



**FOR IMMEDIATE RELEASE**

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## **The Rep Is Here to Stay — It's a Matter of Simple Economics**

Let's say you're a component manufacturer in South Carolina, and you learn about a potential design-in opportunity at Upstart, Inc. in Rapid City, South Dakota, which may be worth \$5,000 in sales the first year. Can you afford to chase it?

Now, that board contains other components, and the total value of all the designed-in components during the course of the first year might be \$100,000. Although you can't afford to go after your \$5,000 chunk, somebody with the potential to get even half of the business on that board has plenty of incentive to chase the Upstart design-in ... and perhaps find you other NBOs (new business opportunities) at Upstart as well. Who's that? The consummate chaser of NBOs — the manufacturers' representative. For someone with a portfolio of products, visiting Upstart presents opportunities worth pursuing.

Being able to cover far-flung accounts everywhere in the country, even relatively small ones, is one of the primary reasons for a manufacturer to outsource field sales to a territory-based professional sales organization. But even more primary is the fact that covering that customer is cost-free, until the customer actually orders something!

If Upstart were in Boston instead of Rapid City, with 100 other customers within an hour's driving distance, the manufacturer could tell Charlie (who's on the payroll) to stop there on the way between Mega Manufacturing and Colossal Technology. After all, Charlie's being paid anyway, as well as getting an office, a company car, health insurance, workman's comp ... the list goes on. Charlie will get all that whether Upstart buys anything or not. And just because Charlie stops at Upstart doesn't mean anyone will actually see him.

But Sally, who sells a competitive component, will get to see the design engineer. One of the other components in her portfolio is already on that board, so she's a welcome visitor. Sally doesn't just sell components — she sells solutions. Sally is a rep!

What else does Sally bring to the party that Charlie doesn't? For one thing, she's going to stay in Boston. She's not angling for that promotion to the home office in South Carolina. She's taking the time and making the investment to develop relationships with all the customers in her territory. She has a broader "call-path" within each company than Charlie is likely to be able to develop, and she can go where the purchasing manager can't in order to introduce new product and technical solutions to the customer's marketing and engineering personnel. Because she can spread the costs over multiple manufacturers, Sally can afford to spend the time to provide solutions to her customers and a myriad of administrative services for her principals.

— more —



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From time to time, the suggestion arises that the rep is an endangered species and can be replaced.

- “The distributor can do it.” But who’s going to cover the distributor? And how can you be sure the distributor will push our product instead of the competitive product that’s also on the shelf?
- “The Internet can do it.” Yes, the Internet can supply information. But can it analyze a problem and provide a solution?
- “The factory can do it.” At what cost? Can the factory cover all the customers, everywhere, or will it have to give up selling to smaller, more remote accounts?

When a company decides that it needs direct sales contact with its customers, it commits itself to the cost of that contact. So the next decision is whether it’s more cost-effective to handle that direct sales contact with its own personnel or to outsource the direct contact to professional field sales organizations. In actuality, the decision to do it in-house is an option only for very large companies, or for small companies whose capacity can be filled by dealing with a relatively few and typically close-at-hand customers.

Thus, for most manufacturers in the electronics industry, the decision isn’t really hard. Getting nationwide coverage from sales personnel who are already in the door at the customers (and paying only for results) makes it a no-brainer. An estimated 85 percent of the component, test and measurement, production materials and related manufacturers rely on reps for at least some of their field sales activity.

Every so often, a high-profile manufacturer makes headlines by deciding that a company-controlled sales force will be better than an outsourced sales force. (Though it tends to be a quieter matter when the company decides to switch back to reps.) The current trend, however, is in the other direction: Substantial companies with high-tech products are recognizing that they can do it themselves if they only want to deal with half-a-dozen accounts — but when it comes to broadening their customer lists, outsourcing is the way to go.

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