

Getting Started With Independent Sales Representation

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Scenario

You have a new idea, a new product, or a new import item. It is exciting. You personally like the item, so do your neighbors and friends. You have figured out how to produce the item in quantity, or the logistics to import the item from the overseas manufacturer. You feel (probably correctly) that you need to focus your efforts on the production or importing aspects of this potential business, and what you need is someone else to sell your products for you. So naturally, you go out to hire sales representatives -- or better yet, a sales agency.

Not so fast.

Unfortunately, sales professionals, sales representatives, and sales agencies perform the function their name suggests -- they sell. Because you are most likely going to compensate sales professionals on a commission basis, and you are unlikely going to compensate them with a flat fee or a salary, sales professionals are anxious to take on items or companies to sell for, only once they know the products will retail. Since they are compensated on sales, they are generally unwilling to take on products that have no track record, are undeveloped, or require early stage market research.

What to do before hiring sales professionals

Here are several steps that will refine your product's salability and give you the chance to capture the consideration of professional sales representatives or agencies.

1. Make sure your wholesale pricing model is correct. All too often new products come to the market mis-priced; usually under-priced. Many entrepreneurs determine their pricing by adding up the raw material costs (or importing costs) and then "adding on a little extra."

Mistakes in correctly determining a wholesale price often include:

- a. Undervaluing labor costs to produce the product;
- b. Not including an accurate percentage for sales costs;
- c. Not including any percentage for marketing expenses;
- d. Forgetting about costs related to packing and shipping;
- e. Not considering damages, breakage or obsolescence;
- f. Forgetting about PROFIT!

A good rule of thumb is to take the domestic manufacturing costs (labor and raw materials) of the product and double (2x) them to create a wholesale price. This rule can also work for importing, however many importers have found that they need to take their overseas purchase price and achieve their US wholesale price multiplying by 2.5x or 3x, as they need to account for a higher metric of breakage, damage and importing mistakes.

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2. Understand the relationship between wholesale and retail prices. Wholesale or "net" pricing is the price you will sell your domestically manufactured or imported product in quantity to a retail storeowner. For example, in the Gift business, typically the retail store will look to double ("keystone") the item to determine a retail price. Hence an item that wholesales for \$5.00 should be anticipated to retail at \$10.00. The difference between \$5.00 and \$10.00 allows the retailer to pay rent, hire staff and make a profit. In these days of high cost leases for retail space, more and more storeowners are looking to achieve a 2.2x -- 2.5x margin. Thus an item that wholesales at \$5.00 might retail for \$11.00 - \$12.50.

3. Do your own test marketing. It is very rare that a sales agency will take on a completely unproven or untested product, hand it to their field sales team, and start selling. Your chances to attract a quality agency and to get sales started overall, are significantly improved by test-marketing your own product prior to approaching professional sales support. For example, in the retail market, there are two simple, inexpensive tests to consider:

1) Find 5-6 local retailers who might agree to take your product in on a consignment basis (they only have to pay for the product once it is sold). Make certain you offer the store your calculated wholesale price and they put it out for sale at a logical retail price (2 -- 2.5x wholesale).

2) Set up yourself at a local harvest festival, home show, flea market, fair or holiday bazaar. You can set up anywhere that consumers come to browse and purchase product. Once again price at retail (2-2.5x wholesale). The feedback you receive from these important exercises is invaluable. The questions you want to answer are:

1) Are people interested in your product?

2) What do they say about it? Color? Size? Variety? Other suggestions.

3) Did it sell? If not, why? If it did, why?

4) Is your pricing structure correct? Was it too expensive? Was it too cheap?

5) And probably most importantly, if it tested well in your retail stores on consignment, are the storeowners willing to bring the product back into the store? In other words did they feel it was successful enough that they will reorder it? At this point you are much smarter about your product and how it may fare in the marketplace. If the product does not retail, or does not reorder -- you have learned something -- you need to redesign, re-price, repackage or simply discontinue this product. If the product successfully sold at the retail price to the consumer, and still better, if the retailer is willing to reorder -- then you are ready for a Professional Sales Force!

What is a Professional Field Sales Individual?

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Field Sales Professionals are exactly as their name states; people who make it their profession to sell and service, new and existing accounts in the field. This type of sales professional differs from 'inside' showroom sales, or telesales. A field sales individual may use the phone, trade shows or showrooms to engage with customers. However, their primary focus is to travel in the field working face-to-face with storeowners to show product, make sales, conduct training and solve problems. It is very common for Field Sales Professionals to carry several complementary product lines and cover a geography that allows adequate coverage for the account base and provides an income stream that is appropriate for the extensive travel and its related expenses.

What is a Professional Sales Agency?

A sales agency offers a management structure and a team of field sales professionals. Sales agencies generally operate regionally providing field sales coverage for an entire market region of the country. Agencies may be a team of two or more sales professionals. Most sales agencies are multi-line agencies -- selling multiple, complementary (not competitive) product lines. Some larger agencies have multiple sales divisions. Sales agencies may offer permanent showroom space or temporary show opportunities as part of their ability to access the marketplace.

Building a National Sales Force

A National Sales Force is the composite of a number of different sales individuals or sales agencies engaged separately to cover the entire geography of a nation. Most often, a new company will not try to access full sales coverage at the outset, but would start sales in one or two regions, then expand coverage at a pace as product and financing availability allow. There are several directions a manufacturer or importer may take to find Professional Field Sales individuals or sales agencies:

- 1) Use [RepHunter](#) to resource individuals and sales agencies. We have a large and growing database of Independent Sales Representatives and Agencies.
- 2) Visit national and regional trade marts and trade shows to identify and meet sales individuals and sales agents.
- 3) Purchase booth space at temporary trade shows around the country and advertise in your booth "Sales Representatives Wanted."
- 4) Hire a Sales Manager, either full time, or on a consulting basis, to hire and train your national sales force.

What you need to get started with Field Sales Professionals

Here is a brief list of the basic items necessary to engage and jump-start professional sales individuals or agencies:

- 1) A sales agreement or contract that outlines the term, geography and details of the business understanding between the sales individual or agency and the manufacturer or importer. The

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correct sales agreement will incorporate common business practices within the industry, as well as specific manufacturer and agency details. There is a [specimen sales representation agreement](#) posted on the [RepHunter](#) web site.

2) Sales tools, usually in the form of sample product, catalogs, price sheets and terms sheets.

3) View our [Tips for Working with Reps](#) for additional specifics.

This article is adapted from "Before Hiring Professional Sales Help," by Andy Bjork and is based upon the work of United Sales Association, 6740 East Hampden Avenue, Suite 306, Denver, CO 80224.

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