

# The Rep of the Future

More reps will need to evolve from peddlers to market-driven strategists.

**W**e recently published “Rep of the Future,” a research report commissioned by the National Electrical Manufacturers Representatives Association (NEMRA), Portsmouth, N.H., and its affiliate the NEMRA Manufacturers Group (NMG). It presents and analyzes data we collected on the market forces with the most current and potential impact on independent manufacturers’ representatives. The study also offers a roadmap for growth for both NEMRA members and manufacturers based upon anticipated changes in the electrical market.

My firm analyzed 986 online surveys from electrical manufacturers’ reps, non-electrical manufacturers’ reps, electrical manufacturers, electrical distributors, electrical contractors, and specifying engineers; developed case studies of six diverse electrical manufacturer reps; interviewed 14 distribution channel industry experts, including trade associations, consultants and academic institutions conducting research on the future of the selling function; and conducted telephone surveys with 14 reps, 12 manufacturers and 10 electrical distributors.

**Key survival skills.** Many reps are more comfortable dealing in the present rather than the future. They spend most of their time reacting to what is happening in the moment and do not see the future implications of their actions. They are stuck in a “peddler” mindset

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and are sales driven, not market driven. I believe these reps will wither and die. The reps who survive and prosper well into the future will possess the following six survival skill sets:

- Developing a clear and accurate strategic vision of the future and where they are versus where they need to be.

- Implementing sound strategic business planning sessions with their key manufacturer partners.

- Employing channel marketing expertise within their geographic footprint.

- Deploying the right strategic selling strategies to distributors, contractors/end-users and specifying engineers.

- Executing the right technology strategies to streamline their processes, become operationally efficient and improve profitability.

- Teaching people at all levels of an agency to continually think strategically and anticipate market opportunities and threats while managing the day-to-day tasks that fall within their scope of responsibilities.

## FORCES DRIVING CHANGE

We found 14 unique forces driving change in the electrical distribution channel:

**Continued margin pressure.** Continued margin pressures throughout the electrical channel will result in increased outsourcing of sales and marketing opportunities.

**Continued manufacturer cost reductions.** Manufacturers will continue to look for ways to reduce cost. Reps will continue to be forced to take on additional responsibilities with little chance

of increased commission rates.

**Manufacturer-rep contracts.**

Manufacturer-rep contracts will need much more definition of activities and the costing that goes with those activities. The reps of the future will have a higher level of knowledge regarding their costs so they can negotiate equitable compensation agreements with manufacturers.

**Demand creation versus demand fulfillment.** Reps will have to make a clear distinction between their “demand fulfillment” and “demand creation” capabilities and activities. Some manufacturers will focus on demand fulfillment and ask reps to focus entirely on demand creation. Other manufacturers will want to take outsourcing to the next level and push every possible cost in the sales process to the outsourced sales and marketing entity. This includes physical distribution (warehousing) of the product with reps that have expertise in this area. Managing the intersection of the two sides (fulfillment and creation) will be a key skill requirement in the future for reps.

**Technology platform.** Technology will become the central platform to take wasteful redundancies out of the electrical channel. Historically, reps have been the best method to relay information and product demonstration between the manufacturer and the customer. Technology and the Internet continue to change the traditional role of the rep. Technology utilization and deployment will be a critical core competency of reps in the future.

**Portfolio management.** In the future, strategic planning will require reps to do a better job of line portfolio management. They will need to make more pure business decisions based on strategic planning and line profitability analysis and less on emotions.

**New strategic markets or channels.** Successful reps will also move into new strategic markets or channels such as HVAC, plumbing, wind, solar and geothermal energy. Smaller reps will emerge and be very specialized to

fit these niche markets.

**Geography and specialization.**

We believe larger reps will expand to have even greater geographic reach in the future, and have different divisions that focus on specific geographies or types of products. This specialization will allow for more complete vertical market knowledge and customer relationships. These reps will be expert marketers who know their patch of geography, and they will compile accurate market data and competitive intelligence to educate manufacturers on the market.

**Rep salespeople.** In the future, reps’ salespeople — whether inside or outside — will need to be more technical, systems-oriented solution providers with a thorough understanding of the entire supply chain. Rep sales forces will need to be segmented into distributor sales, contractor sales and pure demand creators at the end-user/specifying engineer level. Successful reps will have more staff with engineering degrees and/or more advanced business degrees to do more in-depth, data-driven sales analysis. In the future, the most successful agents will have more employees with experience working for larger companies where they had the opportunity to hone their process and technology skills.

**Distributor consolidation.** As more distributors are acquired, reps will deal with fewer electrical supply houses. National distributors tend toward centralized purchasing, which diminishes the need for local relationships. Most distributors want to streamline costing, quoting and back-office activities. For instance, if a large distributor has to deal with more than one rep in a region due to geographical or territorial boundaries, that wholesaler may pressure the manufacturer to deal direct, forcing reps out of the channel.

**Distributor-manufacturer relationships.** Distributors will continue to examine each manufacturer relationship and pare down their supplier list. Large and mid-size distributors will push for selective distribution. More

distributors will work with their suppliers on inventory to improve efficiencies throughout the supply chain through vendor-managed inventory (VMI). For instance, Hubbell Inc., Orange, Conn., commissioned a transaction cost study that revealed that a paper transaction costs \$30 to \$55, while handling the same order through EDI reduces the cost to \$3 to \$5. The study found VMI further slashes the cost to \$1 to \$3 per transaction. One manufacturer we interviewed said, “With VMI we have been able to reduce distributors’ inventory by 40 percent.”

**Manufacturer consolidation.**

Vendor consolidation will continue, and they will need fewer reps. We also expect to see more line conflicts and rationalization strategies.

**Rep consolidation.** The consolidation of independent manufacturers’ reps will accelerate, too. The cost to manufacturers of managing multiple rep firms will be one factor in rep consolidation. Manufacturers with broad packages of products will continue to encourage reps to expand their geographic footprint, because they are looking to do more with fewer reps. Mid-size agencies will have the most difficulty surviving. You also will see more agency principals retiring and selling their businesses and more agencies merging or going out of business.

**Globalization.** As the global economy becomes more interconnected, it will affect manufacturers, manufacturers’ representatives, distributors, contractors and end-users even more in the future than it has in the past. Here’s where the global economy will have the most dramatic impact on the electrical channel:

*More electrical products will be manufactured outside the United States. As long as product quality is adequate and a job doesn’t have specific requirements for an electrical product to be manufactured in the United States, expect this trend to continue. The confusing “Buy American” provisions in Section*

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1605 of the American Recovery and Reinvestment Act of 2009 (ARRA) that affect iron, steel and manufactured goods in stimulus-funded public works projects has refocused attention on foreign-made electrical products.

One market where foreign-made electrical products are currently drawing a lot of attention is in the lighting industry. While many (if not most) LED lamps manufactured offshore are of good quality, there is concern about the quality of some products coming into the United States from little-known manufacturers often based in the Pacific Rim, and how any widespread quality issues could affect the development of this promising lighting technology. The Department of Energy has a LED testing and labeling program to help draw attention to the LED manufacturers whose products meet these stringent quality standards.

*More manufacturers will outsource some customer service functions offshore.* As with products being manufactured outside the United States, as long as the quality of this service is acceptable, this trend will continue.

*Some reps will start other divisions or companies to import electrical products from offshore manufacturers.* These products are often “commodity” items where brand preference for products from existing vendors is not very strong.

*More manufacturers will private label to improve operating margins.* While some national distributors private label some of their product lines, it’s not universally accepted by end-users. There is anecdotal evidence that some independent distributors now promote that they only stock, market and support products from traditional electrical manufacturers.

**Taking action.** In the future, reps will survive and thrive by becoming skilled, market-driven strategists that work closely with the manufacturers they represent on mutually beneficial goals. Successful reps will have strategy creation and execution teams comprised of their key employees and sales or marketing executives from their key manufacturer partners. They will work together crafting strategic plans that create a team culture of shared ownership in the successful execution of the agency’s strategy. These reps will possess two traits — skill and will. They will possess the skill to transform their agencies from peddlers/problem solvers to skilled market-driven strategists. And they will possess the will to include their key strategic manufacturer partners in their agency’s long-range strategic planning process. Those reps that do not possess the skill and will won’t survive. ■

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