

GUIDE: HOW TO MAXIMIZE YOUR INVESTMENT IN INDEPENDENT REPS

A comprehensive guide for brands and manufacturers looking to optimize relationships with independent sales representatives using effective commission structures, strategic partnerships, and new technologies.



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INTRODUCTION

Among many manufacturers and wholesale distributors across industries, independent sales representatives (also referred to as “manufacturer’s representatives”) have long been key players in overall sales and marketing strategy. According to the 2015 Wholesale Technology & Sales Survey, 65% of manufacturers and wholesale distributors reported that they work with independent sales representatives in some capacity.¹

TOP 10 INDUSTRIES WITH INDEPENDENT SALES REPRESENTATIVES

INDUSTRY	% RESPONDENTS W/ INDEPENDENT REPS
Toys, Baby & Kids	79%
Electronics	78%
Beauty & Cosmetics	76%
Gift & Homewares	74%
Medical Instruments	73%
Eyewear & Optical	64%
Outdoor & Sporting Goods	61%
Apparel	58%
Books	56%
Food & Beverage	52%

Working with independent reps has several important advantages. Because they are not employees, but independent contractors paid on commission to represent your brand, independent sales reps and rep groups can help brands get feet on the ground quickly without having to establish a salaried sales team. Other brands recognize the depth of the existing networks and relationships an independent rep may provide, which can open business opportunities in target markets and provide access to new territories.

¹ Handshake, “2015 Wholesale Technology & Sales Survey Report,” http://pages.handshake.com/CDREPORT-2015Survey_LP-Download.html.

Working with independent reps has its challenges, however--especially for brands who do not also have an internal sales team or are otherwise dependent upon these reps at trade shows and in the field. Ultimately, understanding how to properly incentivize these reps is critical to maximizing your independent rep relationships, as well as revenue.

In this guide, you'll gain a better understanding of what motivates independent sales reps and how to use those motivations to your business's--and your reps'--advantage. The guide will cover the common challenges brands face when working with independent sales reps, and how businesses today are leveraging commission structures, strategic partnerships, and B2B commerce technologies to work more effectively with them in the long run.



WHAT MOTIVATES INDEPENDENT SALES REPS?

The pay-for-performance model fosters distinct attitudes and behaviors. In order to maximize your relationships with your independent reps, it's important to understand what drives their actions.

COMPENSATION

While internal sales reps receive a salary, i.e. guaranteed compensation, often with a bonus if goals are achieved or exceeded, independent reps are paid generally when two conditions exist:

1. When they make a sale.
2. When the customer pays.

Sometimes those actions are conjoined, and sometimes they aren't, but an independent reps' compensation depends upon every step along the cycle, from marketing to sales to collections, and their commission is what drives them. In short, they--understandably--prefer to represent lines that are easy to sell.

EASE OF DOING BUSINESS

Salaried sales reps are usually focused on meeting the demands of their management, who sets concrete goals that reps must work to achieve. Management, in turn, needs to make sure that reps are using their paid time efficiently, which results in more phone calls, reporting and other administrative functions.

Independent sales reps, on the other hand, are laser-focused on sales. It's important to keep in mind that independent reps are essentially business owners. Choosing to work with your brand is a business decision for them, just as much as it is for you.



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Independent reps--like any smart business owner--prefer to work with brands that make it as easy as possible to do business with them, including ease of access to key information like pricing, product details, merchandising guidelines, etc., and a seamless, low-touch method of writing and submitting orders. Rather than performing administrative tasks like paperwork, manual order entry, or ancillary reporting, they would rather be spending their time preparing for and attending meetings with customers.

WHAT “EASE OF DOING BUSINESS” LOOKS LIKE:



Easy Access to Information



A Simple Way to Write and Submit Orders



Fewer Administrative Tasks

THE CHALLENGES OF THE BRAND & REP RELATIONSHIP

The general idea of what an independent rep can do for your brand is relatively simple: These reps will sell your line while working solely on commission, and because they don't get paid until they make a sale, commissioning an independent rep requires no up-front risk.

While it sounds simple, however, there are several challenges that brands commonly face when it comes to working with these external sales representatives. Let's look into each of these challenges in more detail.

1. NOT GETTING ENOUGH AIR TIME DURING STORE APPOINTMENTS.

Whether you're working with independent agents or a larger rep firm, independent sales representatives often work with several related manufacturers, promoting all of these brands' products to a network of buyers in their territory or market area. Essentially, your lines are directly competing with all of the others that the rep sells.

In this environment, new or lesser known brands can be overlooked by independent reps who have other more popular lines that are guaranteed to sell. As one manufacturer puts it, "we were always last out of the bag in store appointments."

Your brand equity can be a huge factor in how much time and effort reps will put into learning more about your products and pitching them to retailers. This can be especially challenging for brands who sell technical products that require more effort from reps when it comes to product education and training.

2. MAINTAINING CONTROL OVER PRODUCT INFORMATION AND BRAND MESSAGING.

Working with external sales reps can also make it difficult for brands to enforce consistent brand messaging across all of their accounts. Because these reps work independently from the brand and are often not given the same attention and training as internal sales reps, their understanding of that brand's identity and products can vary widely.

It can also be difficult for manufacturers to disseminate product and pricing updates and other important brand information across a widely distributed independent rep force.

3. FRAGMENTED ORDER SUBMISSION PROCESSES.

Another challenge of working with a number of individual reps is dealing with highly fragmented order submission processes. Once an order is written, each rep can have their own method for how they're going to get that order to your back office for processing. Some reps may write orders on pen and paper and fax it back to headquarters. Others may create Excel spreadsheets, while others may scan and email those orders in. If your back office staff is managing orders coming in through various disparate methods, delays, inefficiencies and errors can be common.

4. REP RETENTION.

A brand's relationships with independent reps can be precarious. With a relatively loose connection to your brand, they can drop your line and pursue other opportunities as they see fit. In the words of one wholesale distributor, "independent reps are here today, gone tomorrow."



4 WAYS TO MAXIMIZE YOUR INDEPENDENT REP STRATEGY

With these motivations and challenges in mind, it's time to consider how businesses are overcoming those challenges to foster more productive partnerships with their independent reps through new strategies and technologies. Here are four ways to maximize your independent rep relationships:

1. ESTABLISH THE RIGHT COMMISSION STRUCTURE.

An independent rep's job is to get out there and sell, and a good commission structure is the key ingredient to getting them excited about doing that. Reps with the best networks of contacts are in high demand. They travel frequently to meet with buyers, show products, make deals, conduct trainings, and solve problems. Their commission accounts for the value of their network and their time, and also has to cover their business expenses.

As you determine your commission structure, keep in mind that your line isn't the only one your reps may carry. One of the biggest risks related to hiring independent sales reps happens when companies underestimate the effort it may take to sell their products, or over-estimate the attractiveness of the compensation package they are offering. Your commission structure may be good enough to convince a rep to work with you initially, but if they perceive it to be more difficult to sell your products with less payoff, they may choose to spend more of their sales time with customers promoting products that pay better.



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Commissions are usually figured as a percentage of sales--the challenge before you is figuring out what that percentage should be. It generally varies depending on what is required of the reps.

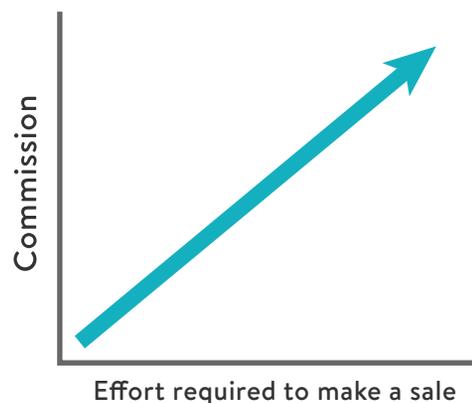
Some questions to ask include:

- How expensive are the products being sold? Higher priced items sometimes pay a lower commission percentage, but it depends on what is required of the rep--the more effort to sell the product, the higher the rate should be.
- What is the rep's role? Do they provide new leads? Do they provide complete sales and service? If they are providing leads and you are doing the closing, that would typically mean a lower commission.
- How will the rep approach potential customers? On the phone or in-person? Phone approaches would not need to pay as well as in-person sales since there is less of a time/travel component.
- Who handles customer service and account management?
- Will reps need to provide product and merchandising training to retailers?
- How often do you expect re-orders to come through?

The general rule is, the more effort and time required on the part of the rep to sell and provide service, the higher the commissions should be. As such, commissions for independent sales reps can vary from as low as 5%, to as high as 40%.

The industry average seems to be between 20% to 30% of gross margins, or 7% to 15% of gross sales, with lower commissions offered for "easy sales," i.e. products with a simple sales cycle and little or no service or training required and higher commissions being offered for sales that are more complex and have greater service requirements.

DETERMINING YOUR COMMISSION STRUCTURE



In addition to the level of effort required to sell your products, some of the other aspects to consider as you set your commission rates include:

- What specific target markets or geographies are in the rep’s territory? Costs of doing business in urban areas are higher than rural areas, but rural areas require more travel to move from customer to customer. Factor this variability into your commission structure.
- What level are the target contacts? Selling to the C-level requires a more sophisticated, solution-oriented approach than selling to someone in the purchasing department; compensation should be higher to reflect this.
- How will you compensate volume sales? Will you pay a bonus on top of the commission?

The most important thing to remember is to understand what it really takes to sell your products and compensate your reps fairly for what they offer your company. If you approach commissions from this perspective, you can expect your relationship with your independent sales reps to be long-lasting and rewarding for all parties.

2. MAKE THE ORDER WRITING AND SUBMISSION PROCESS AS SIMPLE AND STREAMLINED AS POSSIBLE.

Independent reps want the process of writing and submitting an order to be easy, so that they’re not wasting time on tasks--like paper order writing or manual data entry--that could otherwise be automated. Their core strength as salespeople is forming relationships, educating customers about your line, and finding upsell or cross-sell opportunities. Brands that make it easier for these reps to do their job--selling--will be those that reps prioritize in conversations with customers.



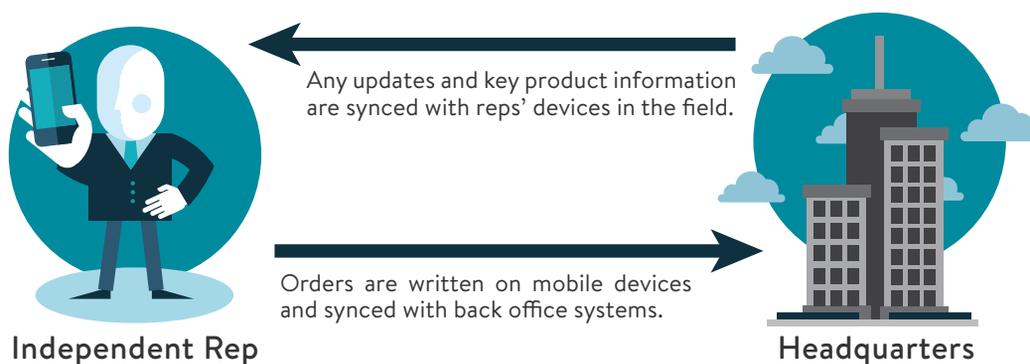
“Brands that make it easier for these reps to do their job--selling--will be those that reps prioritize in conversations with customers.”

In order to make the ordering process easier, brands are investing in new technologies like mobile order writing software, which can include a digital catalog (with product images and descriptions), customer information, and an order writing interface—all in one application. By allowing reps to write orders digitally, which can then automatically be synced to your back office for fulfillment, you're allowing them to focus on selling, rather than paperwork and administrative tasks. As a result, they sell more for your brand.

Consider this. An independent rep is working with several brands, and for many of them, she has to write orders on paper, and then go back to her hotel at night to enter those orders into an Excel spreadsheet or find a fax machine to send them in. Then, one of her brands gives her a tool on her mobile device that allows her to create and submit an order in a few quick taps. Which brand is she going to prefer selling for? When you make life easier for your reps, they become brand evangelists. Happier brand, happier rep, happier customer.

Some brands have gone further by implementing B2B eCommerce to accept incoming reorders directly from the customer, allowing independent reps to focus their time less on transactional activities and more on expansion efforts, visiting key accounts, product training and demos, and strategic planning with customers. Fitsok, a manufacturer and distributor of technical running socks, is an example of a brand that has employed this approach. Their small, focused team of independent reps were relieved of manual order writing and are now viewed as core members of their internal team, taking part in strategic conversations about the brand moving forward.

By digitizing the ordering process, your brand will also have a lot to gain in terms of back office operations. Instead of having orders coming in from fragmented sources, orders can all come in through one stream, thus reducing submission delays and order errors.



So at what rate are manufacturers and distributors adopting this kind of technology? Given that independent sales representatives often work with a suite of multiple brands, businesses face tough questions about whether or not to invest in technology for these external sales teams.

However, in the midst of heavy competition, businesses that employ independent sales representatives are realizing that the ROI impact of more streamlined order management processes make technology worth the investment. In the 2015 Wholesale Technology & Sales Survey, it was discovered that 37% of respondents who work with at least some independent sales representatives are investing in order writing software.²

The most surprising insight that came out of this data was the fact that of those surveyed who work exclusively with independent sales representatives, the majority (54%) have invested in order writing technology.

By comparison, only 13% of wholesale distributors with no independent sales representatives are investing in order management software. It's clear that companies using independent sales forces are realizing the competitive advantages of order management technology more readily than their counterparts with only salaried sales teams.

INVESTMENT IN ORDER WRITING SOFTWARE



² Handshake, "2015 Wholesale Technology & Sales Survey Report," http://pages.handshake.com/CDREPORT-2015Survey_LP-Download.html.

Some brands have even seen an interesting trend of their independent reps purchasing this kind of software out-of-pocket to write and submit orders. The problem with this, of course, is that brands are not able to monitor the information that reps have in their account, including product images and descriptions, pricing, customer contact info, etc., and the risk of outdated or inconsistent information is high. Which brings us to our next point.

3. CREATE A STANDARDIZED, CENTRALIZED SOURCE OF BRAND AND PRODUCT INFORMATION.

It is difficult enough to make sure salaried reps are on the same page with headquarters, but this problem is even more acute with independent reps. If, for, instance, a new product was added or an old one was discontinued, the company would have to have new product catalogs printed up or (in a more likely scenario), an email update would be sent out to reps letting them know of the change. If a sales rep missed the email or forgot about the change, they could end up selling a product that was no longer available or miss out on possible sales of new products.

Order writing software allows companies to immediately sync those changes to all of their independent reps from one centralized location. The admin of any order management system can add new products to their catalogs or remove products if necessary. The new version of the catalog will automatically sync with the mobile order writing apps used by sales reps in the field, so they are always up-to-date.

This can also be a way for brands to enforce customer-specific pricing rules without having to rely on independent reps to memorize their pricing or discounting structures, saving a sales rep's time that they might have spent calling into your back office to confirm pricing. Many brands also like to equip reps with real-time inventory levels, to allow reps to sell more strategically and prevent backorders.

4. IMPROVE TERRITORY MANAGEMENT WITH VISIBILITY CONTROLS AND REPORTING.

Reps are often hired based on the territory they cover and who they know within that territory. Territories can be assigned exclusively or non-exclusively, but generally, brands like to keep their reps' territories separate in order to prevent conflict and internal competition.

Effective territory management can help manufacturers and distributors ensure that their reps are concentrating on the right accounts and accessing the information that is relevant to them. For instance, using a digital order writing platform and order management system to place controls on catalog and customer visibility can ensure that each of your independent reps only has access to their accounts and to the lines that they are authorized to sell.

For example, if a new product is added to one of your lines, or a customer's address changes, your internal administrators can sync those changes only to the sales reps for whom they are relevant.

Furthermore, while it can often be difficult to capture business intelligence when working with independent reps, manufacturers and distributors who allow their reps to write orders digitally can harness that data quickly and easily.

With all of the data synced from the field to the back office, you'll be able to compile reports that show individual product performance, rep performance, and overall territory performance, allowing you to make more informed decisions.



WHY IT'S CRITICAL TO INVEST IN YOUR INDEPENDENT REPS

As outlined in the “Challenges” section of this guide, having independent sales reps alone in the field has its risks--your company may eventually no longer be “top of mind,” and the effort they put in to sell on your behalf may reduce over time. In general, a lack of oversight can create a lack of attention to your brand.

Manufacturers and distributors today are mitigating this risk by developing their independent reps into strategic partners--both to themselves and to their customers. They are investing in core technologies like mobile order writing and B2B eCommerce to gain more control over how reps present their brand to customers while freeing up time to allow reps to concentrate on strategic, consultative conversations with customers, and they are thinking about ways to better incentivize those reps. In sum, they are giving reps the tools they need to succeed.

When thinking about how to maximize your relationships with independent reps, consider all the different ways your company can have an impact on their performance. Does your commission structure fairly reflect the effort that your reps are putting into each sale? What is going to help keep your brand-top-of-mind? What does your order writing and submission process look like, and is it as streamlined as it could possibly be for your reps, customers, and back office?

If you're a brand that depends on independent reps in any capacity, putting in the time and the tools to make them more efficient and invested in your brand is not a nice-to-have--it's a necessity. While they are not internal employees, they are the front lines of your business--the people who interact directly with your customers and (hopefully) serve as ambassadors and advocates for your brand and products. When you provide the tools that enable your independent reps to better do their jobs, you're making an investment in your organization--how your products are positioned, the real estate they occupy in stores, and how your orders are processed.

To learn more about how you can maximize your relationships with your independent reps with ordering technology, contact us today.

ABOUT HANDSHAKE

Handshake provides the B2B Commerce platform for manufacturers and distributors that powers standout ordering experiences both in-person and online. Companies using Handshake transform their sales effectiveness and drive operational efficiency, delighting customers and growing lasting relationships.

Email: info@handshake.com

US Toll Free: +1 (855) 532-9044

International: +1 (646) 434-2553

