

EVOLUTION OR EXTINCTION

SPECIAL REPORT

WHICH WAY IS MY AGENCY GOING?
Program Facilitator, Paul Pease

We recently attended a seminar sponsored by MANA. Five ERA reps signed up out of 23, taking advantage of a nice offer of MANA to give us the same rates as their members. Paul Pease, the presenter, is shown at right with one of the MANA sponsors.



A measure of a seminar's success or failure is how well it meets their own objectives. This seminar targeted (1) providing us with *examples* of agents who have succeeded by adapting to change; (2) providing a workbook to guide us through the change process; and (3) create a working peer group that we can work with to help drive constructive change for our business' over the next two to three years.

Bravo! Two out of three ain't bad. Especially so, when the third is yet to be fully implemented.

The same objective page in their workbook also laid out the participant's responsibilities, such as taking notes and really participating by entering in, asking questions and demanding clarification where confusion existed. Oh, yes, we were encouraged to "take action to adapt and grow."

☀ The tone of the presentation was good from the beginning. We were asked to come up with ideas that addressed the question, "Why Change?" We heard suggestions like, "Change brings on opportunities," "Adapt to any changes," and, "Change or die."

It was stressed that we cannot stay in the habitual patterns of doing business. We cannot get as good as we are. We must get better! We must stay in the lead. Paul quoted the example given him while writing a book about Bobby Unser, three-time winner of the Indianapolis Five-Hundred. Bobby indicated that nobody remembers the races they lost. Only the winners are remembered.

We were reminded that we lose about 20% of our customers each year. Obviously those statistics did not originate here in Silicon Valley. But he also stressed that in order to adapt

we must have a plan of attack. He cited the example laid out by Xerox Corp., called *Gap Analysis*. They suggest laying out a table made up of four columns:

WHERE ARE WE	CURRENT STATE	STRATEGY	GOALS
With Customer . . .		How?	Wish list
Principal . . .		What?	Priorities
Sales Staff . . .		Who?	Past attempts and Success rate.
Cash Flow . . .		When?	
Your Choice.			

It is not hard to perceive where the gaps are. If you cannot identify where your given key customer stands (column 2), you really have to start with the Goal column and work back. If a Sales Person is not performing . . . Cash in short supply? Filling in the gaps requires that you do your homework.

Mr. Pease quoted a rep he knows who makes it a practice to respond, whenever principals decided to tell him that they were lowering commission rates, “That’s fine. What services can we eliminate that we regularly provide?” *(more in the next segment)*

The completion of the Gap Analysis above gives you a working menu of what it is you have to do to reach your various goals.

As one would expect, attention was paid to foreign competition. What effect does foreign competition have on your principals? How does that effect impact your relationship? Referring to earlier comments, the questions were asked: “Are your principals leading, holding or falling behind on this issue?” And “Are *you* leading, holding or falling behind on this issue?”

Another question asked was “How do competitive technological advances affect principals?” It was determined that frequently such advances lowered costs for the competition, forcing higher investment in R&D by our principals and much shortened product life cycles.

☀ Probably the hottest issue covered during the seminar was not given nearly enough attention, in our opinion. Fortunately, the questions are pretty well self-answering but it would have been nice to review some of the “tricks” that we could have played that improve our efficiency during analysis.

Editor’s Note: Take a quick look at Pages 5 and 6. (Please ignore this writer’s handwritten notes.) The R/M refers to Rep and Manufacturer.

Our objective is, how do we establish the value of what we do as a firm? Here it was suggested that we check each item on the Chart on page 5. Ask yourself, how would this task be defined in the business world we inhabit? If it isn't sales, then you are adding value to what you do as a rep. You then ask, what are we really being paid to do and what would it cost your *principal* to perform these functions? Further, what would it cost your principal if this function *were not performed*?

In the first section, for instance, you might expect the manufacturer to do 100% of the publication advertising but greatly reduced percentages of Trade Shows and/or Maintaining Target Market Lists. It will vary with each principal, of course.

For instance, Paul stressed the value of a "lost order" report. He pointed out that principals may not have any other way to get valuable information regarding why they lost an order. Such reports should be put in writing so that they can be passed around.

As you review these up-coming pages, it will not be hard to see where this can be a very powerful tool when talking with an understanding principal. Of course, some principals will never recognize the value of such an analysis. Some may never be willing to *acknowledge* the tool's findings, let alone see their impact. These are the people who are frequently avoided. The previous quote of one rep's answer to commission rate decreases suddenly takes on new meaning. What services, indeed, are unimportant?

It was pointed out that roughly 3 times as many principals are advertising for reps in Agency Sales, MANA's excellent magazine. Further, 3 times as many principals are joining MANA. What's more, several of the MANA reps present indicated that they had negotiated retainers, sometimes called fee-for-service. Are MANA reps that much better trained? Or, could it be that their industries are more mature, more willing to consider fee-for-service because they are recognizing that they must broaden their markets? It could also be that many may have had "direct" people for a long time and are beginning to see the added costs of maintenance of such people.

... what would it cost your principal if this function were not performed?

What services, indeed, are unimportant?

☀ This leads us to a final subject, one which could have been given more attention. That is, how do we evaluate a principal? When you turn to the *PRINCIPAL PERFORMANCE SCORING* page (Pg. 7) and read each question carefully you will see a good way to take the measure of each of your principals. We will be willing to bet that the best scores are produced by the principals you feel the most comfortable with. You'll note that we didn't say that your best score would be attached to that principal who *pays* you the most! We hear where reps are firing principals regularly in this market just because they would score badly on key parts of this evaluation.

☀ MANA deserves a lot of credit for putting this program together. This was the second of 21 seminars being conducted over a three month period. If you have never worked this way, you can't fully appreciate what a tough schedule is like.



Lou Madamba, Ed Blake & Michael Onkin break

We were not impressed by the local attendance. Southern California had over 40 just a few days earlier, 10 from ERA. We didn't see the day of the week

(Monday) or the location near the Oakland Airport as great marketing choices for ERA reps. On the other hand, the MANA reps attending worked out of locations as far north as Petaluma and nearby San Rafael and Sausalito to San Jose and Los Gatos; as far east as Sacramento and Roseville. Seven were in the close-in East Bay and but one registered from Scottsdale, AZ. (Now that is devotion!) The hotel was smallish, quiet and provided relatively ample free parking. The coffee was good

☀ So, there you have it. Did we miss anything? Probably. Would we say we got our money's worth? Yes! Would we recommend it to other reps? Certainly. This is true, especially if you are concerned about your growth or lack of it. Was this seminar suitable for ERA reps? Not yes, but h--- yes. As we listened to the questions and heard the comments of the MANA reps (not only here but at the Small Rep Conference last year) their needs are just like ours. Our conclusion? The words are often different since their products and customers are different. But we still believe that a rep is a rep, regardless of what kind of products he sells.

As Ray Hall aptly put in at Keystone last year, as outsourced commissioned sales people, we are in the world's *second* oldest profession. We can only thrive and prosper by continued practice.



Rep
Mfg

What is the *Value* of the Tasks You Perform?

Marketing/ Lead generation

- **R/M:** Publication advertising
- **R/M:** Direct mail/ newsletter
- **R/M:** Web site
- **R/M:** Trade shows
- **R/M:** Seminars
- **R/M:** Maintaining Target Market List

Lead follow up

- **R/M:** Send literature
- **R/M:** Phone call qualification
- **R/M:** Sales call qualification

Sales calls

- **R/M:** Set up call
- **R/M:** Make call
- **R/M:** Follow-up call
- **R/M:** Call report
- **R/M:** Technical qualification/application
- **R/M:** Quote
- **R/M:** Get order
- **R/M:** Lost order feedback from customer
- **R/M:** Lost order report

Order Entry

- **R/M:** Receive physical P.O.
- **R/M:** Check pricing, delivery, payment terms, product quantity
- **R/M:** Check credit, approve terms
- **R/M:** Enter order
- **R/M:** Acknowledge order and delivery date

Customer Service

- ❑ **R/M:** Contact customer regarding differences in quote and P.O.
- ❑ **R/M:** Contact customer regarding differences between P.O. and acknowledged order
- ❑ **R/M:** Contact customer when delivery date can't be met due to Work-in-Process delay
- ❑ **R/M:** Generate open order report (backlog report)

Shipping/Invoicing

- ❑ **R/M:** F.O.B.
- ❑ **R/M:** carrier choice
- ❑ **R/M:** Freight fees
- ❑ **R/M:** Invoice
- ❑ **R/M:** Shipments report

Collecting

- ❑ **R/M:** Receivables report
- ❑ **R/M:** Check payable to
- ❑ **R/M:** Late payment call
- ❑ **R/M:** Late payment follow-up
- ❑ **R/M:** Late payment enforcement

After sale support

- ❑ **R/M:** System start-up
- ❑ **R/M:** Spare parts stock/order
- ❑ **R/M:** Service training
- ❑ **R/M:** Service support
- ❑ **R/M:** Warranty support
- ❑ **R/M:** Non-warranty support

EVOLUTION OR EXTINCTION

PRINCIPAL PERFORMANCE SCORING

Principal: _____

Based on actual principal activities over the last 12 months:

Commission:

Increased: 5 pts

No Change: 2 pts

Decreased: **minus** 2 pts

Commission Score: _____

New product introductions:

Yes: score 2 pts/product,
maximum of 10 pts

New Product Intro Score: _____

Technological advances:

Production facilities: 5 pts

Sales commission reporting tracking: 5 pts

Current systems inhibiting sales tracking/customer service: **minus** 2 pts

Tech Advances Score: _____

Global Strategic Alliances:

Joint venture/acquire off-shore manufacturing resources: 5 pts

No need currently for this activity: 3 pts

Need for activity, did not pursue: **minus** 2 pts

Global Strategic Alliance Score: _____

Total Score _____

Score Evaluation:

25 points or more: Leading Evolution

20-25 points: Evolving

15-20 points: Stagnating

10-15 points: Endangered Species

Less than 10 points: Extinct