



# NCALERA NEWS

JUNE 2003 - SPECIAL

## The Small Rep Firm Forum . . .

was held in Baltimore, MD, this year, at the BWI Marriot Hotel April 24-26, 2003. 52 people participated, from 23 states. Only 22 were from ERA, the balance being MANA folks, including a few staff people. We were privileged to attend. **Bob Parsons**

The program was arranged much like that of a National Conference, Tables of six each, with a table leader at each table. A new twist this year was that we changed tables each day; Friday was spent at one table, Saturday at another. This gave us better, more diverse discussion sessions.

As we reviewed the program and all the notes, even to the extent of getting copies of the Power Point presentations used by many, we recognize the challenge of condensing a two-day seminar into a brief newsletter, particularly trying to remember everything we heard. So, we will follow a pattern of recall that pretty much follows the formal presentations, but deviates where necessary. We will follow the thinking of the organizers but will take liberties as to where we introduce certain ideas.



Special recognition must be given to those whose presence was vital to the operation of the Forum. Helen Degli-Angeli, Vice President of MANA, Richard Shor of the Chesapeake Chapter of ERA at left, and of course, Tess Hill, ERA's



lady-master of all trades without whom the Association would fold. We know many others participated in getting this show going and we apologize for not listing them. As they say at the Academy Awards, "And, I also want to thank . . ."

Early in the literature announcing this event, the promo's, you will see a phrase that reflects an idea that is repeated in several – no – ALL promo material for most any event of this type that is being conducted. That target idea is: *"Anticipate near and future trends; redesign and rebuild the rep firm business model; identify and take risks necessary to keep a rep firm afloat."* We saw it at last year's ERA National conference promo's; we saw it in the Small Rep Forum promos. We now see it in Keystone 2003 material. Only the perspective changes, to fit the need of the particular Conference you are planning on attending. So . . .

## THE SMALL REP FIRM FORUM . . .

Here is an overview of what is coming:

- Where is U.S. manufacturing heading? An economist's view of the economy; the challenges, causes and changes forthcoming among the manufacturing community and how it affects their reps.
- Ways reps are answering the challenges.
- Repping Foreign principals.
- Boosting rep firm revenue (i.e. retainers; fees for service; expense reimbursements)
- Expanding your Line Card.
- Creating Demand for you Principal's Products in Today's "New" Economy.

### WHERE IS U.S. MANUFACTURING HEADING?

This is an important idea to review, mainly because it is not a subject we discuss every day from this perspective. Our presenter was David Huether, Chief Economist from NAM, The National Association of Manufacturers. Much like our April speaker, his role is the gathering of facts and the facts are not always pleasant, nor easy to reduce to outline format.



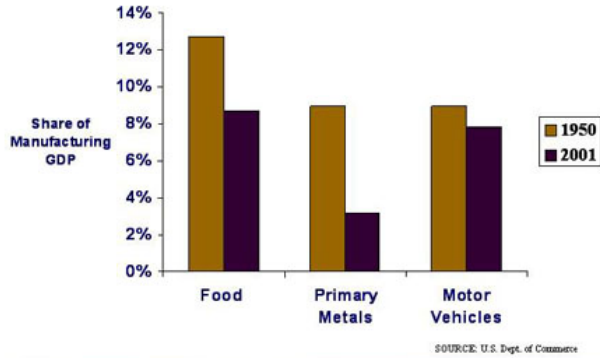
We first look at a graphic showing the relative importance of manufacturing to the U.S. economy. Note that manufacturing's share of non-farm employment is steadily decreasing, from a 35% share in 1947 to 11-12% in 2000. At the same time, its share of GDP (Gross Domestic Product) remains relatively stable over the same period of time, around 20%.



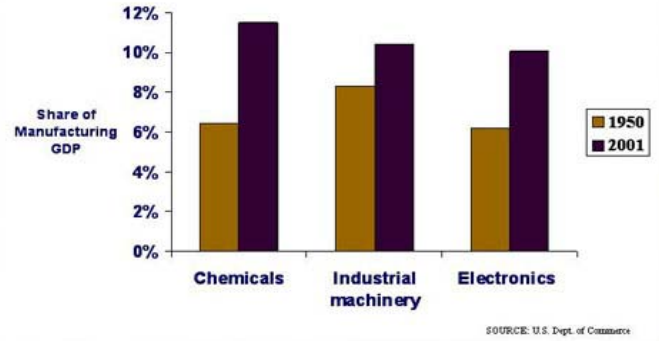
The types of products being made in the U.S. are changing as well, therefore changing the face of manufacturing as we see it. The technologies change if nothing else, which we all experience on a regular basis.

You will see, on the next page, two graphics that show that the leading products in 1950 were food, primary metals and motor vehicles. In 2001, on the other hand, we see Chemicals, Industrial machinery and Electronics heading the list (According to U.S. Dept. of Commerce).

**Changing Face of Manufacturing, 1950**

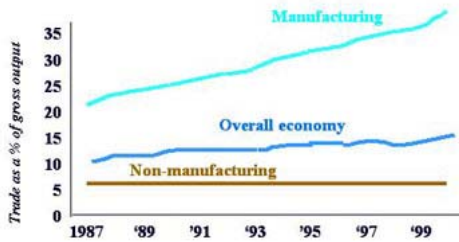


**Changing Face of Manufacturing, 2001**

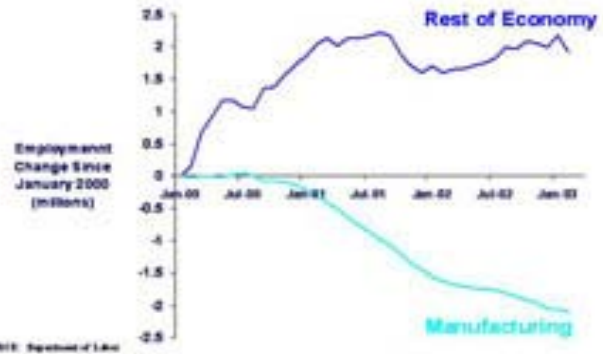


Of great importance to reps, manufacturers have become more trade engaged, spelled GLOBAL! The results shown below are that an ever larger share of manufacturing is going somewhere else. Surprise. The good news is that only 6% of the percent of the decline in GDP left. The bad news is obvious. Not so obvious is that many of the 2+million jobs lost have been placed in other non-manufacturing jobs.

*Manufacturers Become More Trade-Engaged*



**Crisis: Manufacturing Job Losses over 31 Consecutive Months**



Mr. Huether indicated that the sluggishness of the current recovery, when compared to the past 6 recoveries, was mainly due to the fact that while the market is reacting about the same, consumer confidence is lower by a quarter, business investment is about half and the export market is barely moving. He went on later to talk more about the reason(s) for this.

For now, *restraints on growth* are mainly:

- Consumer uncertainty with regard to Terrorism and the middle east (Iraq).
- Energy price increases
- Sluggish global growth
- Prolonged down-turn in business confidence.

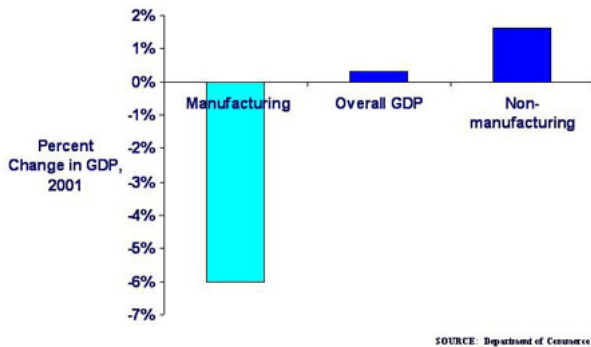
Factors *supporting growth* are:

- Strong productivity growth
- Exchange Rate improvements
- Lean Inventories
- Additional fiscal stimulus
- Monetary policy.

Starting in the era when the automotive industry found themselves taking a beating from Japan, the entire country went on a productivity growth bender that hasn't stopped yet. The results are that ours is now the most productive group of manufacturers in the world.

With the burst of the dot-com bubble, the surviving high technology industry suddenly recognized the fact that they had inventory they didn't need. The result was a cut off of new orders until they disposed of the inventory on hand. To some reps, this was disaster! In fact, the entire year 2001 was, as is illustrated below:

**Crisis:** 2001 was a Manufacturing Recession



There isn't much we can do about slow global growth, but the folks up on Sand Hill Road (A favorite spot for local Investment Capitalists) are starting to move with more gusto. Business Investment overall is rising and is particularly favorable for computers, biotechnology products and software.

Manufacturers are beginning to re-build their inventories. We grant you that some of this is heading toward the Far East, but a sizeable portion is remaining here in the

U.S. The tax cut has been enacted and the Fed acts like they are on top of their domain. In short, things are looking up, however slightly.

As he began his closing comments, Mr. Huether introduced a new idea, having to do with the methods China is using to maintain a favorable trade balance. This involves the manipulating of their currency exchange rate in such a way that their Yuan stays highly competitive in the U.S. market when compared to the rest of the world. They do this by keeping the Yuan pegged to the U.S. dollar at a fixed rate of exchange. As you study the graphic on the next page, you will see this condition illustrated.

We had a little memory-lapse-challenge about the exact content of Mr. Huether's discussion around the Chinese Yuan. We queried him and this was his response:

China devalued their currency (the Yuan) back in 1994 to 8.3 to the dollar. This put them at an advantage over other countries exporting to the U.S. and their exports did grow faster in the mid 1990s than other countries exports to the U.S. However, as other currencies weakened against the dollar

between 1996-2001, the China currency advantage diminished and the differential between China exports to the U.S. and exports from the rest of the world diminished.

Since Feb 2002, the dollar has depreciated about 13 percent against other currencies, making their goods more expensive in the U.S. market. But the China Yuan remains fixed at 8.32 to the dollar. So the China currency advantage is back. So, I think we will see China imports rising faster than other imports in the near term.

This happened last year, when china imports rose by 20% and imports from the rest of the world did not grow at all.

**It does make sense. Mr. Huether is traveling so we couldn't follow up with this discussion. We read in other sources, however and feel quite optimistic about things. The U.S. economy is stronger than it appears. By year end, we will look better in terms of growth than every other country in the world, with the exception of China.**

**We read where China is not considered a major player in the world's economy as yet, representing only 3-4% of the world GDP. (The U.S. is %) And Mr. Huether pointed out that their main development has been in the high technology world. They have not as yet been involved in other industries, at least at a sufficient rate to be a factor in the world's economy. Their expected growth rate of from 6 ½ to 7 ½% is large, compared to the world's estimated 2-3% over the next year or two.**

**There are other factors that restrain U.S. growth. Competition restricts pricing power in manufacturing, for one. Because of increased government regulations, legal costs have risen dramatically. Health care costs continue to increase. We previously mentioned energy costs, costs that seem more volatile than ever! Natural Gas, for instance, has increased over 50% over the past year.**

**We were honored by the chapter to make a meeting presentation outlining most of what is included in this newsletter.**

**We started by talking about very small, small, small-large and large reps. *Very small* are usually one-person reps, frequently working out of their homes or sub-leasing a space in an office complex designed for such client-types. (Lots of small rooms, central telephone switchboard, common fax and conference room. Relatively cheap.) Small reps run the gamut, usually having several outside and one or more inside. The Northern California Chapter sets that turning point at 4 employees or less.**

**You can tell when a rep starts to approach the large rep status. The owner-manager frequently finds him (or her) self spending an ever-increasing amount of time just managing. Field calls are mostly just scope-ping out one of the troops, making certain that they look like they know what they are doing. You know he is large when their company begins to take on the "corporate" look; a person for each task; specialists for such things as bookkeeping, distributor coordination, a receptionist; maybe even a credit manager.**

**The very small reps ask themselves questions not unlike:**

- **How do you operate out of your home?**
- **How do you deal with the home environment? Wives? Kids? Personal phone calls?**
- **How do you deal with added staffers? Inside or outside?**

- How do you find time for a vacation?

We have resolved that the facts covered in this Forum apply equally well to all but the very largest of reps. And, if the truth were known, some of them can profit from this exposure. But this session was on Changing Markets and Products and:

## **WAYS REPS ARE ANSWERING THE CHALLENGES**

Diversifying and finding Value Added methods was offered as the first smart move. We were reminded that the best way to get out from under an uncomfortable situation is to find new opportunities. New products that are still used by your customer base, but offer better protection against loss of commissions.

The discussion led to the finding of specialty products/packaging and searching for stability. While manufacturers are moving around, there are still lots of end-user product types that are here to stay and will likely never leave their domestic origins.

The next portion of this segment the China opportunity; Moving away from U.S. manufacturers and toward China. The segment ended up being dominated by one speaker, a super-large rep/importer. The importing facet of his business started out as a side issue but, over time, has become their prime business. The company is Knight Electronics, owners of the original rep company, SW Marketing Associates, Inc., based in Texas and all controlled by Bob Knight. The important factor is that Bob and his company import from Asia and have been doing so since 1980. Can any rep do so? Certainly. Not without a lot of hard work and a lot of time, however.

For awhile, we asked ourselves, why was Mr. Knight there? He was there to look for reps. He was offering reps sales opportunities in exchange for a lot of help from his company. It appears that his company opens a lot of doors. Knight Electronics is a fascinating operation and you can find a lot about it on their web site, [www.knightonline.com/about.htm](http://www.knightonline.com/about.htm).

This session closed with a very interesting presentation on using *customer training* as a tool. The question posed by this presenter was: WHY TRAIN? Here's some of the reasons offered:

- *Rapid product rate of change.* Any ERA member who doubts this statement has been hiding under a bush for the past few years. Practically every technology has experienced this phenomenon. As for end products, take a look at what is happening to the cell-phone market – pictures? Instantly. Data transfer? Certainly. Instant messaging? Of course.
- *Technical competency no longer enough.* A working rep now has to be a communicator as well. They must interface between customer and principal to make certain that the right people get together.
- *Customers' sales forces struggling to keep up.* Volunteer to give training to their sales force and become a hero. Will everybody love you? Probably not, but the sales manager is a lot closer to top management than a buyer.

- *Sales people new to our industry...where to go for help.* Training your own people is the first requirement.
- *Sales professionals have to add more product types to their offerings.* Can a rep survive with only one product type? How much more effective if one thinks about their *customer* base rather than their product base. We used to use a phrase, “I’d like to go into an engineer’s office and dump my bag on his desk, knowing that *everything* would be of interest!” It still applies.

In that same “Why Train?” mode:

- *Manufacturers cannot provide training at the levels required.* The larger the principal’s company, the harder it is to find one person who can cover the entire scope of a product, let alone a product line.
- *Principals cutting back on field visits.* Principals cannot afford to send key engineering people out into the field, even if they could get them to travel willingly.
- *Generic (public) courses not helpful.* Take a course. Then measure its worth to you and your company. Only the most general, introductory courses really count as far as how much utilization takes place.

**Customers come to depend upon the rep as a training resource.**

Finally, what are the benefits of all this training? Well . . .

- *Customers come to depend upon the rep as a training resource.* Your company image expands positively.
- *Success breeds success* – and more requests for training.
- *New hires get “calibrated” by you.* You set the criteria by which all reps are measured.
- *“The customer calls on the rep.”* Assuming maintenance of a reasonable attitude, you become a resource that cannot be ignored.
- *Major “back-selling” opportunity.* Even the most avid hater of back-door selling will give you referrals.
- *Significant ROI – face to face time with customers.* Don’t be surprised if they give you a company badge.

Our next presenter talked about a subject that most smaller reps face constantly, some with great apprehension. Perhaps some answers will come from .

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## REPPING FOREIGN PRINCIPALS.

Joseph W. Miller is the president and CEO of MANA. Joe was the first speaker strictly from MANA and he made an excellent showing for his organization. He obviously knows a lot about this subject since he was an independent rep before getting into his current role. Here is a summary of the topic as presented:

- Representing foreign principals requires special skills &



patience. The language challenge; how many speak English well? How well do you know their customs?

- Requires businessman in sales. You must become businessman first, salesman later.
- More costly. Communications across the ocean. Import fees. Must develop greater knowledge of International banking and foreign exchange.
- Higher margins.
- Written contracts important. Know their laws. Some countries protect the rep but make demands that we are not accustomed to adhere to.
- Increased risk. How do you collect from a foreign country? What is your customer's recourse?
- Increased profitability.
- Commodity products solution?
- Technological edge?
- Over 60% of MANA agents represent them

One of the things we liked about Joe's presentation has to do with his Association's obvious interest in helping reps find foreign principals. He ticked off a list of items one must consider and areas where MANA is involved:

- Internet
- Ask your customers
- Ask your principals
- Directories
- Trade shows -- e.g. Hannover Fair
- Match-making programs
- MANA European & Asian contacts
- MANA trade missions

**These techniques  
are not exclusive to  
MANA**

We must add that these techniques are not exclusive to MANA. ERA makes the same suggestions and has like methods in practice. We mention this for those who tend to be limited in their exposure to other trade associations. Be aware that all associations work toward common objectives. We should see an ever-increasing mutual involvement in training activities and shows of this type as MRERF membership "connects" their leadership; helps them become aware of the relative value of joint sessions. Keystone 2003 also brings NEMRA into the participation fold.

One of the sessions of the program that everyone waited for was:

### **BOOSTING REP FIRM REVENUE**

Here we had an attorney who knows our business well (Gerry Newman is ERA National counsel); a rep familiar with most of the challenges ERA reps face (Larry Robinson, CPMR, now serving as President of MRERF); and a MANA rep who works as a rep and has worked as a member of a manufacturer's team (Dan Speace is now in the Window Fashion business). An interesting mix, moderated by an experienced rep, Jess Spoons, now semi-retired.

High on their list of things to do to boost revenue was to eliminate working for nothing. Literally. The first subject introduced had to do with retainers. The first speaker got everybody's attention when he told of getting a \$6,000 signing bonus. And, no, it was not for the company soft-ball team. He was being asked to do the ultimate in pioneering work, introduce a new line that had zero business in his territory.

Not only did he ask for the signing bonus, he demanded and received a retainer fee each month of \$1,000, said fee to remain in force for a prescribed time or until sales reached a certain level. (We'll include a Sample Retainer Clause later in this presentation, Pg 11.)

**The first speaker got everybody's attention when he told of getting a \$6,000 signing bonus.**

We were assured that retainers are almost a given in Europe. \$1,000 to 5,000 per month is a quite common incentive. For this, principals expect extensive product training to be extended to customers with travel the rep's expense. They recognize, however, that travel is expensive and cannot be demanded on a free and easy manner. They do not equate their reps to our "800" numbers. Free any time.

☀ One of the most frequent complaints we hear among reps is that principals are demanding an ever-rising level of service, even as manufacturing is shifting overseas which forces net commissions down. This raised the question of "Fee-For-Service."

It was generally agreed that Market Research for the principal was necessary but demanded care in how it was passed on. Sales/Marketing Plans should be discussed prior to implementation with the reps. The criteria for acceptance on the part of the principal and/or the rep should be made clear. Reps cannot dictate policies but should have a voice. And since the principal is paying for service, his demands should be reasonably considered.

**Sales/Marketing Plans should be discussed prior to implementation with the reps.**

One technique for establishing good relations in this area is to hold regular yearly meetings between both the reps and the principal's top management. Such meetings should take place before, during and after completion of the fee-for-service period. Open, business-like communications can and will eliminate a lot of misunderstandings.

Goals and plans should be reviewed. Reps literally ask the question, "What do I need to do to make it work for you?" An agreement should be reached when disputes arise. Remember the old adage, KIS, keep it simple. (We left the second "S" off deliberately. These are professionals we are dealing with.)

Manufacturers will often ask for database material; names and addresses of customers, sales projections and sales calls. To provide this kind of data on a monthly basis might become quite expensive. Quarterly reports are more acceptable. Reps must remember, however, that their principals feel that they are buying that kind of support, like it or not.

In fact, a rep probably should expect and accept more imposition in this environment than they might normally consider reasonable.

Principal support during this period is vital, more so because the rep is showing this principal a great deal more attention than he would without a fee-for-service involved. Good customer support has a very direct bearing on the rep's near and long-term reputation with his customers.

Whenever possible, the rep should hear about problems at the overseas facility from the principal, not the customer -- changes in delivery, quality problems, *anything* that affects the customer's ability to ship. We know, *in the best of all worlds . . .*

**the number one cause of termination by principals at all levels was lack of communications.**

Lack of support is often an indication by such things as a high turnover among in-house customer support people. (It's easier to shoot the messenger than fix the problem.) An aggressive accounts receivable policy can also be a tip-off. Do your homework, of course. Is this the only principal with whom this customer has a challenge? Are they "slow-pay" with

everybody?

This was summarized well when Gerry commented that the number one cause of termination by principals at all levels was lack of communications. *Lack of*; not just bad.

☀ Another concern by reps while in this discussion was how to handle *sharing and/or expense reimbursement*.

When one considers this subject there are myriad sub-topics to be reviewed:

- T & E during principal's territory visits, especially the E (entertainment).
- Sales training meetings
- Rep council meetings
- Trade shows (exhibiting and/or attending)
- CPMR education scholarships
- Principal-specified rep staff training
- Technical training/education by a third party
- Customer visits to Principal's plant(s)
- Rep annual visits to Principal's plant(s)

Most of what we heard during this discussion followed customs we practiced while active as reps so we had no quarrels with the comments. They agreed that when the principal is traveling, he pays his own expenses – Air Fare, hotels, rental car when necessary and meals. The exceptions for us was always meals in the company of a customer. If we set up the meeting, we paid. If the principal requested (demanded?) the meeting, he paid. If he suggests dining with wives present, he pays. If not, we pay. We tried to split meals that were just between us. Very few of our principals ever violated this procedure too badly. Of course, we had a few who never paid for *anything . . .* for awhile.

We cannot imagine a circumstance where a Rep Council will differ from a routine yearly visit to a principal. Air Fare and casual food and drinks are the rep's; the hotel and regular meals are the principal's.

We have never had a trade show situation where we didn't have more business interests than those satisfying the needs of a specific principal – unless the show was locally located. Situations alter cases, but generally the dictator (i.e. whose interests are being met?) carries the burden of expense. We have enlisted principal's cash support on booth space, borrowed booths for one show only, rented booths and shared the rent, shared a time schedule in their booth.

**Several of the MANA reps commented that they had been reimbursed by a principal for their training (or part of it).**

As applies to the rest of the items, reason should prevail. The one exception has to do with CPMR training fees/costs. Several of the MANA reps commented that they had been reimbursed by a principal for their training (or part of it). Usually we found that CPMR training had been suggested by the rep, and discussed at length. In short, the reps asked for the scholarship. It sounds reasonable that some principals would see the value of a full or partial scholarship reimbursement.

Experience indicates that when a customer visits a vendor's plant, it is often by choice. To make the visit cost-effective, they schedule several plants on the same trip. Obviously, it is their cost. We arranged to *accompany* several such visits at our own expense. The visits impressed our principal's top management and their support folk were equally impressed. It didn't hurt our relationship with the customer, either.

Likewise, we always considered our annual visit to the plant as our own obligation. It always helped if we could schedule the trip simultaneous with a sales meeting. Hmmm.

☀ Mr. Newman put out some very rapid comments about some of the things to watch out for in contracts. He made the additional observation that laws are constantly changing so a reality-check was vital. He pointed out that while there is no Federal law, there are 36 states that have Sales Rep Protection Acts of one type or another.

We always made it a practice to submit all potential contracts to our attorney with the request that he write us a letter passing judgment on the contract (Pro and Con) where important. The letter was written as if he didn't know that we were going to give our potential principal a copy. Costly? Yes, but cost-effective!

He also pointed out that when negotiating prices, principals should not expect a rep to give away any more "profit-share" than they themselves are willing to bear. A 5% reduction of cost to the customer should only reduce the rep's profit (commission) 5%. To go from 5% to 4% is a 20% reduction in the rep's commission. A true 5% reduction is only 0.25%

☀ Here is the **RETAINER CLAUSE FOR INCLUSION IN A REP AGREEMENT**, mentioned earlier:

“In consideration of the fact that Manufacturer has little or no business in the Territory, that Representative will devote substantial time and significant expenses in establishing and developing the Territory for Manufacturer and will provide important sales and marketing information to Manufacturer, and in consideration of the services rendered and/or to be rendered by Representative to Manufacturer in connection with the sale of the products in the Territory, Manufacturer agrees to pay to Representative a retainer in the amount of \$\_\_\_\_\_ per month for \_\_\_\_\_ months. Said retainer shall begin on the 1<sup>st</sup> day of \_\_\_\_\_, 200\_\_ and shall be paid on the 1<sup>st</sup> day of each month, thereafter.

The retainer shall be in addition to and not in lieu of commission payments pursuant to the terms of this Agreement.”

Next we listened to a presentation entitled:

### **EXPANDING YOUR LINE CARD TO BATTLE SHRINKING REVENUE**

Jim Hartranft, Director of Sales at Cherry Electrical Products/Control Devices Group, and Bryan Shirley, CPMR, recently a speaker at our Chapter, gave an interesting exchange on the good and the bad of this subject. Their outline followed a pattern of reviewing Line Cards from the perspective of:

1. Adding Lines;
2. Line Portfolio Analysis;
3. How to add lines with the principal’s help;
4. Do’s and don’ts of adding lines.

**A top notch synergistic line could actually help your other principals.**

We liked the fact that Bryan’s company represented Jim’s company. This kept the exchange on a friendly basis.

You must think about your existing principals’ perceptions and the impact on their attitude as you consider adding new lines. It could be a good thing! A top notch synergistic line could actually help your other principals. They might welcome the addition of another prime source of added revenue. That could, after all, bring additional people onto your staff. More feet on the street! Better coverage. Further, you could see an expansion of your active customer base. The new line brings additional customers into the fold that might otherwise go un-serviced.

On the other hand, they might see a new line as a time-diluting factor, taking time away from their products. Poor synergy hurts. Passive people will look upon a big semiconductor line as poison, for instance.

☀ The next segment of their discussion covered the very important step that every successful rep does on an almost daily basis: **LINE PORTFOLIO ANALYSIS**.

**Why/when/how to add lines?** Rep firm success is about two things: Good lines sold by good people. Yes, they must be the right lines, synergistic with their other lines. Their line base must also match their customer base. In fact, to the rep, the customer base may well be the most important.

Bryan has a nice “rating” system. He divides his lines into four categories:

1. **Blue Chip** lines; lines that provide solid, good, regular income.
2. **Green Growing** lines are next. These show growing income and the promise of more growth. (The Blue Chips of tomorrow?)
3. Next comes the **Gold Nuggets**; no great shakes as income producers today but lots of hot technology – great promise!
4. Finally, there are the **Red Lines**. They get a watchful eye as/if they demand more time and attention. No progress and . . .

Certainly one must consider Line Card “balance.” Relate it to these factors:

- The territory, both from the consideration of geography and customer count.
- The type of accounts; large, medium and small.
- Number of sales people (inside as well as out) available to service this new line.
- Is the line sold through distribution?
- Is this a niche line with a limited customer base?
- How much time is required to service the account?

There a lot of Why’s and When’s to add lines:

- **Economic situation – today!** (Is it necessary to add revenue to keep people?)
- Add lines that will add revenue if **positively optimistic about future growth**.
- Will line add enough to immediately assure the addition of people?
- Why is the line available? (**LISTEN!**)
- Does a key customer have a need?
- Is this the next great thing?
- Is the line a cash cow? (*See “Why is line available?” above.*)

You should set up these criteria before you talk to a potential new line. You should know why you are talking to them. Are you replacing a lost/existing line? Is it a well-known line as to name and products? Does it produce enough commission dollars to meet your needs?

How do you establish these goals? List three types of products that would fit your list. List three manufacturers for each that fit your criteria (to the best of your knowledge). Identify three new markets that your company could consider entering.

Your principals can be of great help in getting new lines. It was suggested that you inform all your top lines when you are considering a new line. Ask them to give the contact for the

new line a personal call. Give the new line as many references as you think you can trust. The largest line we ever had came to us as a result of such a referral.

☀ There are also Do's and Don'ts when it comes to adding lines as it applies to appearances – To one of your principals or even a customer. For instance, should you Divisionalize your line card and/or your company? If you have the people and the split customer base, then it might look OK. If the same people are going to have to service both divisions, who are you kidding?

Should you consider . . . a six-month trial period with the new line? not adding their line to your line card? These moves would scare this writer. A smaller rep might have difficulty keeping everybody happy.

How about . . . if not an exclusive contract, then you do not add them to your line card. We heard this at our last Small Rep Forum, attended in 1999. Then, they were suggesting that direct lines might give the small rep their dregs – smaller customers that their direct people couldn't afford to call upon. We have heard of this working well but not frequently. We would certainly want to add such a prestigious line to our list, even if we had to explain our relationship to the bigger customers -- if they questioned us.

Put another way, we don't think we would want a line that we didn't want to put on our line card unless it was a hip-pocket deal. These are opportunities where a small local service line wants good communications with a larger customer for specific business. Many times, such an arrangement is money in the bank for all concerned. You don't build your business on them, however.

*Ed's Note: This points out one of a rep's strongest values to any principal – that is his “bank” of people with whom he has developed a well-established, trusting relationship. The “hip-pocket” guy cannot get that kind of relationship any other way than through an established rep. Neither can you.*

Finally, there are things you should always do. Communicate early and often with your top principals, regardless of how it turns out. Maintain or exceed sales goals and service level expectations with all your lines. (We liked Bryan's term, “Keep in touch via PO's.”)

There are other tricks to the trade. You can often partner with other small reps. Watch the legal relationship, however, so that there are no challenges. Nothing ruins a friendship like misunderstandings about money

☀ We had a couple of good questions from the floor.

- Q. what is the best way to convince principals to buy adding lines?  
A. Relate your business plan. Maintain good communications. Stress the synergism as a door opener at both existing accounts and their new accounts.
- Q. Should there be a minimum revenue level before you accept a line to add?  
A. Measure the potential of the line, if you can. Does it fit your plan as to where

you are going? What will it cost to maintain the line? If you cannot trust their estimate of income, talk to a few of their reps in other territories. Discrete questions can gain a lot of insight into the honesty or integrity of the new line's people.

Closing was not easy since they had to cover the topic:

### **Creating Demand for your Principal's Products in Today's "New" Economy.**

This is a difficult segment to quantify. It was something of a summary discussion group. There were many comments made that contributed greatly to the overall acceptance of the Forum. Several times during the previous hours, it had been noted that reps should have as many accounts on their lists as possible. This group emphasized that small reps should specialize on the smaller accounts and perhaps the military accounts if they existed in your territory. Reps should know and partner with their distributors.

Doug Smith stressed that he felt that technical competence is essential. He stressed that the Internet gives little or no service. That when not talking with a customer about new applications, the small rep must act as the "customer service" person for each of their principals.

Ken Stone stressed maintaining a good list of names of engineers. He regularly sends them e-mails advising them of new products and inviting them to set up visits. He makes it a policy to hand-deliver any and all samples received for one of his customer-engineers.

Tom Teal added the suggestion that each small rep increase the value added content of any "design-in" he develops. All gave the indication that solving problems was number one on the list. Soon they were discussing those things that the principals could do to make life more pleasant and to help themselves at the same time. They would like to see short form catalogs posted on web sites as .pdf documents -- data that could be easily downloaded and sent anywhere in the customer's domain. One thought of himself as an *inter-dependent* rep. He acknowledged his dependence upon his principals and they on him.

Their moderator was Jim Hartranft, of Cherry. He cited his company's set up that establishes a mandatory information flow. All NBO's (New Business Opportunities) are written up and forwarded to the applicable reps. To support this, Cherry has methodically upgraded the quality of their Customer Service people. Added training after more careful selection is a constant. They strive to remain flexible in the manner that these actions are taken. A newsletter is published regularly in which success stories are detailed.

It was pointed out that distributors are doing roughly 45% of the business they used to do, before 9-11. One of disty's complaints was about the delays in getting a response to an inquiry. Sometimes there was no response at all. They stressed that reps should recognize that responses are vital. If it is going to take 3 days to get an answer, relay this to the distributor or the customer. These actions can be the necessary groundwork for a long, successful relationship.

Several times the issue of factory tours came up. When disty is involved with a customer, they should be invited to accompany the customer's inspection team. If they see your interest in keeping them in the purchasing loop, you'll be pleased at their response to such suggestions. Who pays? Well, if disty sees profit . . .

☀ There were a couple of break-out sessions that we are not reviewing. Either one could occupy a newsletter issue on its own. First of all, we were not able to attend both of them and did not feel capable of splitting time with them. We did a few interviews during this period so we will save them for future issues. One was on Product Liability and the other on Health Insurance issues. Tough issues for a lay writer, believe me.

So Here is an overview of our points, one by one:

- Where is U.S. manufacturing heading? We saw an economist's view of the economy; the challenges, causes and changes forthcoming among the manufacturing community and how it affects their reps.
- Here were ways reps are answering the challenges. We reviewed an importer/rep, a firm that can act as a source for specific situations. We discussed using Training as a sales tool.
- Joe Miller of MANA talked about the repping of foreign principals.
- We discussed boosting rep firm revenue using retainers; fees for service; expense reimbursements.
- Some Do's and Don'ts around Expanding your Line Card.
- Creating Demand for you Principal's Products in Today's "New" Economy.

We hope that you found this interesting reading. Remember our caution -- *nothing* replaces being there. Any given editor can only surmise the importance of a subject to the overall article and never see *your* key interest point. And if you have questions, the "expert" may be nowhere to be found when the answers are vital.

Occasionally we hear reps comment, "I can't afford to attend those shows." Yes, there are times when it may take some doing to come up with the several hundred dollars it takes to get there. (Remember we just made the trip.) But if your car broke down, you'd fix it! If your phone bill were overdue, you'd bust your buns to pay it! Or -- If you have failed to get a good line for any length of time, *particularly if you have had interviews and missed*, ask yourself what *that* cost you!

Will we see you at Keystone 2003? Probably not, but then we were at this small rep Forum. Were you? Come on down. Recognize the challenge and, **BE THERE.**