



**Re-Presenting The Value
Of Outsourcing Field Sales
To Manufacturers' Representatives**

A "White Paper" For Manufacturers



OUTSOURCING FIELD SALES - A GOOD DECISION

In today's marketplace, the pressure is on. Every company, including yours, and including all the companies you sell to, or would like to sell to, wants to add value to its product while becoming more efficient and more effective – and to reduce costs in the process.

Obviously, it's not enough just to do these things – make a better product that brings more value to your customers for less cost. You also need to communicate to those customers what you have and how it solves their problems. In today's world, the buzzword is solutions. Serving customers today requires having competent, motivated salespeople in the field. Whenever you are calling on engineers or buyers, contractors or distributors, your sales force has to help them solve their problems.

Once a manufacturer makes the decision to serve customers at their locations with direct field sales contact, compensating that field sales force ceases to be an option, and becomes a cost of doing business. Some companies choose to put their salespeople on the payroll, and to have their exclusive attention. Another strategy, the one that your company has adopted, is to outsource field sales to multiple-line manufacturers' representatives. You thus gain the market penetration benefits as well as the solutions orientation offered through the synergy of related products, and the economic benefits of a predetermined sales cost that goes up and down with sales. Above all, you have eliminated any sales cost until after a sale has actually been made.

As your representatives, we obviously think you made a good decision. And obviously, so do you.

Now one of our important mutual customers wants to second-guess your decision. As part of its own drive to reduce costs, this customer has embarked on a program to eliminate doing business through, as they put it, third parties such as manufacturers' representatives and agents. This drive represents a total misunderstanding of the role of the rep. It sees the rep as a channel intermediary adding cost, rather than as your solution to cost-effectiveness. Outsourcing field sales to professionals is your way to field more and better salespeople at less expense to you, while providing better service to your customers.

Obviously, when a customer as important as this one makes a demand (or even a request), you have to take it seriously, and respond in the best interests of your own company. Over the short term, that may seem to require acceding to their demands, and making them a house account. However, that is not the only solution.

We want to remind you of all the reasons why the best interests of your company indicate that you should not change your field sales strategy. This is not only because of the value you derive from working with us, but also because of the value **they** derive from working with us.

One of the things that the customer will use as a justification is their desire for closer communication with the factory. The involvement of your field sales force in no way prevents or inhibits direct communication. We urge you to remind the customer that you are part of every major decision, that factory personnel are available for meetings when required, and that they are always free to call factory personnel. But none of that makes up for the functions we perform for you and for the customer – and there are significant economic reasons why you have chosen to outsource field sales.



DOLLARS AND SENSE REASONS WHY YOU OUTSOURCE FIELD SALES

You pay only for results, not for effort

Your costs are predictable, and go up and down with sales

You have no expenses on a project during the long nurturing process before an order is actually issued

You save the costs of maintaining regional offices, providing automobiles, computers, employee benefits

You get a more stable sales force, committed to staying where they are rather than moving onward and upward (Average duration of factory-direct salespeople in a given territory is 22 months!)

You eliminate the “soft costs” of administration and managing people, and avoid many of the legal exposures and expenses involved in compliance with a myriad of local laws and regulations

You have to train only on product, not on sales technique

You get more “feet on the street,” including a multi-faceted, multi-skilled, more experienced sales team

Because of reps’ multiple exposures, you get better market intelligence and better penetration with the customer’s people and departments that the single-product salesperson might not be calling on

A multiple-line sales call provides your customer with a systems solution, where you and the customer both benefit from the rep’s expertise in related products

Even if your rep organization presents your line to customers on only one call out of four, you get “presented” more frequently, to more people in more places, than with the 100% attention of only one salesperson. Actually, with an important line like yours, one call out of three, or even out of two, is more realistic. (For example, based on a conservative 15 calls per week, one salesperson will present your line 15 times. If our five salespeople discuss your line with customers on only 25% of their calls, you’re already 4 presentations ahead, and if it’s on one-third of their calls, you’re 10 presentations ahead.)

These are the things your reps do for you routinely, beyond selling. What would be the costs for you to take them over?

1. Fulfill catalog requests, provide reference information, communicate basic capabilities
2. Respond to routine technical inquiries, basic pricing information, process sample requests
3. Respond to specialized technical inquiries, introduce new technology, competitive quoting, issue resolution, getting the order
4. Strategic alliance building and maintenance



WHAT YOUR CUSTOMER LOSES

The efficiency and time savings of a multiple-line sales call

The established stable relationship with someone who understands the total corporate culture better than a direct person is likely to, and is better able to bridge inter-departmental communications gaps

A long term commitment to the territory and the customers in the territory, that puts the interests of the customer first on the salesperson's agenda

Advocacy. The rep is better able to fight for the customer's special needs, at higher levels within his principal's company. The direct salesperson is not going to be comfortable going over his boss's head

The consultative selling approach that emanates from understanding not just our specific products, but the way that product needs to relate to the other elements of the project



THE CUSTOMER'S REASONING...AND WHY IT'S FALLACIOUS

1. Channel intermediaries add cost without value. *Manufacturers' representatives are not channel intermediaries. They are the manufacturer's sales force in the territory, simply paid on a different basis. Unlike distributors, they do not take possession, nor do they mark up the price, nor do they add cost.*
2. Working direct with the vendor provides better and more direct communications. *Manufacturers' representatives can reach wider, deeper, and especially higher into the customer's organization than a single direct salesperson is likely to be able to accomplish. They also have wider, deeper and higher access into the companies they represent. If anything, communications are likely to suffer without the rep in the picture.*
3. EDI and the Internet have taken over much of the function the rep used to provide. *EDI has become an invaluable part of supporting the sales process, by delivering product and price information, collecting statistical information, facilitating order placement and checking status, and taking care of the "nuts and bolts" so face time can be more productive. But EDI cannot train and educate the customer's personnel, negotiate contracts, analyze alternative solutions, identify problems, nor deal with exceptions. High tech is not ready now, if ever, to replace high touch!*
4. By eliminating the rep, and the commission paid to the rep, you can bring down our cost. *Handling the account on a direct basis will actually add cost, not reduce it. Just because of organizational scale, the factory has a higher overhead factor than does the rep, so equivalent expenses carry a higher burden. The factory will have to assume both the hard costs and the soft costs involved in the field sales process. You chose to go the rep route for economic reasons; and you know the economics of your company better than the customer possibly can.*
5. Because you are not working with direct employees, you (and we) lose control. *One of the things you have in common with your customer is observing trends and evaluating new management philosophies, not just in your specific industry but in industry in general, and adopting new methods and solutions that seem applicable. One such major philosophy, which has developed beyond a trend into a routine practice, is to focus on core competencies and to outsource where others may be able to do it better, faster, and/or cheaper. You have chosen to outsource field sales. Your customer may very well be outsourcing any number of functions, even manufacturing. In fact, some parts of the customer company may very well be outsourcing field sales to manufacturers' representatives! Why should they seek to deny you the right to adopt the same philosophies and best practices they have adopted themselves?*
6. How can a multiple-line salesperson possibly be able to understand and effectively handle eight or nine lines? *One reason for the rep's effectiveness is precisely because he or she has been trained to look beyond the products being sold and to focus on the product being designed, and/or the customer's total need. This makes the rep more than a source (the role of the single-product salesperson). The rep becomes a resource, precisely by providing an overview and tutorial function to the engineer/buyer. Typically the decision to "eliminate third parties" is made by people who are not in the trenches (and maybe never have been). They don't ask the troops, they tell them. Of course, over the long haul the new policy is unenforceable, precisely because of the value the rep brings on a daily basis to the people doing the actual work! And in a world of "vendor reduction," it defies logic to start relating on a daily basis to four or five contacts instead of one!*

