

Paving the Most Cost-Efficient Path to Market

“Independent manufacturers representatives provide us with the most efficient and cost-effective means to penetrate a market.”

In relatively few words that’s how Bob Smith, vice president of sales and marketing, Pass & Seymour/Legrand, spells out his company’s philosophy for taking products to market. The Syracuse, New York-based Pass & Seymour is a manufacturer of wiring devices for the electrical industry.



A measure of Smith’s belief in what he says is found in his willingness to not only communicate his story to Keystone Conference attendees last year, but also in his constant participation in and support of the National Electrical Manufacturers’ Representatives Association (NEMRA). Smith has served the electrical reps’ association in a number of capacities including his tenure as chairman of the NEMRA Manufacturers’ Group (NMG).

Smith explains that Pass & Seymour is absolutely committed to the use of reps. “The only times we’ve been forced to go direct has been when we’ve approached a new market with little market share and have been unable to find the NEMRA rep that best suits our needs. Our experience, however, has been that it is simply not cost effective to go direct. It not only costs us more, but we don’t achieve the impact and rapid growth that we are looking for.” He adds that while cost is an obvious consideration in using reps, achieving impact and growth in a market are the driving force behind his company’s on-going decision to go to market with reps.

Building the Relationship

Smith explains that the Pass & Seymour line of products takes a lot of work. “As a result, our goal remains to find the best rep for us and then to do everything in our power to foster and nurture our relationship with that rep.”

When it comes to finding that “best rep in the market,” Smith says that there are several steps in the process. “To begin with, the market itself will tell you who the best reps are. From my experience, our distributors and contractors are very astute in discerning what type of agency would best fit with our product line. Naturally, we look for their recommendations in this area.”

But when it comes to recommendations, Smith notes that there’s something any manufacturer had better be aware of. “Typically when we talk to our distributors and contractors, they’ll give you their top two or three recommendations. Something that does pop up here is the fact that often someone is mentioned simply because they go back for years with the customer and the customer simply wants them to get the line. But if you keep at it, the cream will rise to the top. If you ask enough people, eventually a common thread develops and that points you to the reps you should be interested in.”

Once potential reps are identified, the interview process is conducted and ultimately the rep is chosen.

The Changing Face of the Rep

If this background information leads us to the point of what Smith and Pass & Seymour thinks about working with reps, the majority of Smith's presentation at the Keystone Conference concentrated on how the rep of today should be changing and reinventing himself to better meet the needs of the marketplace.

According to Smith, "Because our product line (as well as the lines of our competitors) has changed in scope/breadth, complexity and widened its call points, our reps today:

- "Must be able to create demand and develop new markets while selling and serving more sophisticated end users and distributors. This is done at the same time they combat fierce competition from all sides."
- "Today agency representation needs to be sharper, leaner, technologically savvy, financially sound, marketers, outstanding in sales and flat out sound business people."

When reminded that while reps might agree with his points, there's a growing voice among reps that they need to be compensated for taking those steps that will allow them to become "sharper, learner, technologically savvy...etc."

To that point, the manufacturing executive draws from a simile that's common in the electrical industry. "In our industry, we think of the manufacturer, the rep and the distributor as representing three legs of a three-legged stool. For the stool to work as it should, all three legs must be strong. If any one leg fails, the stool will topple.

"I mention this because we certainly hear what reps are saying. At the same time, however, all legs of the stool are being squeezed, just as reps are. We're experiencing vendor and distributor consolidation. Concurrently, manufacturers are being bought out and consolidated. Everyone is looking to cut costs. The needs for instant communication, improved technology and the constant drive to remain competitive are present for all of us.

"Having explained all of that, I don't disagree with those reps who feel the pressure and want to be compensated for the steps they've already taken or must take in the future. We at Pass & Seymour hear loud and clear what they're saying. In response, when we look at our compensation programs, I can say that in some cases we've doubled and even tripled commissions on new products or on the sales levels that they achieve. What that illustrates is that I agree with them and concur with their frustrations.

"But what this means is that all the legs of the stool are called upon to invest more in terms of time, money and personnel."

Providing More for Principals and Customers

If reacting to being squeezed represents a change in how a rep has to operate his business, there's another area—let's call it an expansion of abilities—that the rep has to be aware of. Smith readily admits that his company's product line—just as the lines of other manufacturers—has grown, changed and expanded. To market those evolving products in the marketplace the rep must make changes in his approach. He offered tips on what he—as well as other manufacturers—should look for in their reps:

- Trustworthiness, honesty, integrity and loyalty
- Possess a knowledgeable and service-driven staff
- Provide pre- and post-sale service
- Be organized and respectful of time—both theirs, their customers' and their principals'
- Have a passionate commitment to the marketplace and the growth of the business
- Represent attractive and synergistic product lines.

And then, there's the subject of communications. No one, least of all Bob Smith, questions the need for independent manufacturers representatives to be in touch with their principals. However, "I'll be among the first to admit that sometimes the amount of paperwork that we require is silly," he says. "As a result, I maintain that it's important that manufacturers streamline what it is they're asking for in terms of communication from their reps. One thing we look for, and it's certainly something that we want communicated to us, is the existence of the rep's business plan. And, having shared that plan with us, we expect that the rep will follow the plan.

"But let's take the subject of communication beyond the level of paperwork, and perhaps this is another manifestation of change in reps. I think it's critical that there be a relationship between the manufacturer and the rep that is open and honest. The only way both sides feel that communication is beneficial is when there is an exchange from both sides and then something is accomplished through mutually agreed upon action."

There was one additional area where Smith emphasized qualities that he especially values in reps and if a rep doesn't possess these qualities he would do well to make a change.

- Diversity of products and depth of knowledge—"Diversity is important because those reps with diverse lines find that those lines take them everywhere. As a result, they expose your products to a variety of businesses, thereby opening doors for you. One thing I really don't like, however, is when a rep has 18-20 lines and shows no special knowledge with any of them. What he becomes is the typical 'jack of all trades, master of none.' He'll have his top two or three lines that he may be knowledgeable with, but the rest just sit on his line card."