

Going to Market in the Incentive Field

The Advantages of Using an Independent Representative Force



Incentive Marketing Association

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Marketing Motivators

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Going to Market in the Incentive Field

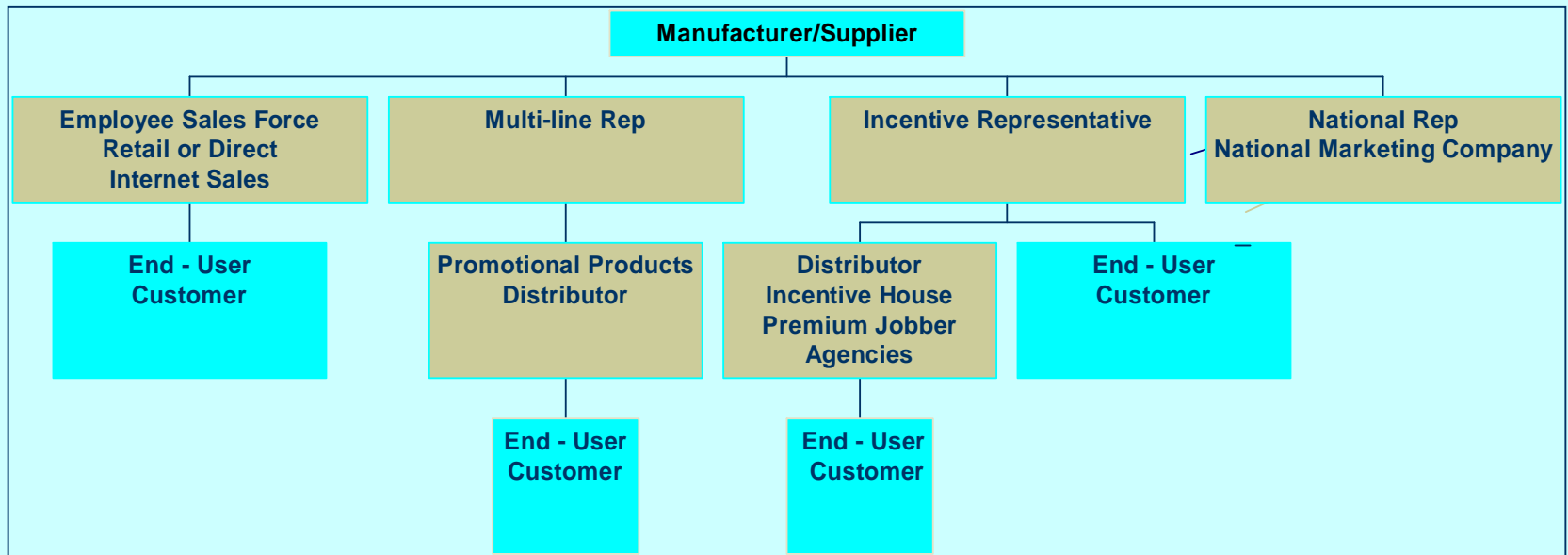


One of the biggest decisions a company must make when the deciding to enter the incentive field is what is the best way for them to effectively penetrate the market.

What type of sales force should they use?



Channels of Distribution in the Incentive Market





Retail Sales Force

- ◆ **Company employed sales people who call on the incentive industry in addition to their retail responsibility.**

Retail Sales Force

Advantages

- ◆ **Knows products**
- ◆ **Supplier controls sales force activity**

Disadvantages

- ◆ **Major focus on retail sales**
- ◆ **Limited understanding of incentive market**
- ◆ **Difficult to see an incentive customer with only one line**



Direct Sales Force

- ◆ **Company employed sales people who call only on incentive customers.**

Direct Sales Force

Advantages

- ◆ **Knows products**
- ◆ **Supplier controls sales force activity**

Disadvantages

- ◆ **Comparatively high overhead costs**
- ◆ **Usually covers large territory**
- ◆ **Difficult to see an incentive customer with only one line**



National Representative Group

Rep agency that manages a nation wide independent incentive representative force for the manufacturer/supplier, on an exclusive basis.

National Representative Group

Advantages

- ◆ Supplier has control of overhead and expenses
- ◆ National coverage dealing with one company

Disadvantages

- ◆ Supplier must set up credit for each customer
- ◆ Supplier must drop ship
- ◆ Supplier does not control rep activity

National Marketing Company

- ◆ **On an exclusive basis, handles all aspects of incentive sales for a manufacturer/supplier:**
- ◆ **advertising**
- ◆ **invoicing**
- ◆ **establishing customer credit**
- ◆ **managing rep force including commissions**
- ◆ **warehousing merchandise**

National Marketing Company

Advantages

- ◆ **Supplier has fixed expenses**
- ◆ **Access to industry knowledge and expertise**
- ◆ **National coverage dealing with one company**

Disadvantages

- ◆ **Supplier does not control rep activity**
- ◆ **Margins may be a challenge**

Multi-Line Promotional Products Representatives

- ◆ **An independent representative organization that usually works on a salary plus commission.**
- ◆ **Calls exclusively on promotional products distributors.**

Multi-Line Promotional Products Representatives

Advantages

- ◆ **Handles fewer lines.**
- ◆ **Understanding of distributor network.**

Disadvantages

- ◆ **Only works with distributors - does not call on end-users or other middlemen.**
- ◆ **Covers a large territory**
- ◆ **Supplier must maintain internal support staff.**

Incentive Representatives

- ◆ **An independent manufacturers representative organization that works on commission, usually in a specified territory.**
- ◆ **Handles multiple, non-competitive lines.**
- ◆ **Calls on all customer segments in the territory.**

Incentive Representatives

Advantages

- ◆ **Manufacturer has fixed costs.**
- ◆ **Reps know territory.**
- ◆ **Reps manage the relationship between middlemen customers and end-users.**

Disadvantages

- ◆ **Manufacturer does not control rep's time.**
- ◆ **Rep may have limited product knowledge.**
- ◆ **Manufacturer must maintain internal support staff.**

It makes sense to sell direct if:

- ◆ **Share of market size and sales volume justifies overhead for employee sales force to penetrate market;**
- ◆ **Your primary customers are large and geographically concentrated;**
- ◆ **Your primary customers expect to work directly with the manufacturer;**
- ◆ **The boss says so.**

It makes sense to sell through Representatives if:

- ◆ **Share of market size and sales volume does not justify overhead for employee sales force to penetrate the market;**
- ◆ **You want greater control of your representatives**
- ◆ **Your customers need local representation;**
- ◆ **You are selling through a multi-division sales force, but your dimension is not a good fit with its primary focus;**
- ◆ **You need a fast introduction to a new market.**

**Approximately 40% of manufacturers in
the incentive field . . .**

**Go to market through independent
manufacturers representatives.**

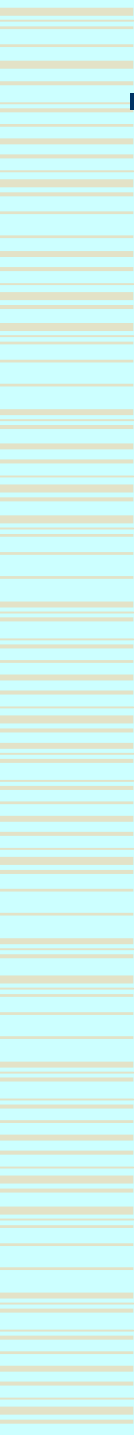
- **Incentive Manufacturers & Representatives Alliance**

Selecting the Right External Sale Force.



Choosing an Independent Multi-line or Incentive Representative

- ◆ **Network with manufacturers in your category**
- ◆ **Seek counsel from representatives**
- ◆ **Contact associations and trade publications for lists**
- ◆ **Utilize a consultant**



Working with an Independent Representative Sales Force





Independent Sales Force Policies



Independent Sales Force Policies

Contract – an agreement covering terms and conditions of the selling relationship

- ◆ **Standard retail contract does not meet incentive field needs.**



Contract should define territory.

- ◆ **Specify geographic location**
- ◆ **Clarify exclusive vs. non-exclusive territory**



Contract should cover any territory exclusions.

- ◆ **Finder's Fee – rep receives commissions on programs personally sold**

Contract should cover any territory exclusions.

- ◆ **Account Basis – rep submits list of protected accounts for a specified time – receives commissions on all sales to those accounts**
- ◆ **House Accounts – should be established up front with specific duration specified**

Contract should cover commission.

- ◆ **Sliding scale recommended for two-step user (10%) and distributor (5%) pricing**
- ◆ **Specify commission levels for volume orders**



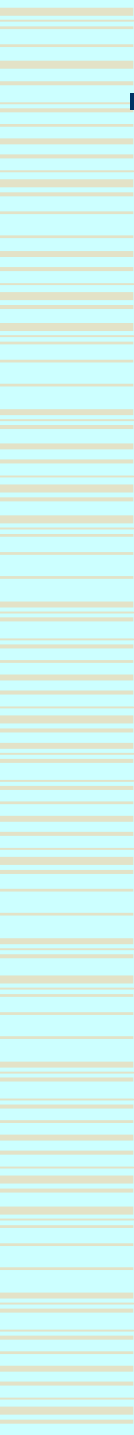
Contract should cover goals/quotas.

- ◆ **Supplier and rep should work together to develop “attainable” goals.**



Contract should cover termination policy.

- ◆ **Include commission protection on programs sold at the time of termination for length of program or up to one year.**



The Interview – What should the manufacturer/supplier look for in a representative?

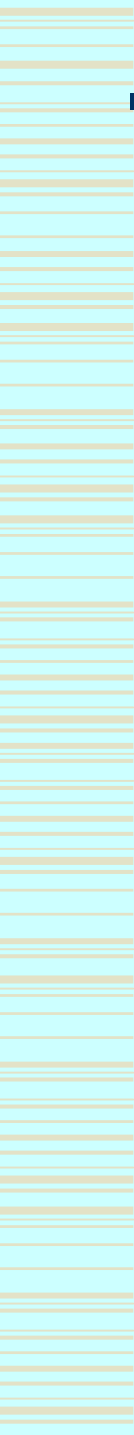
- ◆ Overview of the representative organization:
 1. Number of sales people
 2. In-house staff support
 3. In-house technical support
 4. Territory covered



The Interview – What should the manufacturer/supplier look for in a representative?

◆ Expertise:

1. Experience level
2. Knowledge of incentive field
3. Accomplishments, awards, certifications
4. Examples of past programs



The Interview – What should the manufacturer/supplier look for in a representative?

Industry involvement and commitment:

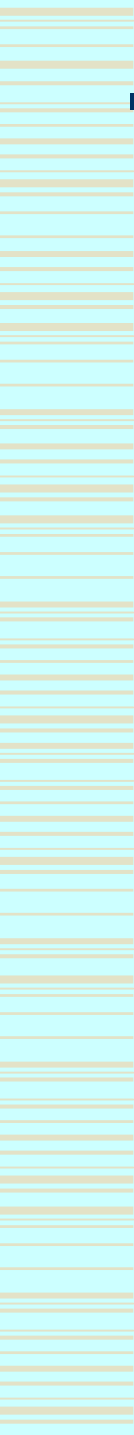
- ◆ **Association affiliation**
- ◆ **Trade show participation**



The Interview – What should the manufacturer/supplier look for in a representative?

Customer Base:

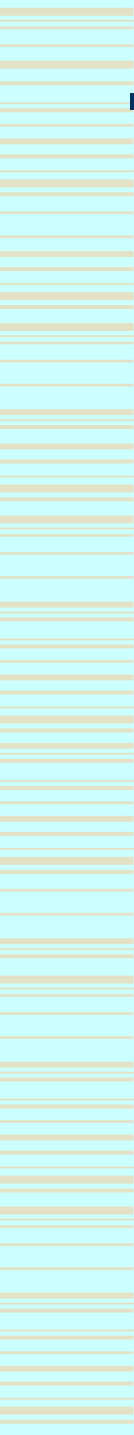
- ◆ **Major accounts**
- ◆ **Type of accounts**
- ◆ **Type of promotions**



The Interview – What should the manufacturer/supplier look for in a representative?

Line positioning:

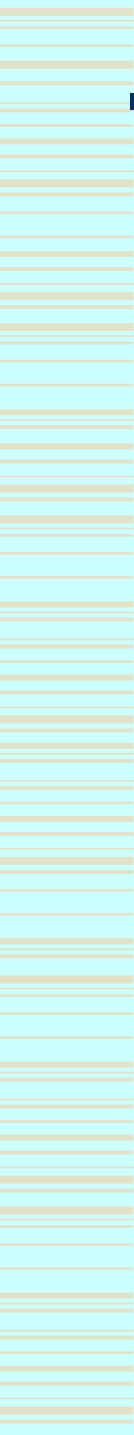
- 1. Line list**
- 2. Line rankings**
- 3. Positioning of your line**
- 4. Competitive lines**



The Interview – What should the manufacturer/supplier look for in a representative?

Support rep offers suppliers:

- ◆ **Sales meeting attendance**
- ◆ **Trade show booth duty**
- ◆ **Lead management**
- ◆ **Proposal follow-up**

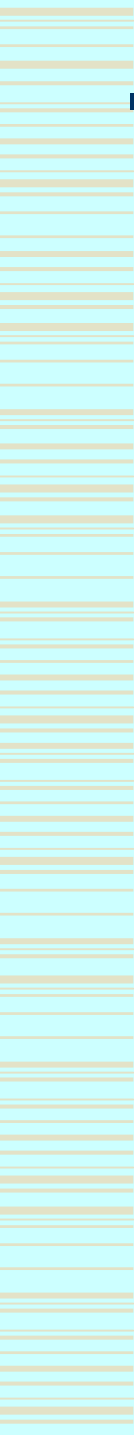


The Interview – What should the manufacturer/supplier look for in a representative?

- ◆ **Communication**
- ◆ **Working in territory with sales manager**
- ◆ **Territory marketing**
- ◆ **Technology**

The Interview – What should the manufacturer/supplier look for in a representative?

- ◆ **Does the rep agency function as distributor?**
- ◆ **Does the rep have a jobber company?**
- ◆ **Does the jobber company negatively impacts their relationship with other distributors in the territory?**



The Interview – What should the manufacturer/supplier look for in a representative?

◆ **References**

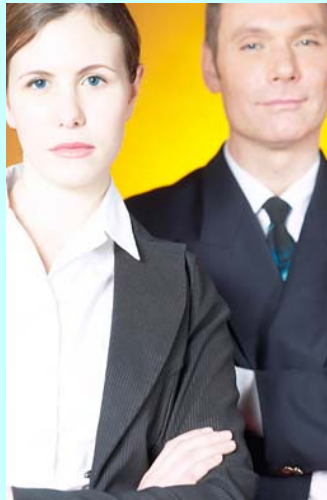
- 1. Customers**
- 2. Suppliers**

The Interview – What should the manufacturer/supplier look for in a representative?

- ◆ **Level of representative's interest in handling your line:**
 - 1. Did they talk to your other reps?**
 - 2. Did they review your web site?**
 - 3. Were they knowledgeable about the materials you provided?**
 - 4. Do they have insights about representing your products?**

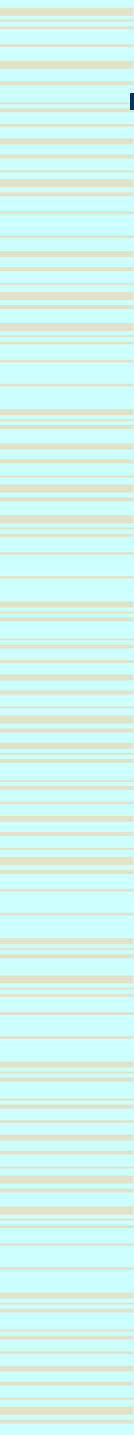
The Interview – What should the manufacturer/supplier look for in a representative?

- ◆ Were the rep's shoes shined?



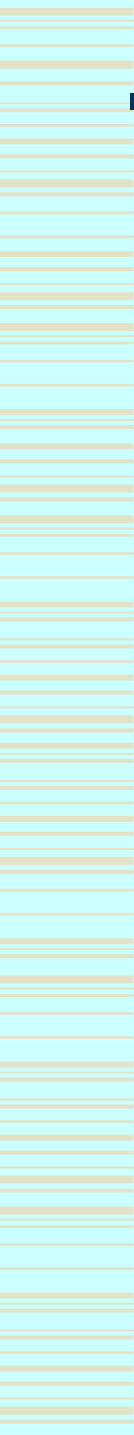
The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ **Financial position**
 - Annual report
 - D&B rating
- ◆ **Supplier's position in the industry**
- ◆ **Manufacturer/supplier's expectations**



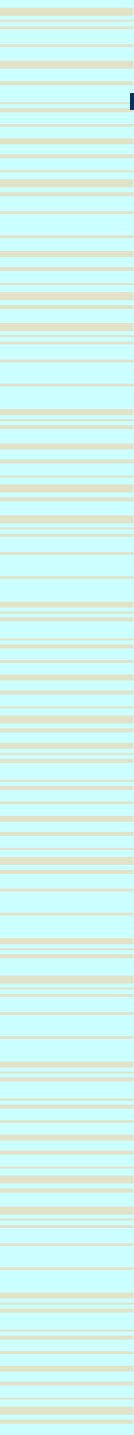
The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Collateral material
- ◆ Services available
- ◆ Customization
- ◆ Fulfillment
- ◆ Special packaging



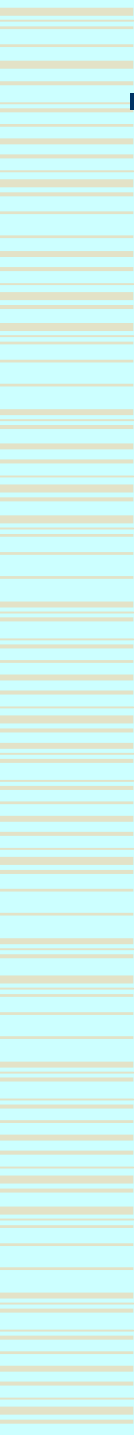
The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Internal support staff
- ◆ Guaranteed pricing
- ◆ Incentive price lists



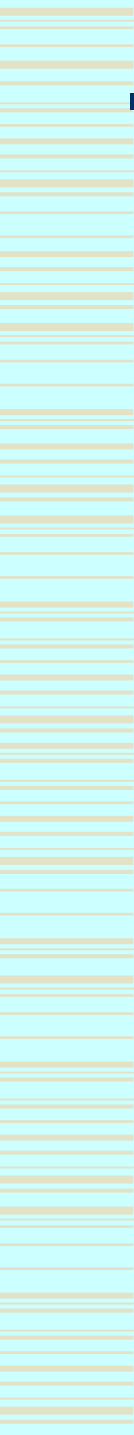
The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Contract
 - Territory defined
 - Termination policy
 - House accounts



The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Commission Structure
 - User and Distributor Pricing
 - Volume Pricing
 - Commission Schedule



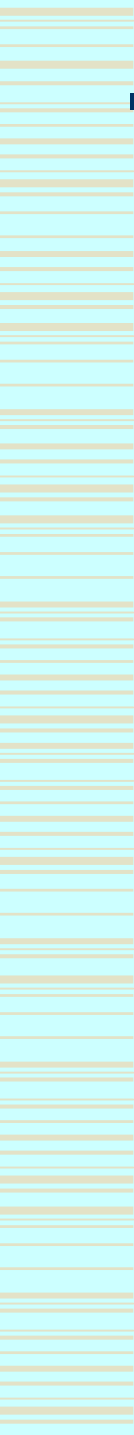
The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Trade Associations' affiliations
- ◆ Trade Show participation



The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Mailings to rep's customers
- ◆ Advertising
- ◆ Current accounts
- ◆ Technology



The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Territory visits
- ◆ Sales meetings

The Interview – What does the representative look for in a manufacturer/supplier?

- ◆ Were the manufacturer's shoes shined?



Expectations– What should the manufacturer/supplier expect from their representatives?

- ✓ In-depth market knowledge and influence with key customers
- ✓ Territory expertise
- ✓ Mutual development and pursuit of objectives
- ✓ Timely communications

Expectations— What should the manufacturer/supplier expect from their representatives?

- ✓ Management of customer negotiations
- ✓ Appropriate product promotion
- ✓ Fair share of rep's time
- ✓ Fair share of the market in a reasonable period of time
- ✓ No competitive lines without your knowledge

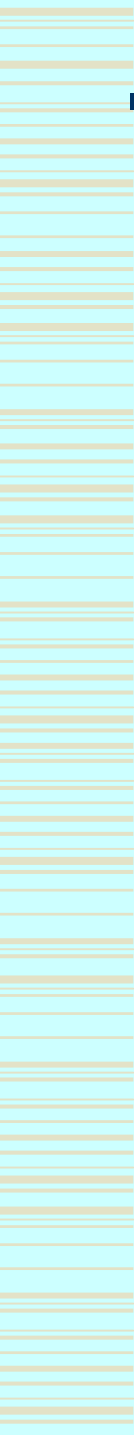
Expectations– What should the manufacturer/supplier expect from their representatives?

✓ Professionalism



Expectations– What should the representative expect from their manufacturers?

- ✓ Product and Business Practice Integrity
- ✓ Fair Commission
- ✓ Spirit of Partnership
- ✓ Clear and Timely Communications
- ✓ Openness to Counsel on Managing the Territory



Expectations– What should the representative expect from their manufacturers?

-
- ✓ Appropriate Product Training
 - ✓ Access to Customer Records and Copies of Customer Communications

Expectations– What should the representative expect from their manufacturers?

✓ Professionalism



Going to Market



Works/References Cited

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