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Background Information on the Outsourced Professional Field Sales (Manufacturers' Representative) Function

Professional field sales organizations (manufacturers' representatives or reps) are individuals or companies who provide the field sales function on an outsourced basis to a group of manufacturers of related but non-competitive products in a defined territory, and typically, on an exclusive basis within that territory for specific industry categories. Often mistakenly considered as channel intermediaries, they are, in fact, the manufacturer's sales team.

That reps are not on a payroll — but are compensated on a results basis when a sale has been completed — is the dominant factor in making the rep system economically indispensable. In the developmental stages leading up to a purchase order, reps pay their own office, travel, insurance and payroll expenses — in effect, financing the sale for their principals. This system allows even a small or start-up company to attain national sales coverage, yet is so effective that it is the system of choice for many of the largest companies in the industry.

Two key factors (beyond selling skills) lie behind the rep's ability to produce results:

- Because reps sell the products of multiple manufacturers (typically of related products), they become adept in solution or consultative selling, based on the synergies of the products in their portfolios. If one product doesn't get the rep in the customer's door, another one will.
- Reps are territory based. They get to know their customers intimately, allowing for faster market penetration and continuity of relationships. (Direct factory salespeople have an average stay in a given territory of 22 months before they are transferred to another territory or promoted to the home office.) Because reps have multiple "employers," they have more freedom to become advocates for their customers when the customer has special needs for a policy exception, accelerated delivery, special pricing, etc.

It is impossible to provide "hard numbers" on the economic impact of the rep function in the electronics industries (although it is probably in excess of \$100 billion). ERA estimates that 85 percent of U.S. electronics manufacturers utilize reps for some, if not most, of their field sales.

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