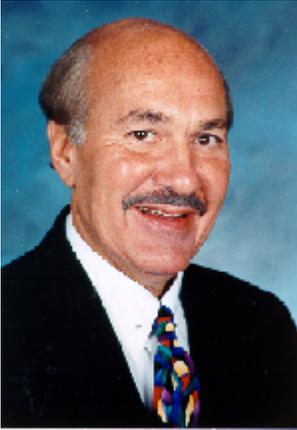


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A Perfectly Objective View of the Electronic Rep's Future in the Eyes of a Rep

Are electronic manufacturers' reps tomorrow's dinosaurs, or are they here to stay? Based on the mortality rate, one may wonder. Six years ago, ERA had over 1600 member firms and today membership is less than 500. What does that tell you? Don't jump to any conclusions before reading this article. Mergers and acquisitions are only part of the reason. Electronic component reps are fighting their version of the "war on commission rate terror".

Some fatalists believe that the attrition rate will continue and that the proud profession of today's electronic manufacturers' rep will vanish into oblivion. They may espouse that the rep's function will be handled by industrial distributors or by a factory direct sales force. **WRONG ON BOTH COUNTS!** Distributors and direct sales teams already peacefully coexist with reps, so why are there fewer reps (and distributors)? There are many reasons and I will explore each of them. They include:

1) Globalization: Outsourcing and off-shoring have dramatically reduced the North American TAM and DTAM – some estimates are as high as 50%.

2) Shrinking Commission Rates: Lower GPM's coupled with lower selling prices and shrinking commission rates have proved to be a fatal cocktail for numerous reps. Many of them have been forced to take on more lines than they desire, but clearly their motive is survival, not greed – repeat, **NOT GREED!**

3) Aging: From what I see and hear, most electronic rep firms are getting gray beards and long in the tooth. That means that fewer young men and women are entering the rep business with the possible exception of the owner's children. With the reality of a diminishing account base, shrinking commission rates and a decreasing talent pool of EE's, can you blame them? Would you aspire to be an electronic manufacturers' rep in 2006? I say "YES," and the balance of this article will tell you why.

Our Industry Will Always Have Reps

There are perfectly logical reasons why reps will never be replaced by distributors. One is simply because reps do not handle competing lines, while distributors do – that's huge! Distributors have a multitude of competing lines, while perfect reps have none. Check that! Distributors are immensely loyal to one line – their bottom line! Is that a bad thing? Not at all. That's why we are

in business. The bigger the bottom line, the better. You know the expression, bigger is better.

The direct sales force will always be around for sales managers and companies that are smitten with the notion that they need total control for maximum sales results. Au contraire! It is already a proven fact that the professional, out-sourced sales function yields the greatest results at the lowest cost -- repeat, the greatest results at the lowest cost. Does everyone understand that?

The Hybrid Sales Force

Some manufacturers tout the fact that they utilize a combination of reps and factory direct personnel. When you stop to think about it, a "hybrid sales force = house accounts" – it just sounds nicer. Many of these principals mistakenly feel that reps should not, or worse, can not handle multi-million dollar accounts. That is convoluted thinking! Often times, this is the same rep that developed the account/customer and

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provides the same level of professional coverage for his other principals. To many reps, a house account mentality illustrates a lack of understanding and commitment to the "fixed cost of sales" model. It also detracts from "favorite line" status and rep loyalty.

Are You on The Rep Survival List?

Here is the perfect \$64 billion question: Which reps will survive? The answer is easy – the best and the brightest! You may be asking yourself if your rep firm is on the B & B short list. If you question that fact, you probably aren't. Sorry, pal, the B & B survivor list is much shorter than the "long green mile" (death row). Are you asking yourself what are the virtues required to make the survivor list?

- 1) Be a great negotiator with principals, as well as customers.
- 2) Have an All Star team with a built-in succession plan.
- 3) Have a great sales support team with computer/systems skills.
- 4) Embrace change. (Sell on a corporate/nationwide basis if it makes financial sense for your principals and customers.)
- 5) Sell non-traditional lines to a non-traditional account base.
- 6) Learn how to sell more lines without compromise to your core principals. (Maximize the value of your inside staff for qualifying prospects.)
- 7) Institute "lean selling." (Do away with frivolous expenses.) Consider hybrid vehicles and bury the "gas guzzlers". Sorry, GM, Ford and Chrysler – get with the program. Toyota and Honda are not smarter than the Big 3. They simply listen better to the public's cry for economical cars.
- 8) Focus on "best practices," even if they are not your own – steal them. Don't be a plain vanilla rep. Do everything to stand out in the crowd. Then, above all, practice what you preach. Big talkers wear a very thin veil of reality.
- 9) Make every minute work. (Selling time has never been more precious.) Attention, Sales Managers: Please take note. Inordinate report writing may impede sales growth!
- 10) Training makes perfect. Reps cannot fully depend on principals for product knowledge or sales techniques. The best and the brightest have an in-

house training program. Athletes train to perfect their skills and no salesman is so perfect that he can afford not to practice sales aerobics.

Reps Must Be Great Negotiators

The best and the brightest reps are not passive respondents when it comes to commission rate issues. They negotiate, not accommodate. In the long run, lower commission rates hurt your rep firm, your principal and all other reps. Discount commission rate reps are a pox on the world of repdom. Only the largest can survive based on sheer sales volume. Reps in secondary markets will starve and perish. At first they may look fat (with more lines), but so do the malnourished children of third world countries. If you don't like this analogy, I'm sorry. I'm just trying to emphasize a point.

Crossing Territory Boundaries

Some reps are screaming, while others are smiling. Crossing territory boundaries is here to stay, brother rep, and it's not my idea. If it makes sense for the principal, customer and your rep firm, it's a classic win-win-win! Again, don't fight it and get with the program. SPC (single point of contact) is gaining momentum and the best and the brightest are taking full advantage of it. Crossing territory boundaries may not sound nice, but it's another survival tactic and a growth tool as well. Lack of change equals stagnation and things that are stagnant rot. Things that rot die. That applies to reps as well as fruits and vegetables. Don't vegetate!

Diversify

Diversification is a good thing if it's done the right way. Electronic reps can get into other related businesses, i.e. electrical, sound, security, etc. – but not flower pots or birth control. Pick a market such as medical, construction, or, I painfully submit, war-related commodities.

Plea to Principals

Please be more considerate when asking for reports. If you consider your reps to be the best and brightest, the sales are not going to increase in direct proportion to the number of reports

you require. In fact, the opposite may be true. In surveying my rep friends, they tell me their best lines require few, if any, reports. Wow – how's that for a common thread? Fewer reports equal greater selling time, increased sales, loyalty, and favorite line status – repeat, favorite line status.

Why Reps Are Leaving the Business

Below are the results of an informal survey on why reps are abandoning the ship (their business) and, in many cases, the industry:

- 1) Diminishing commission rates
- 2) Diminishing account base
- 3) Increasing number of frivolous reports
- 4) Increasing factory visits
- 5) Unreasonable demands on time
- 6) Frustration of having to work with incompetent RSM's (not this author's comment)
- 7) Hours required to get the job done
- 8) No longer fun
- 9) Lack of group unity
- 10) Total aggravation/grief factor

Summary

The rep business is not for the faint of heart or risk averse. Like the Marines advertise, it's for the select few – the best and brightest. How do I know that? Think about it. How many sales managers are leaving their perfectly safe harbor of corporate security to venture into the rough seas of repdom? See my point?