

The Thinking Salesman Letter

January 15th 2011

Hello Everybody,

We thought some of you might benefit from our forty years plus experience in setting up distribution networks across North America and Latin America.

The purpose of this bi-monthly newsletter is to present the pros & cons of distribution systems from the Mfrs, Distributors and Reps' point of views.

If you have questions, comments or wish to have names added or removed, please email us at info@albro.com

Regards,
Al Brosseau, CPMR (Indiana, 2003)
MANA board of directors (2002 to 2007)

Distribution 101

School of hard knocks: Years ago, we were a sales mgr working for a European "roof window" Mfr. The roof window (opening skylights) was common in Europe but virtually unknown in the USA and Canada.

To make a long story short, we called on a Distributor. We talked with the "window guy". He was quite impressed with the concept and the construction of the unit. We thought we had a new Distributor and we asked him when he wanted the floor display delivered. His answer, "We don't need one; we don't have any demand for this type of window"

We're walking out of the store mumbling to ourselves* until it dawned upon us... **Distributors answer to demands, they do not create it; it's up to the Mfrs to generate demand.**

Understanding the specific roles and responsibilities of each level of distribution is paramount.

** At the "Thinking Salesman" we're sore losers. In our days, being a "good loser" was not part of the school's curriculum.*

Mfrs' agents:

The Jan. 3, 2011 issue promised "More on the "stocking rep". They are reps with warehousing capabilities; they inventory their Principal's products. There are two types:

1) Rep handles & Mfr invoices: The goods are shipped to the rep "on consignment" (the goods belong to the mfr throughout the whole process). The Rep inventories and handles but the mfr invoices. The Rep is paid an additional commission for handling. This is truly a "Stocking Rep".

Mfrs consult with a lawyer to make sure **your merchandises** are covered against seizures, liens, theft, fire etc.

2) Rep buys & invoices: The Rep buys from the Mfr, inventories, handles and invoices. Ideal for small quantities and to help Customers in emergencies.

The Rep, here, **takes title** to the merchandise therefore, legally he's acting as a Distributor, NOT as a Rep.

We have seen cases where the "stocking Rep" acted either way based on quantities involved.

Distribution is very fluid and should be adapted to the particular conditions of each market and territory. We have met Mfrs who insisted on a single, across the board policy; ALL managed to "pissapoint" their Reps and Customers and derailed their distribution efforts.

Thoughts on relationship Between Mfrs & Reps (V)

The rep agreement:

In our 1/3/11 issue we briefly reviewed what differentiates the LOP/LOP and the standard agreements.

Usually common to both types of agreements:

- Product line(s),
- Arm's length relationship between Mfr & Rep.
- Basic duties of each party,
- Commissions: (a) Rates, (b) When paid.
- Confidentiality clause.
- Applicable laws (where to sue the other).

Product lines: That's the products (lines) the Rep will represent from that Principal (Mfr). **It should be**

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non-competitive and complimentary i.e. the new line does not create a conflict of interest for the Rep however, it complements the Rep's offering.

Contrary to the Mfr's captive sales force (employee) the Rep offers the customer an array of solutions (complimentary lines). **The professional Rep becomes the Customer's purchasing Dept.**, project coordinator. We have seen Mfrs insisting Customers place their orders directly with them instead of via the Rep and in each case the Rep turned down representing such Mfrs.

Once more with feeling!!!: **distribution is very fluid and should be adapted to the particular conditions of each market and territory.**

Making multi line sales calls is very difficult. Sales Mgr, when making dual calls with your Reps note how adept your reps are at this art form.

"Two Cents Worth"

The Rep as we have known since the beginning of the 1900's is an **endangered species**.

To start with there's this strange insistence on being paid only on commission. Then there's a failure to recognize & adapt to changes; changes such as easy access to low cost producers abroad, an insistence on the lowest price possible from customers and a vanishing concept of loyalty from the younger generation.

Those who will survive are those who, on top of securing and increasing orders for their Mfrs, are well organized, understand their markets and offer strategic marketing services such as spec writing,

targeted promotion, specialized distribution etc. to Mfrs. **and charge for these services.**

Thought:

The salesman's two tools:

The "answer" is the second most important tool a salesman can use.

Understanding the question ranks first.

Ray Payn Consultant's Little Instruction Book

Pi Sigma Epsilon (PSE)

This is a group that encourages young college students to go into sales by running a national sales competition each year. Over 200 students participate in this opportunity and students work with professional sales people who coach for 2 hours on the day of the competition to fine tune the students' sales presentation.

PSE holds competitions where they need coaches and judges. We encourage reps, and sales mgr. to volunteer to help these young people you receive CLE credits for participating in the PSE Pro-Am Sell-a-Thon. **Next opp. April 1st, Orlando, FL.**

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www.pse.org/pse-proam-home.asp

Next issue, February 1, 2011,

Relationship, mfrs & reps (VI):
Arm's length relationship between Mfr & Rep.

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