketing decision.”

Drawing upon their extensive history of working with manufacturers and reps, Bergson and Hefley point to the following subjects that are bound to come up during the seminar’s sessions.

How can I determine if reps or a direct sales force are going to be most effective for me?

Bergson acknowledges, “That’s

certainly a key question that we’re more than ready to discuss. Interestingly, there are generally two areas that need to be looked at in anticipation of the decision:

- The first is the need to conduct an economic analysis using reps or a direct sales force. That’s something that we help manufacturers with during the seminar. Part of this analysis entails a look at the cost and services needed to support the direct salesperson vs. the independent rep. Once you consider those costs, the decision can become a bit clearer.
- The other consideration is the management of reps. Manufacturers must realize that reps are managed and motivated differently than a factory sales force. A lot also depends on the personality and management style of the manager, and that needs to be factored into the decision.”

Where do I find reps and how will I know they will be effective for me in the field?

Hefley explains that in general it’s fairly easy to find reps, “But that doesn’t mean the reps you find will do a good job repping your line.” He adds that lists of reps can be obtained

anywhere from the Yellow Pages, to rep associations, consultants, Google searches, referrals at trade shows, or from existing customers.

“The critical task here is for the manufacturer to perform his due diligence in making his choice. The manufacturer has to be as certain as he can be that the rep he chooses is the most cost-effective in bringing his product to market in a given territory. This is something we go into great detail about during the seminar.”

How do I know I’ll get a fair amount of the rep’s selling time?

Bergson emphasizes that “Time is a misquoted measurement. What’s much more important is for the manufacturer to understand and appreciate the concept of synergistic selling and to know whether you have synergy with his other lines. Reps don’t divide their time mathematically, but will represent many lines on a given sales call. Here’s the concept we concentrate on in the seminar: How can the manufacturer incent the rep to the point where he becomes the rep’s ‘emotional favorite’? Do you pay well and are you fun to work with? If the

answer is yes to both questions, you get more of his mindshare.”

Can I expect reps to provide me with written reports on their sales calls?

Hefley advises that “I don’t know that you need them. Instead, you should have excellent communication between yourself and your reps as to what’s going on. What you really want is regular heads-up communication about important matters in the territory.”

Since I’m new to working with reps, how do I know how much commission to pay?

That’s always a difficult question to answer, says Bergson. “It’s important to keep in mind that no one size fits all. What Kris and I do during the course of the seminar is to speak with manufacturers on a group and an individual basis in an effort to accurately analyze what makes sense for both them and their reps. In doing that, you’ve got to consider defining the tasks that the reps are going to perform, agree on expectations and pay them accordingly.”

Do reps work on commission only or should I expect them to require shared territorial development fees or retainers?

According to Hefley, “There’s a whole laundry list of ways to compensate reps for their efforts. One of the reasons reps are so attractive to many manufacturers is that they’re open to various ways of being compensated. We’ll cover many of those approaches.”

What’s preferable, written or verbal agreements?

While acknowledging that he’s familiar with any number of reps who have had successful verbal agreements with principals over the years, Bergson says it’s probably a good

idea to put down the rules of the agreement in writing. “The problem with the verbal agreement,” he says, “is that while it might work well for many years, what happens when the ownership of the principal changes or when someone new (e.g., a new national or regional sales manager) moves in and the situation changes?” He adds that this subject always comes up in the seminar and as usual it will be covered in detail.

What’s the best way for the manufacturer and the rep to arrive at and agree upon mutual expectations?


Both men agree that this gets back to the importance of communication.

“You can never communicate too much,” advises Bergson. “I’m not saying that stilted or formal written communication is needed. What I’m talking about is the need to stay in touch at all levels of the manufacturing and rep firms.”

Hefley adds, “One of the major points we emphasize is the need for

constant and meaningful communication. We talk to manufacturers about the need for hosting reps at their factories, visiting with reps in the field and sharing their plans with reps. What it all gets down to is having both sides agree that they’re moving in the same direction and that can only be done by communicating.

“I know there are some people out there who maintain they’re happy if I send the order and you send me the money — but in the meantime just don’t bother me. That simply doesn’t work anymore in today’s business environment.”

Bergson and Hefley emphasize that this sampling of subject matter that’s bound to be included in the MANA Manufacturers Seminar simply serves as the tip of an informational iceberg. For more information concerning the seminar, visit www.manaonline.org and refer to the article on the first seminar that appeared in the January 2013 issue (page 18) of *Agency Sales* magazine. 

Best Practices with Reps, Planning with Intent

What: The day-and-a-half MANA manufacturer seminar offers sales and marketing tips for manufacturers new to reps or those looking to expand their efforts with an outsourced sales force.

Who: Seminar is conducted by Hank Bergson, president of Henry Bergson Assocs., LLC, Katonah, New York, and former president and CEO of NEMRA; and, Kris Hefley, a consultant and currently an associate professor of marketing at Johnson & Wales University, Denver, Colorado.

Where: American Management Association Executive Conference Center, 8655 West Higgins Road, Chicago, Illinois.

When: May 2-3, 2013.



Recruiting Reps? Good Luck....

BY JOHN HASKELL

This article may seem to be focused
on manufacturers, but read on reps.

I'm writing while engaged in a rep-recruiting project for a mid-sized manufacturer. The product, industry, and location are irrelevant. What I have encountered is significant.

Detailed Preparation

The manufacturer has been willing to spend the time and money to organize this search very completely. We recognized that there have to be many positive factors to gain interest. Our products can't be number 1-2-3 commission payers, but we do pay about 50 percent more than the average line on the rep's line card. Therefore, commissions from this line can add up to significance faster. I tell the prospective reps, "Our goal is to get to be 5-10 percent of your commission income within 2 years."

I have consistently told reps to drop any line that does not provide 5 percent of their commission income or have the potential to be 5 percent within 12 months. Many reps still argue with me about dropping lines, but it has been consistently proven that the rep firm grows and increases commission significantly by dropping lesser lines. And, the rep firm avoids alienating smaller lines where they are not able to do a good job. Sales managers from companies that have lines that are dropped indicate respect for the rep firm that says: "We can't do the job for you. Thank you for the opportunity. We can [where possible] recommend a few rep firms that might be better suited to your line."

Prospective reps were selected from the MANA database using key words. Subsequently, the president of the company reviewed a list of more than 1000 reps and narrowed it down using the areas of concentration supplied by the reps in their MANA profile.

This list of 165 reps was then prioritized into three categories, 1, 2, and 3. We are still in process of dealing with the number 1 priority reps so I cannot yet comment on the value of the prioritization. After several hundred calls and e-mails, I have been led to question the value of the "3" category.

We are discussing adding another list, if we can find one, in addition to these reps.

Collateral Tools

I feel very strongly that the prospective reps must see the soliciting company as smart, organized and marketing savvy.

In order to support the search effort, the company prepared a seven-minute company video that provides

a thorough picture of the manufacturing process, the product quality and the people. There is significant value for the company in having the video, but this project provided the impetus to make the video.

In addition, a graphic designer we work with provided a PowerPoint equivalent in the form of an "Interactive PDF." This document can be sent as an attachment to an e-mail, opened by the recipient while on the phone with me, the interviewer, and then viewed as we talk about the company and the program to acquire reps.

Complete Package

Additional support is provided by a cover letter from the president and several pieces of collateral material the company already has including a full line catalog and specific success story references to customers that should interest reps who have interest in the line.

This package is only sent to reps that I, as the interviewer, have talked to and who have expressed definite interest in moving the conversation further.

Experience Teaches

The initial plan called for our sending an e-mail to the reps along with a copy of one of my articles from *Agency Sales*. We felt that the article would add credibility to the e-mail indicating my desire for the receiving rep to call me.

Lousy Batting Average

After contacting the first 40 reps we received three re-

I feel very strongly that the prospective reps must see the soliciting company as smart, organized and marketing savvy.

After contacting the first 40 reps we received three responses, and those took over a week to be received.

sponses, and those took over a week to be received. It was clear that this approach was not going to work.

Change Direction

The initial e-mail was modified to say that I would be calling the rep. Naturally, this expanded the amount of work and time involved in the project.

After contacting a few of the reps, I realized that this was going to be a tedious and potentially unrewarding process.

Adding A Second E-mail

At this point I added a step. Most of the direct, telephone contacts went to voice mail. I amended my voice mail message to say that I was sending a second e-mail with more detailed material for them to review about the company and products.

At this point, I created a new e-mail and attached the Interactive PDF so that they could review the company and products on their own.

This step has resulted in more success getting a response from the reps.

We are not selling. We are “discussing.” The goal is to reach the Priority 1 reps and determine if there is any interest. We estimate the value of adding a rep at \$ 250,000-500,000 in annual revenue. Therefore, the incremental value of adding 5-10 reps is very significant. That is what makes this huge effort worthwhile.

The process has been enhanced with the second e-mail and sending the Inter-active PDF. The dialog with either the rep and his team or the rep with me is much more likely and much more focused.

We have been turned down frequently for many different reasons. In the majority of the turn downs, the client’s line just does not fit with the line card of the rep. In one case, a very rude rep basically told me not to bother him; he had no time to look at anything new and his line card was full.

Obviously, I’ll probably never hear of the rep again, but if there is ever an occasion to take him and his firm off a list of prospective reps for a really great line that already pays significant commission in his territory, you can be sure that I will. Why do people behave this way?

Three out of the first 30 contacts have been moved to step 2 — receiving the package from the president and further discussions.

Again, the inefficiency of the system became evident when I followed up with one of our “Hot! Prospects.” He wrote back, “Oops, we were out of town and did not receive the UPS shipment from your client, sorry! We’ll get on it and get back to you.” My thought, “Soon, I hope.”

There is lots of room for frustration in this process.

Summary

Preparation is proving to be vital in this search. But, regardless of preparation, the process is a long slog through calls, e-mails and voice mails. Even reps with the best intentions are difficult to reach and it can be hard to schedule time with them to discuss the line.

One rep who is a good friend of mine has gotten back to me, but between sales trips, sales meetings, vacation, and holidays we have been communicating for three weeks without getting a chance to discuss this potential line.

The project is much more difficult if you do not have reps in the market segment you are looking to develop. Be prepared for the long slog. The more successful your current rep program, the more likely you can shortcut the task by getting prospective rep names from your existing reps.

And reps, think about what the company that is trying to talk to you looks like. If they are well-prepared, organized and very professional, how about giving them a break? You never know when you can find some gold in them there e-mails. ☞

John Haskell, Dr. Revenue®, is a professional speaker and marketing/sales consultant with more than 40 years’ experience working with companies utilizing manufacturers’ reps and helping rep firms. He has created the Principal Relations X-Ray, spoken to hundreds of rep associations and groups, including 32 programs for MANA from 2001 to 2005. He is also a regular contributor to *Agency Sales*. For more information see www.drrevenue.com or contact drrevenue@drrevenue.com.



Sales Reps Wanted — Everywhere

“Businesses struggle to fill sales positions as economy picks up.”

The above is the headline from an article that appeared in *USA Today* earlier this year. The article detailed the woes of manufacturers who are faced with replacing the sales force that they downsized during the economic downturn.

Drawing from a number of interviews, the article maintained that “The American salesperson isn’t dead, but he or she is getting harder to find.” That situation resulted from the fact that as the economy improved, employers are facing a situation where there’s a shortage of qualified salespeople and managers, and that’s hampering their revenue growth.

According to the article, “It’s a missed opportunity,” says Richard Vickers, regional managing director for Page Group, a global recruiting agency. “You need somebody out there to sell.”

The article noted that in June, the number of jobs in sales and related occupations jumped a whopping 445,000 to a four-year high of 15.8 million, Bureau of Labor Statistics figures show. Sales representative is the second-hardest job to fill this year, behind skilled trades, according to Manpower’s talent shortage survey.

“Thirty-five percent of sales managers couldn’t find qualified candidates for open positions last month, up from 24 percent in 2010, according to a survey by CareerBuilder, which is owned in part by *USA Today* parent Gannett. Nearly half of those struggling to bring on sales

Sales representative is the second-hardest job to fill this year, behind skilled trades, according to Manpower's talent shortage survey.



Furthermore, it must be understood that if you don't have customers, you don't have anything. And it's the independent rep who can supply the customer.

employees said the problem has hurt their businesses, mostly by curtailing revenue growth.

"Shortages are especially acute in technical sectors, such as medical devices, logistics and information technology.

"During the 2007-09 recession, sales workers were often the first to be laid off as demand plummeted, with employment in the field falling by about 1.6 million. Many switched occupations or moved, says Willis Turner, CEO of Sales & Marketing Executives International.

"Plus, more companies are peddling services in addition to products, placing further demands on sales reps, Turner says. In recent years, Toro, which sells landscaping equipment, has required its sales staff to pitch maintenance contracts and other options, says Steve Keating, Toro's sales training director. It takes Toro's distributors about two months to fill a sales opening, vs. four weeks only 18 months ago, Keating says.

"Despite the added job requirements, few colleges and business schools offer sales classes, in part because of the field's tarnished image, says Dave Stein, CEO of ES Research, which tracks sales training firms.

"Companies slashed training budgets and now are seeking candidates with a laundry list of skills, he says.

One retort to much of the information that appeared in that article might be "Just open your eyes and look around." That's the view of Bob Reiss, a national sales rep for 14 years before he switched to being a manufacturer. Reiss has been involved in 16 start ups and one of his companies was named to the *Inc.* 500 list of America's fastest-growing companies for three years in a row. His e-book on understanding the sales rep-manufacturer relationship was serialized in *Agency Sales* in 2012.

According to Reiss, "That article might as well have been written from a view of 10,000 feet. I'd ask the question, where are these people looking for salespeople? Don't they know the basics about looking for independent manufacturers' reps? All any manufacturer would have to do is conduct some minor research and they can find the reps they need to sell their products."

Reiss points to what he terms a huge educational gap as a reason why there's an ignorance of who and what

reps are and where to find them. "In general, manufacturers don't understand about reps, and they still buy into myths surrounding them. To understand what's going on today, let's look at some of our country's business schools. Every year you've got a large number of naïve kids coming in to be taught by some very bright people who have spent time out in the real world. But there's the problem — how many of those smart people with real-world experience know what a rep is and can explain it to the class? This is a very frustrating situation. What's got to be understood and taught is how important the sales function is to businesses. Furthermore, it must be understood that if you don't have customers, you don't have anything. And it's the independent rep who can supply the customer. Businesses looking to grow can sell their product and get the customer if they go to market with independent reps. And, it's not that hard to find them."

A Useful Guide to Product Sourcing

MANA member Ed Juline, a partner at the manufacturers' representative company Mexico Representation, Guadalajara, Mexico, makes a valuable appearance in a recently published book that guides manufacturers through the process of selling their products and/or services. In *Wholesale 101: A Guide to Product Sourcing for Entrepreneurs and Small Business Owners*, authors Jason Prescott and Tara Gladstone educate their readers on various effective methods to employ in order to jumpstart their businesses. When it came to what independent manufacturers' reps can do to assist in this effort, they turned to Juline for advice. Among the advice he offered was the following:

- **Manufacturers' Reps for Suppliers**

"If you're going to become a supplier yourself by manufacturing products, importing goods, or selling mass amounts of wholesale items, you need to open up sales channels and get your products into the market. You can spend money on marketing and advertising and exhibiting at trade shows (these are great tactics), but for some new suppliers these tactics are too expensive when just starting out. Another less expensive way to get products into the market is by having manufacturers' reps repre-

sent your line. Many rep groups can represent your line both nationally and internationally.

“This can be an easy way to get your products in front of really big buyers with whom these reps have already developed relationships.”

Juline explains the difference between market-entry strategies for large and small companies. He also explains why a manufacturers’ representative is helpful for small to medium-sized companies that want to get their products into retail stores:

“Big companies have different strategies than small companies when entering a market for the first time. They’re already established and usually looking to conquer markets one by one. They will hire country managers and four or five salespeople for each region. They usually have a lot of money to invest, so they will also set up new warehouses and local distribution methods.

“When you’re a smaller company, you don’t want this kind of overhead and need a different approach. You’ll want to find a representative or an agent and advertise online. A manufacturers’ rep agency is good for small to medium-sized businesses because they become an extension of your sales force. And they provide the local touch and support that you need when you’re trying to enter a new market. People want to do business with people they know and like. Even with the global economy and technology we have today, long-distance sales are still hard without someone in the country helping you.

“Rep groups are the most cost-effective way to distribute your product because they already have an established network. Also, you don’t have to pay them a salary, benefits, and other fees related to employees. All you have to do is give them a commission, and they will open up sales funnels for you.”


Juline further explains the lack of risk to companies when working with manufacturers’ reps: “There is less risk to the company because you’re not paying that salary every month. The company benefits because they only have to pay for what gets sold. This is much more practical for new companies just starting out and for long-standing small- to medium-sized companies that don’t want to maintain the extra overhead.

“When a good rep group decides to represent your products, you’ll be provided with many more sales opportunities. You’ll have a sales team all across the country (or various countries) that can meet face to face with small- to medium-sized retailers and big-box retail chain buyers.

“They’ll expand your customer base with relationships established through selling other manufacturers’ products. If they’re good, they’ll have a great network.”

• Advice for Getting Reps to Sell Your Product Line

“Now that you understand how a manufacturers’ rep agency can help your business, let’s discuss how to get them to represent your line. A manufacturers’ rep is going to look for a winning product line. The rep needs to be sure that the line will sell well and that there’s a need for your product in the market. You have to prove that when your product hits the stores, it will show a fast increase in sales for the rep. You have to build a case and go prepared.

“When you pitch your line to a manufacturers’ representative group, go with a presentation that demonstrates why they should want to represent your products. You’re asking them to sell your products to buyers with whom they need to maintain strong relationships. It’s important to convince them of the benefits of your products.” 

© iStock.com | iliyast



The Indemnification Clause: Proceed With Caution

BY MARK SMITH

Many of our sales representative clients initially give very little consideration to the perceived “boiler-plate” clauses that appear near the end of their principals’ “standard” sales representative agreements. Their focus is on the granted territory, the commission rate, designation of house accounts and similar provisions which all reps deem of most importance. Nearly every sales representative agreement that I have seen contains an indemnification clause; but often the sales rep has not even read it, considering this clause to be just another unimportant “boiler-plate” provision. We counsel our clients that such perception is false. The existence and scope of the agreed-upon indemnification clause could result in saving or costing your firm enormously in the future. I cannot emphasize enough that reviewing, understanding, negotiating and drafting this clause at the outset of the relationship is well worth your time and effort.

The existence and scope of the agreed-upon indemnification clause could result in saving or costing your firm enormously in the future.



When you agree to indemnify your principal, you are basically agreeing to act as their insurance company.

An indemnity clause is a contractual agreement to transfer risk from one contracting party to another. The normal tendency is for contracting parties to seek a contractual indemnification clause that will protect them to the greatest extent possible; and in doing so they shift the risk to their contracting counterpart. In the context of the manufacturers' sales representative agreement the principal, by way of its standard indemnification clause, may be seeking to shift to the representative the risk of all sorts of potential losses that could be suffered by the principal arising out of or relating in any way to their principal/sales representative relationship. Such a clause may read something like this:

Representative agrees to indemnify, hold harmless and defend Principal of and from any and all claims, demands, losses, causes of action, damage, lawsuits, judgments, including attorney's fees and costs arising out of or in any way related to the services provided by the Representative.

Insuring the Principal

When you agree to indemnify your principal, you are basically agreeing to act as their insurance company. The above clause is bad for the representative primarily because it is written too broadly. The language could be interpreted by a court to cover every possible type of potential loss, even losses in no way caused by the representative. Further, under the above clause the rep-

resentative's obligations commence with the demand and include attorney's fees, thereby imposing upon the representative the obligation to defend and cover litigation expenses of the principal to defend even the most frivolous claim. Finally, almost always the sales representative agreement provides that the indemnification provision and the obligations of the representative stemming therefrom shall survive termination of the agreement. What that means is that long after the principal/rep relationship ends you may be called upon to indemnify the principal in accordance with the terms of the clause.

Fortunately it has been my experience that most principals are willing to make revisions to their standard *unreasonable* indemnification clause in order to make it *reasonable*.

- First, the rep should seek to limit its indemnification obligation to only those liabilities caused by its negligence. Such is accomplished by revising the standard clause as follows: "...arising out of or in any

way related to the services provided by the Representative *but only to the extent caused by the negligence or willful misconduct of the Representative.*"

- Second, the rep may seek to cap its financial exposure. Adding a sentence as follows results in such a cap: "*In no event shall the maximum amount of liability hereunder exceed \$_____.*"

Many additional reasonable revisions could be proposed. For example if the representative is being asked to defend against such claims, who will control the defense, the representative or the principal? As stated above the principal typically seeks a clause that requires the indemnification obligation to survive termination of the relationship. Such results in the possibility of the rep being required to indemnify years after the relationship has ended. Revisions that limit this future liability exposure are reasonable. The revision possibilities are numerous. The most important point is that the rep and its counsel should spend some time analyzing the proposed indemnification clause and through negotiation work to limit its scope and potential consequence to the representative.

Rep Protection

What about an indemnification provision that protects the representative? Rarely is such a clause

What about an indemnification provision that protects the representative? Rarely is such a clause included in the principal's standard agreement.

included in the principal's standard agreement. Therefore the representative should be prepared to propose the insertion of such a reasonable reciprocal indemnification clause. At a minimum the representative should seek to be indemnified by its principal against claims relating to design, development, supply, production and performance of its products. In addition, the representative should seek to be indemnified for claims alleging infringement of patents, trademarks, trade dress or trade names. Almost always the representative has no involvement in these areas and therefore should be indemnified. The representative must insist that the clause include attorney's fees and litigation cost incurred in defending these types of claims. On occasion sales reps are joined with their principal as additional defendants in lawsuits alleging breach of warranty claims, product liability claims or patent infringement claims. The rep's first reaction to such lawsuits may be, "Why am I being sued — all I did was solicit sales?" and their next questions directed to their counsel are most likely, "How much is it going to cost me to defend this lawsuit?" and "How much may I be required to pay if the lawsuit is lost?" The answer the rep receives from its counsel may be that because of your involvement in the sales process of the "alleged" offending product under the law it is totally appropriate to join you as an additional co-defendant, defending these lawsuits are very expensive and typically the amount of damages being sought are huge. At that point the rep may start to experience many emotions, almost all of the negative variety. However, with a well-written indemnification clause counsel's


Requiring in the rep agreement for the principal to carry product liability insurance and naming the representative as an additional insured helps.

follow-up statement may be that the principal will pay your defense cost and further will pay any resulting settlement or judgment sum. What a relief, right?

Danger of Insolvency

It must be remembered that the principal's contractual promise to indemnify the representative from these types of claims has no value if the principal is insolvent. A bankruptcy filing by your principal could leave you holding the bag so to speak. The representative should put in place further protections in order to limit its risk and exposure. Requiring in the rep agreement for the principal to carry product liability insurance and naming the representative as an additional insured helps. Further the

representative purchasing its own product liability insurance coverage is wise. Last but not least, if you are conducting your business as a sole proprietorship, consider instead incorporating your business. Incorporation helps to insulate the business owners from personal liability for the debts, liabilities and obligations of the business.

I understand the representative's excitement when that new principal is obtained. However, take the time necessary to negotiate and have prepared a fair and reasonable sales rep agreement. In doing so do not ignore the perceived "boiler-plate" clauses — including and possibly most importantly the indemnification clause. It could save your business from a later catastrophic financial loss. 

Mark D. Smith is a partner at Ramirez & Associates, a law firm based in Dallas, Texas, that has served the legal needs of sales representatives for more than 40 years. He has been practicing law since 1990 and has worked extensively with sales representatives to ensure their interests are represented in contracts, commission disputes and many other matters. He is a long-time supporter of the Manufacturers' Agents National Association (MANA) and has been a dedicated advocate for the sales representatives he has represented over the past 20 years.

