



The REP^ort^er®

Member's

Corner

The “dog days of summer?”

by **Steve Grossman, CPMR**
GM Partners
 Founding IHRA President



Steve Grossman, CPMR

If I remember clearly, last year I wrote about the “dog days of summer” and the flexibility it gives us reps. I got feedback that it could be construed that we did not have much to do. Let me set the record straight: we always have lots to do to keep our factories and retailers happy.

I find the “dog days” the time to catch up on things that during the nonstop, busy times just seem to be pile up. Things like:

- Prospecting for that account that takes an enormous amount of time to reach the right person and to set up an initial appointment;
- Update one’s files;
- Have a few lunches with fellow reps and manufacturers to stay current with what is going on outside your own circle of interest;
- Straighten and clear out the sample room and office of a year’s worth of accumulated “stuff”; and,
- Sit down with your partner(s) to review where you are and to plan for the future and where you want to be.

One of the reps I have regular lunches with - he reps industrial power controls - that I share the joys and frustrations of the business was told months ago that his biggest line of 17 years was

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From The P.R. Pro

Words I live by

by **Laurence Kaufman**
 IHRA Public Relations Consultant
 President, *Kaufman, Ryan Stral, Inc.*



- There’s never a traffic jam on the extra mile.
- When two people always agree, one of them is superfluous.
- Price is what you pay; value is what you get.
- One thought driven home is worth three left on base.
- We see things not as they are, but as we are.

On the home page of my Web site (www.bworld.com), the five proverbs above appear in rotation, culled from a longer roster I call the “words I live by” (WILB). I’ve found the wisdom contained in them applicable both in the product I produce (marketing communications), in the way I work with clients, and hopefully, in the way I live my life. As I pondered what to say in this REP^ort^er column that I haven’t said dozens of times before in my writings to and for reps, it occurred to me that these maxims are not advertising specific or public relations specific, but can equally be applied to the rep business and to what Forbes magazine calls the “Business of Life.”

None of the five is original with me - I have encountered them at different stages in my career, and there is equally cogent advice in other sayings and quotations that I might have chosen instead. In fact, as is often the case with proverbs, some of my favorites have “flip side” messages, which are also paradoxically on my WILB roster. For example, “There’s never a traffic jam on the extra mile” is balanced by, “No good deed ever goes unpunished.” Every rep who has ever built up a line only to lose it will recognize the truth in the latter statement - and yet will probably keep on going the extra mile for principals and customers.

In many ways, my favorite on the above list is the second proverb: “When two people always agree, one of them is superfluous.” Having spent my career in a field that has the reputation of fostering yes-men (or, to be politically correct, yes-people), I remember with particular delight a conversation with a relatively new client who

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Grossman (from page 1)

“consolidating” their rep force and he was going to loose the line. The supplier was in no hurry to make the change but it would happen. (I must add that over the years he had expressed much frustration in dealing with the bureaucracy of this manufacturer but the commission checks were great.) I shared with him that in my CPMR classes the thought is that any line can be switched over time and if you are still with a difficult line five years later, you have made this choice.

The short version is that he networked with his fellow reps and found a new line and within a year resigned the old and started with the new with almost no loss of income/sales and with greater potential. This is a situation where things worked out great even though he did not initiate the change.

To me being a rep is always evaluating what we have and at the same time actively looking at the future.

On a personal note, I was having software problems

with my 5 year old computer and after consulting with some experts, I decided to buy a new one and it came with Vista. After the initial frustration of not being able to locate things, I do like the overall improvements. One thing that I found is in PowerPoint, I had to download a readable 2007 format from Microsoft.

Lastly, I have worked out the details with the Thailand Trade Council for our trade mission the end of July. Part of my responsibilities during the trip will include a presentation to Thai manufacturers of best-practice ways of working with field sales professionals (that’s us!) in the U.S.A. I will let you know my experiences and reactions in my September column.

Please, if you have experience or knowledge of working with manufacturers in Thailand, email or call me by July 15.

Steve Grossman, steman4@aol.com; 847/368-1970

The P.R. Pro (from page 1)

had a reputation for being formidably difficult, and a background in engineering before he took over marketing responsibilities.

We had been working together for several months when he told me that I had him puzzled. “I know that you’re not a yes-man,” he said, “because you frequently tell me that my ideas are full of hooley. But sometimes, you say, ‘Let’s do it,’ and I haven’t yet figured out the formula for when you say yes, and when you say no.” Perhaps not very diplomatically, I answered that there was no formula (much as the engineering mind might have wanted one), and that I evaluated each idea on its merits. The answer was apparently good enough - along with the evaluations - that I kept the account for more than 30 years, until the client sold the company and retired.

Our friend Jack Berman would probably analyze that dialogue as an interplay between a right-brain and left-brain personality - an idea I accept, even though I can never remember which is which. And maybe right brain vs. left brain is another take on seeing things not as they are, but as we are. One of the messages I have hammered away at in these pages is the value to a rep of defining a core position to differentiate the rep firm from its competitors - maybe not to define who you are, but to define how you want to be seen. I’m often frustrated as I scroll through The REPorter at the rarity with which I’ve driven this thought home, and the frequency with which it’s been left on base.

What are the words you live by? And how have they played out in your work and in your life? What was the price of learning that lesson, and what was the value received?

Share your thoughts (with or without attribution - as you prefer) about the “business of life” with me, and I’ll share them with your colleagues in a future column.

E-mail your thoughts and stories to me at lkaufman@bworld.com. I look forward to hearing from you ... and learning from you.

Laurence Kaufman is president of Kaufman Ryan Stral Inc., a marketing communications firm with expertise in industrial distribution, electronics and not-for-profit associations, and also of BigWorld Communications, which designs and maintains Web sites for trade show, rep firm, association and corporate clients. He also participates in Expert Access, IHRA’s telephone consultation program. He can be contacted at 312-649-9410, or fax him at 312-649-9418, or e-mail him at lak@bworld.com.

An open letter to all IHRA members . . . and all interested in the part reps play in the sale of products to and through home and housewares channels:

**Multiple-Line, Field Sales Professionals (Independent Representatives)
Account for 45% of U.S. Home & Housewares Products Sales**

Ever wonder what we do with the results of surveys we ask you to complete? They don't go unused. Recently we asked you to let us know your sales volume - at dealer/distributor net cost - to your customer base. A remarkable 25% responded to this request. Previously, a 10 - 12% return would have been considered "terrific." Here are the numbers and our extrapolations:

Respondents report \$607 million in sales, annually, at net cost. Using these figures as 25% of the total, IHRA member firms account for sales of \$2.4 billion dollars. Based on registrations for the 2007 International Home & Housewares Show, IHRA member firms are about 10% of the home & housewares rep world. That should mean that all home and housewares rep firms produce \$24 billion in sales, at net cost, annually.

The **IHA 2006 State-of-the-Industry Report** indicates the home and housewares market to be \$76 billion at retail (2005 totals). Assuming a 30% margin, net product cost would be \$53.2 billion - or - 45% of the total. (If retail margins are less than 30%, the multiple-line field sales professional portion of the business is more.)

So, what do these numbers prove? Just further reinforcement of the importance your function is in this most important and continuing-to-grow industry.

As always, your comments are invited. bweiner@ihra.org

**YES! IHRA will have a members-only block of rooms
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Outsourcing Field Sales

A better-than-ever response to the competitive pressures facing today's top executives

This is the third in a series of articles explaining the advantages of using multiple-line, field sales professionals to maximize a company's sales and bottom-line results. Written by Laurence Kaufman

Last month we answered the question: **"What a manufacturers' representative is not"**
 This month: **"Advocacy – the customer's most important resource"**
- and - other related advantages

The objectivity and perspective that the multiple-line sales professional brings to the table is never more important than when the customer's need diverges from the manufacturer's standard operating procedures. Whether it's a product modification or an expedited delivery, the representative can, and will, fight harder for the customer. The rep has more at stake, with all the other products being sold into that company, as well as more freedom than the direct salesperson to carry his clout on the customer's behalf all the way to the top.

This commitment of the representative to the customer's interest is inherent in the territorial basis on which reps operate. Nothing is more shortsighted than the efforts that keep surfacing from time to time by "power buyers" to force out the rep and deal direct with the manufacturer. The vendor who succumbs to the pressure must now perform the field sales function in house, and thus must bear the increased costs. If quality, service and functionality are degraded for short-term number improvement, customers will go elsewhere; so the vendor protects today's sale at the price of tomorrow's profit. It makes no sense to force suppliers to use second-best sales methods, limit choices by squeezing out small and start-up companies, and stifle open competition and free markets in the process.

The representative's role in advocacy goes hand in hand with that in consulting. Because they're in the territory for the long term, representatives look beyond the sale to the total relationship. Territory knowledge combined with multiple-line exposure and entrepreneurial personality adds up to a wide-ranging perspective on who's doing what, how it's working, and where it leads. The market intelligence gleaned from reps goes far beyond sophisticated forecasting. Good representatives provide immediate feedback that is invaluable to the manufacturers they represent and to the customers they call on.

The economics of outsourcing field sales

Ask any rep, and you'll learn that one of the hazards of the business lies in being perceived as too successful. Recent estimates in the high tech industries put typical yearly costs for a direct salesperson's salary, incentives, office, travel, and other support services in the range of \$260,000. (In commodity businesses, they may run a little less.) The sales in a given territory grow to the \$4,000,000 point, and the sales manager pulls out the calculator. With what the outsourced sales firm is being paid (and commission rates vary widely by industry and circumstances), it seems possible to hire and support someone dedicated to the company full-time.

Good arithmetic. Faulty reasoning. The calculation ignores the costs borne by the representative, as well as the administrative and facilities costs that will have to be added at the manufacturer's end, both in the territory and the home office. Also often overlooked is the likelihood that the outsourced team, with its multiple sales personnel and regional systems, will grow the territory faster than can a single direct individual.

What are the costs? The rep not only finances the sale (usually not receiving commission until after the goods have been shipped), but the commission dollar also covers the cost of recruiting, training, employee benefits, travel, client entertainment, automation, order entry, and more. (These typically add half again to the direct salary costs.) The representative takes on a much broader role than sales alone, whether it's editing, administering and expediting orders, staffing a trade show booth, or handling a customer return. Eliminating the manufacturer's exposures on a variety of legal fronts is another benefit to outsourcing – workmen's compensation, sexual harassment and ADA lawsuits, state and local regulations, to name a few of the most obvious.

But anecdotal evidence from countless representatives who have experienced a factory decision to go direct suggests that the real cost lies in the business that goes away. One manufacturers' representative tells of being asked to take back a line that he had lost after building it to the \$5,000,000 range. After fourteen months of "factory-direct," there was \$400,000 of business in the territory! In this instance, the manufacturer determined it was more important to save customers than to save face. Not only were all the fired representatives invited back, but field sales in the territories that had previously been direct were outsourced.

NEXT MONTH: *Myths and misconceptions*

18 Benefits of Outsourcing Field Sales

1. Predictable sales costs that go up and down with sales
2. Standardized sales costs
3. Lower sales costs
4. Immediate market access
5. Broader market penetration
6. More experienced sales force
7. Multi-faceted, multi-skilled sales team
8. Wider, deeper coverage
9. Stronger local relationships
10. Reduced sales force turnover
11. Training required only on product
12. Closer-to-the-customer forecasting
13. Better market intelligence
14. Increased sales
15. Knowledgeable advice and information – hear it like it is!
16. Risk-free exploration of new market niches
17. Problem-solving approach outperforms product selling
18. Vested partner in manufacturer's success

Understanding the difference between reps and distributors

Manufacturers' Representatives	Distributors
• Sell only in a defined territory	• May sell anywhere
• Do not handle competing lines	• Handle competing lines
• Sell as an agent; do not take possession	• Buy for resale; assume ownership
• Compensated by commission on sales	• Compensated by margin of sale price over cost price
• Typically handle 12 to 14 lines	• Often handle several hundred lines
• Typically entrepreneurial, owner-operated	• Large firms often publicly-owned
• May warehouse (for a fee), but do not maintain inventory	• Maintain inventory
• Focus on customer needs	• Focus on selling what's on the shelf

Win! - Win! - Win! the Customer Benefits Too

1. Stable relationship with someone who knows the total corporate culture
2. Long-term commitment to the territory
3. Serves the customer as a multi-faceted resource
4. More efficient sales calls – cover several products in a single meeting
5. Consultative selling
6. Bridges the communications gap among departments
7. Advocacy, ability to secure exceptions to supplier policy
8. Help in order strategy, through distribution or direct
9. Perspective on market conditions and trends
10. Solutions approach – looking at the forest, not just the trees

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Fax: (01139-045) 485-1188
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These 24 NEW IHRA MEMBERS are not included in the current 2007 IHRA Locator. They will be in the updated issue to be published in July. WELCOME!

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Davco Silver, Ltd
Emerson Radio Corp.
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Product Marketing Group USA
Royal Household Products
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Location

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Hoffman Associates
Klatt - Jorwic & Associates, Inc.
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Manufacturers Seeking IHRA Field Sales Professionals

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Contact: Greg Broom, President greg@cookschoice.com

Territories: USA and Canada; by account specific

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Contact: Kevin G. Parent, Global Manager
kevin.parent@centoco.com

Territories: Retail in U.S.A., Canada, Mexico

Commission Rate: 3 - 7% **Nat'l Sales:** \$60MM

Years in Business: 25

Currently Selling Through: Reps (wholesale accounts)

Seeking Sales Through: Retail

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2007 CALENDAR OF EVENTS

July

8 - 10
 NASFT SUMMER FANCY FOOD SHOW
 New York, NY

10 - 18
 ATLANTA INT'L GIFT & HOME FURNISHINGS MARKET
 Atlanta, GA

20 - 23
 CALIFORNIA GIFT SHOW®
 Los Angeles, CA

22 - 25
 PHILADELPHIA GIFT SHOW
 Philadelphia, PA

August

4 - 7
 SAN FRANCISCO INTERNATIONAL GIFT FAIR®
 San Francisco, CA

5 - 8
 WASHINGTON GIFT SHOW®
 Washington, DC

11 - 16
 NEW YORK INTERNATIONAL GIFT FAIR®
 New York, NY

18 - 21
 THE SEATTLE GIFT SHOW®
 Seattle, WA

19 - 22
 ALBERTA GIFT SHOW
 Edmonton, Alberta

26 - 29
 MONTREAL GIFT SHOW
 Montreal, Quebec

September

9 - 11
 ATLANTA GOURMET MARKET
 Atlanta, GA

15 - 18
 BOSTON GIFT SHOW®
 Boston, MA

November

1 - 3
 NEW YORK GIFT CASH & CARRY® SHOW.
 New York, NY

11 - 13
 PRIVATE LABEL TRADE SHOW
 Chicago, IL



For a complete list of ECRM-EPPS Conferences, see their website at: <http://www.ecrm-epps.com>

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Kentucky	New York	

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If you're not a member of IHRA, you owe it to yourself to join the organization that is your voice in the industry and the manufacturers' resource for finding **Well-Qualified, Performance-Proven, Field Sales Professionals.**

For complete information about "first-timer" membership and an application, contact:

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