

Selling in USA using Reps (A Tactical Approach)

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Biography of Timothy Eyerman

- Educated at Ohio State University Engineering College & Montgomery College
- In electronics business over 40 years
- Past President & Chairman of ERA
- Owns Rep Company & Manufacturing Company
- Is CPMR
- Is consultant to Manufacturers for Market Development
- Is frequent speaker at Electronics Shows
- Knows hundreds of Rep Company owners
- Was ERA Director of International Development

Introduction (Who we are)

- **Marketing Consultants & Contract Manufacturers**
- Specialize in assisting offshore manufacturers **enter the U.S. Market**
- Concentrate on **RF/Microwave Companies**
- Are a **“turnkey” resource** to U.S. Market

Introduction (What we do)

- Develop **U.S. Style Collateral** Material
- Develop **brand awareness** in U.S. Market
- Develop and manage **U.S. Sales Rep Network**
- Become **domestic manufacturing and distribution point** for your offshore company

Program Outline

- Developing a tactical plan
- Facts about the USA Electronics Market
- Advantages of Reps vs. Direct
- How Reps Operate in the USA
- Finding Reps in the USA
- The Interview Process
- Rep Management
- Recommendations

Developing a Tactical Plan

- Overall objective (cost vs. results)
- What to do first (why?)
- Where to find help

Developing a Tactical Plan (Overall objective cost vs. results)

- Spend the least to get the greatest results (sales)
- Chicken & the egg
- Quote from Dr. David Cwi - JHU:
“Companies entering new markets need to carefully outline their tactical and marketing plan and then skillfully execute that plan.”

Developing a tactical plan (What's first? Why?)

- Need to “look” like a U.S. Company
- Need U.S. Style Web Site & Collateral Material
- Need to develop U.S Brand awareness
- Need U.S. terms and conditions of sale
- Need U.S. manufacturing and/or distribution point
- After all of these “needs” are satisfied then develop a U.S. Rep sales force

Developing a Tactical Plan (What's first?- Why?)

- **Who** is successfully selling there now?
- **What** are they doing to support the customers?
- How can we **develop brand awareness**?
- How can we **generate leads** and manage them?
- How are we going to **manage after sale customer support**?

Developing a Tactical Plan (Where to get help?)

- Marketing Consultants
- Marketing Communication Companies
- Trade Associations
- Hire and staff your own sales office vs. using outsourced organizations

Some facts about the USA Electronics Market

- 26 Geographic territories in the USA
- Each territory is the largest area that can be effectively served from a single office
- Electronics business is divided into 8 categories
- There are many sub categories to each
- The terms Rep and Distributor mean a different thing in USA than in Europe

Some facts about the USA

Electronics Market – 26 territories

- Largest geographic area that can be covered from a sales office
- Some territories much bigger TAM (Total Available Market) than others
- Large segments of specific markets may be reached in much less than 26 territories
- There are no NATIONAL rep firms

Some facts about the USA Electronics Market – 8 Markets

- Market divisions are broad
- Many rep firms serve **parts of multiple markets**
- There are **many sub-divisions** of the 8 major markets
- The Market divisions do not necessarily represent the way product moves to market (**OEM direct v/s distribution**)

Advantage of Reps V/S Direct

- Personnel **permanence** (married to the territory – typically do not move)
- Stronger identification with local customers (**long term relationships**)
- **Leverage** of the multiple line selling process
- Rep councils – serve as **advocates** & counselors

Advantage of Reps V/S Direct

- **Economics** (Rep system cheaper – fixed cost of sales)
- **Augments** the manufacturers **management pool** without adding cost
- Enhances the manufacturer's geographic competence & exposes them to **more customers**
- **Outsources** sales functions

Reps “add value” to the Principal

- Reps are in the unique position to **successfully merge** the often differing objectives of the Principal and the Customer

Reps & Distributors in the USA

- Definition of terms
- How **distributors** operate in the USA (are a marketing channel)
- How **reps** operate in the USA (are NOT a marketing channel)

Reps & Distributors in the U.S.A.

(Definition of terms)

- Quote from Dr. Erin Anderson (Wharton School, U of PA & Insead, France): “In the U.S. manufacturers’ representatives are specialists. Their specialty is **selling and sales support**. Unlike distributors they **do not take title** to what they sell which means that the **supplier retains pricing authority**.”

How distributors operate in USA

- Take title to (buy) and resell to customers (ARE a marketing channel)
- DO carry competing lines
- Depend upon manufacturers (also manufacturers reps) for field technical support
- May or may not supply transactional data to manufacturers
- May or may not be regional
- Typically sell components
- Typically have over 100 lines
- Do work with Reps (are complimentary)

How reps operate in the USA

- **DO NOT take title** to products (are NOT marketing channels)
- **DO NOT carry competing lines**
- DO carry **non-competing** but **synergistic lines**
- DO **supply** factory with **complete transactional information**
- Do **product training** & provide field technical assistance for distributors
- Are **regional sales & marketing offices** for the manufacturers they represent (alternative to direct offices)

How to find good reps in the USA

- Directories
- Trade shows
- Trade press
- Referrals

Finding reps in the USA using directories

- **ERA Locator** (web site www.era.org)
 - Reps listed by geographic territory
 - Reps listed by product marketing group
 - Detailed listings for ERA member reps
- The **Electronics Source Book** (www.the-esb.com)
 - 10 Regional directories for US & Canada
 - Difficult to identify rep company details

Finding reps in the USA using directories (continued)

- The Electronic Industry Telephone Directory – **EITD**- (www.ecnmag.com/eitd)
 - Difficult to find reps
 - Reps listed under product headings
- The Electronic Engineers Master Catalog – **EEM**- (www.eemonline.com)
 - Some manufacturers list their reps
 - Find reps that rep synergistic but non-competing products

Finding reps in the USA using Trade Shows

- Use ERA “**Lines Available**” service at show
- **Interview** customers & non-competitive but synergistic manufacturers at show
- If exhibiting put “**rep wanted**” sign in stand at show
- Make **appointments in advance** of show to meet with potential reps

Finding reps in the USA using the Trade Press

- Run “reps wanted” ads in market specific magazines
- Look at synergistic but not competing manufacturers ads that list reps
- Review “lines wanted” ads in magazines

Finding reps in the USA using referrals

- **Customers** and potential customers
Customers have favorite reps
- Industry **consultants**
May be best source – Leverage their relationships with good reps
- **Reps** in other territories
Reps know reps – Good source

Finding reps in the USA – Pre-interview

- Check for **conflicts** (product overlap)
- Check for **synergism** (product & customer)
- Check for **specific market penetration**
- Check for **experience** (technical & sales)
- Check for **compatibility**
- Check **references** (customer & industry)

If all above checks **exchange profile information**

Finding reps in the USA – the interview

- Conduct **face to face** interview with all of the rep personnel in attendance
- Present the **manufacturers overview** to reps (products, markets, capabilities, niches, collateral material, trade show plans, and advertising profile)
- Present the **manufacturers expectations** to rep (sales goals, specific customer targets, market focuses, and rep training program)

Finding reps in the USA – The interview (continued)

- Ask rep **how your line fits** their organization/territory/customers.
- Ask rep what their **initial marketing plan** for your line will be
- Ask rep what the **“pull through” effect** of their other synergistic lines will have for your company

Finding reps in the USA – The interview (continued)

- Ask **each** of the rep personnel to talk about **their experience and account coverage**
- Ask **how information flows** through the reps office & between them and their principals and their customers
- Ask what their policies are for **visits** from factory personnel & **trade show participation**

Finding reps in the USA – The interview (continued)

- Ask about their **product training** requirements
- Ask about their **field technical support** expectations
- Ask **why they want to represent your company**
- Tell them **when and how** you will respond to them

Contracting with the BEST USA reps

- What kind of manufacturer are the BEST reps looking for?
- What do rep contracts look like in the USA?
- How/Why do some manufacturers get more of the BEST Reps attention than others (emotional favorites)?

Contracting with the BEST USA reps – What kind of manufacturer are they looking for?

- A manufacturer with **residual business** in their territory
- A manufacturer with an **established good reputation** (product/quality/ISO/Etc.)
- A manufacturer that offers **creative market incentives** to reps
- A manufacturer that offers **sales bonus programs**

Contracting with the BEST USA reps – What do USA rep contracts include? (Major points)

- **Territorial exclusivity** (with multi-territory splits)
- **Fixed commission** rates
- Non competitive clauses
- **Complete information disclosure** (account/customer)
- **Termination** conditions
- **Arms length contract** (product liability, pricing, etc.)

Contracting with the BEST USA reps – How/Why do you become an emotional favorite?

- **Why?** Get more of the reps **share of mind/time**
- **How?** **Respond quickly and concisely** to reps requests for information
- **Talk** to reps often – **supply input** that helps sell your products
- Become a **friend/confidant**

Successful management of reps in the USA

- Motivation
- Training
- Field Support
- Performance Evaluation

Successful management of reps in the USA (Motivation)

- Creative incentives – Offer a **bonus** (above and beyond normal commission) for selective accounts or specific products
- Creative incentives – Offer a **retainer** (above and beyond normal commission) for rep to perform directed marketing activities

Successful management of reps in the USA (Motivation - continued)

- Make your company/products **easy to sell**
- Be **responsive**
- **Pay** commissions **promptly**
- Become the reps **emotional favorite**

Successful management of reps in the USA - Training

- Provide **detailed product training** very soon after signing contract with rep firm
- Provide **product updates** on a **real time basis** (include new & future planned products)
- Provide **continuing product training** as a part of regular **factory visit schedule** (in addition to field sales efforts)
- Provide **sales seminars** for reps

Successful management of reps in the USA – Field Support

- **Schedule regular visits** with reps to call on key customers & train reps
- Make **technical factory personnel available** to assist in key customer presentations (in person, at factory)
- Make sure that all aspects of any **transactions are simplified** for the customer (customs, money exchange, F.O.B., etc.)

Successful management of reps in the USA – Field Support (continued)

- Make **factory personnel at all levels available** to reps to help interface with customers when required
- Make sure that the **rep** is supported **at least as well as a direct factory office** would be

Successful management of reps in the USA

Performance Evaluation

- Establish **mutually agreed upon realistic goals** in advance
- Make sure that the goals are **easily measurable**
- **Re-calibrate** goals upon mutual agreement
- Establish **review cycle** in advance
- Use review to **critique** as well as **establish new goals**

Recommendations

- Contract with **CEtech Electronics Corporation**
- Develop a **tactical plan**
- Make **cost effective decisions**
- Take advantage of **consultants**
- **Join ERA** as a manufacturing member