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**Planning is the Fuel  
For Agency Growth**

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# Planning

is the

# FUEL

# For Agency Growth

BY JACK FOSTER

Independent reps had better have a firm sense of who and what they are — not to mention a view of where they want to go — before planning substantial growth for themselves and their agencies.



“Before you execute any growth plan, it’s just as imperative for you to know who you are and where you’re going.”

That’s the opinion of reps who have successfully traveled the growth path, and their words provide valuable guidance for others planning for the future.

For the purposes of this discussion on growth, Karl Grabowski, president J & K Sales Associates, Manchester, New Hampshire, divides reps who want to grow into three distinct segments:

- “Some agencies grow simply because they want to increase their income through the acquisition of additional product lines and/or by increasing the sales of existing product lines.”
- “Other agencies decide to grow their business as a defensive mechanism to protect themselves from losing major product lines.”
- “And, finally there is a third group of rep firms — the very best ones in our opinion — that grow their agencies via their commitment to continually improve all aspects of their businesses.”

Grabowski continues, “These latter agencies tend to continually maintain their focus on growth by adding to or evolving overall capabilities that truly contribute value to the principals and customers they serve. It’s this last group of agencies that tend to take a long-term view of their overall market and their businesses specifically. In addition, they tend to be more concerned with the compression of their own internal transaction costs and in developing better business practices/services than they are about what their competitors are doing. This is exhibited through all aspects of our daily business lives.”

What this all comes down to, he maintains, “is being more concerned with what you’re doing and doing it right rather than focusing on the short-term goal of achieving a profit.”

### Work with a Plan

Echoing many of Grabowski’s views is Mike Parham, chairman, PEPCO Sales Company, Irving, Texas, who stresses, “It’s imperative for all of us to grow. But before you execute any growth plan, it’s just as imperative for you to know who you are and where you’re going. Once you have that information, then growth becomes automatic based on your company’s strategic plan.”

Just as Grabowski, Parham tends to group the reasons why a rep may want to grow his firm. “Perhaps the first reason is that you determine you’re not good or great at

everything you do. You can’t be everything to everyone. As a result, you may want to acquire another rep firm that would fill the void you have. We’ve grown this way several times. We’ve purchased other agencies four times and each time it was to improve our strength in a market segment.”

Parham adds one other way an agency can possibly grow — by eliminating lines. “We’re at the point where we know exactly what we make on each of our lines. For the sake of discussion, let’s assume that monthly we perform 38 distinct activities for product line X. Let’s further assume that each time we perform one of those activities there’s a cost that accompanies it. At the end of the month, we may determine that we’re losing money on that line.

“Why not resign that line and concentrate our efforts on a line where there’s a much higher rate of return and we can show a healthy profit at the end of the month?”

“This is simply another way that we can grow our business.”

He continues that “Growth is imperative for our business and we’ve accomplished that goal by taking a close look at ourselves to learn what our strengths and weaknesses are. For instance, we’re in five different segments of the construction industry right now. We constantly evaluate what we’re good at and where we might be weak. In those latter areas, we have to ask and answer the question: ‘What do we have to do to get better?’

“But basically what we’ve done is to grow organically. We constantly conduct SWOT (strengths, weaknesses, opportunities and threats) analysis to point us in the right direction. When you do that you ultimately gain a clear understanding of what you need to work on.”

Adding his thoughts on the importance of a rep planning for growth, Mark Creyer, vice president of L & R Associates, Inc., Hatfield, Pennsylvania, says, “Our (the rep’s) role has changed so much over the last five to ten years that if we do not change and grow, our manufacturers will make the change for us by going to other representation. The keys here are communication, technology, and growth. Manufacturers will not allow reps to stay at the same level year after year. They will not tolerate it. Reps will have good years and bad years, but the good had better outnumber the bad. Change is inevitable and must be embraced by everyone in our industry.”

Planning, evaluating and then repeating the process is a growth strategy that's been followed by Creyer, "Growth does not just happen by dumb luck," he maintains. "You must plan, evaluate, replan, evaluate, and continue this process throughout your life and your entire business career. If you fail to plan, you plan to fail. Employing a philosophy of growth is great, but if you are not committed to the hard work, dedication, blood sweat and tears that it takes to get there, you will stay at your personal status quo. For me growth must be focused, driven, and have clear obtainable goals. I do not believe in 'pie-in-the-sky' quotas, 100 percent growth models, or anything like that. The get-rich-quick scheme to me is not what owning a business is all about.

"Growth comes with risk and with risk comes with apprehension. If you have any apprehension or are afraid of the risk, you should not attempt to grow beyond what you can handle. Risk can be calculated at times and other times it is blind faith in yourself, teammates, and employees to reach the goals that you have set.

"As far as the philosophy of growing, there are many people who do not want to grow, or are afraid to grow, because of the commitment, time, management and investment it takes to get there.

"I do believe that if you are not constantly looking for the growth opportunity, you are going to miss something and will be left behind. Being left behind to me is not where I want to be. I like to be out in the front leading the race to the finish. Even if I do not finish first, I want to make sure I made every effort possible to win the race.

"The easiest philosophy to growth today is to embrace technology. You have to be on top of what is going on in this industry as well as adept in using the tools that are applicable to your business."

In addition to advocating the use of technology in order to grow, Creyer endorses the practice of outsourcing those tasks the rep may not be especially good at. "We are not all experts in everything. I want to surround myself with people that are better than I, rather than those who have less ability, because all I do is stifle my growth. Outsourcing can help a rep grow. If a rep has to handle things that he has to struggle with or has no knowledge of then outsourcing various services will allow the owners and

salespeople to stay focused on their strengths and achieve the goals and growth that they want personally and for their businesses."

### **Choosing the Professional**

Grabowski emphasizes the point that a rep firm is hardly going to enjoy successful growth if it is not professionally run — something that Parham agrees with given his agency's frequent SWOT analysis. Grabowski poses the following scenario: "Think about being faced with undergoing a major operation. Ask yourself: 'Would any of us choose the surgeon who is first considered a great businessman; or would we choose the great surgeon who also happens to be a good businessman?' Likewise, would we choose the landscaper who is a great businessman first, or the great landscaper that happens to be a solid businessman? So too is it with independent rep firms. Manufacturers and customers naturally tend to gravitate to the best performing agencies. Conversely, they're not concerned about doing business with the largest or what appears to be the most profitable. In other words, profit or size may not be the true indicators of 'real' growth."

He continues, "Once an agency clears a path to grow/protect their business, we believe it is of critical importance for the management of that agency to establish a strong cultural base or foundation in order to reinforce how the management and employees of the firm will *lead, manage* and *operate* the company moving forward."

It's common for that cultural base or foundation to be found in the agency's mission statement. According to Grabowski, "The mission statement can't simply be something that's published on an agency's website or appears on its line card — and is never thought about again. It's imperative for the management of an agency to continually 'walk the walk' and 'live and breathe' the basic tenets going forward internally with employees and externally with principals and customers."

### **'This We Believe'**

As an example of what he's referring to Grabowski cites J & K Sales Associates' "This We Believe" statement that accompanies the agency's line card, shown next page.

**“Employing a philosophy of growth is great, but if you are not committed to the hard work, dedication, blood sweat and tears that it takes to get there, you will stay at your personal status quo.”**

While there is agreement the execution of any growth plan can only be accomplished with the existence of a carefully crafted strategic plan, the reps also agree growth is hardly automatic — and they emphasize that their best-laid plans in the past haven't always gone as they might have hoped.

Grabowski is quick to point out that “I’ve probably messed up everything I’ve touched three times over. What happens is that reps, in general, are fairly insular. We don’t always emulate others. Mistakes have obviously come when we’ve tried to reinvent the wheel. For example, we’ve worked very hard on our technology platform, and I think what we’ve done has served us well. We probably could have saved ourselves some time and aggravation, however, by looking at what others have done.”

### Association Membership

One place he notes that he’s been able to take a close look at what his peers have done and to learn from them has been through his membership in the Association of Independent Manufacturers’ Representatives (AIM/R). “If anything, our association membership has been our prime catalyst to learn what others have done correctly.

“I think back to the time when we were first involved in the association. We were like the 7<sup>th</sup> grade kid attending the high school dance. Gradually, we got involved and found out what the other reps were doing. That process has grown to such an extent that we now approach the AIM/R Annual Meeting with a shopping list of topics we are going to explore.”

Seconding the endorsement for AIM/R is Creyer, AIM/R’s president, who says, “I hate to sound like a poster child for Aim/R, but networking with your peers is the most important tool. Networking with peers, talking with others, and having conversations with others who were your size business at one time, is the best place to start. AIM/R is where reps go to succeed. No offense towards anyone who has run one of our conferences, including myself, but I learn more from speaking with other people at our conference than the conference itself. Speakers are great, but until you apply what you learn it is an uncalculated risk. If you speak to someone who has implemented an idea, and he explains to you what worked and did not work and what he had to do to get to where he wanted to go, that’s much better than just hearing the idea, concept, or philosophy.”

### Learning from Mistakes

Searching for an example of taking some false steps when looking to grow, Parham cites the importance of thoroughly researching all aspects of new product lines. “I can remember a time,” he says, “when we were going to thoroughly revolutionize the use of granite around shower stalls. Things didn’t go exactly as we had hoped primarily because we didn’t do all we should have when it came to product research. Sometimes you think you can ask five of your customers what they think/want/need and you get the answers that will allow you to move ahead. If you ask five customers, then you’d better ask 25 before you take a step.”

## J & K Sales Associates’ “This We Believe” Statement

- In a single-minded commitment to continuously identify the worst aspects of our business and endlessly strive to turn these weaknesses into our strengths.
- In the understanding that excellence is defined totally by what our customers say it is.
- In despising and opposing bureaucracy and all the mindless barriers that are erected as a result of it.
- In striving to attract, retain, motivate and most importantly, train, train and then train some more, the best people we can find in our industry.
- In setting ourselves apart by being more focused on our customers than our competitors.
- In selecting our product lines on the basis of strong technical, mechanical and competitive advantages.
- In continuously promoting our product lines in the secondary market to create contractor demand and engineering specifications for our customers and our principals.
- In the knowledge that profit is a natural growth of doing things right.”

# “Our association membership has been our prime catalyst to learn what others have done correctly.”



If these reps admit they've made their share of mistakes when it comes to growing their agencies, they also admit whatever success they've enjoyed as they've grown has been accomplished by communicating their goals with their own staff and their principals.

When asked to name any common mistake a rep makes as he grows, Creyer points a finger in the direction of impatience.

“Time! You have to commit to growth and you have to give it time to work,” he emphasizes. Things do not happen overnight or sometimes even in a year. Owners, employees, manufacturers, all have to be communicated to as to what the goals are, and these goals need to be evaluated often. Everybody wants things to be rosy the day after you make a decision to do something. Once something is decided, make sure all the leg work, ground work, and questions have been answered. Throw the ‘What ifs’ at yourself so that if they come up, you have already thought about them.”

He adds, “Another common mistake is stretching yourself too thin. Outsource what you are not good at. Evaluate your business model, evaluate your customer lists, evaluate the manufacturers that you represent. It is truly a partnership between the manufacturer and the rep when it comes to growth. One cannot grow without the other. Communication has to remain constant. Do not float an idea or implement a program and just let it fly out in the wind. Monitor, evaluate, and if changes need to be made, communicate them.”

## Value in Communication

Parham, for example, says, “Our philosophy has always been that we simply don't sit still. And because we don't sit still, we want to make sure we communicate what we're doing to everyone involved. On a monthly basis we communicate with as many of our principals as possible and we conduct regular strategic reviews with them. Our thinking is that by having as much communication as possible with our principals, we're creating barriers for anyone else who might be interested in that line.”

Likewise, Grabowski is a firm believer in — and a practitioner of — communication. “Our first target is obviously our own team, and to them we communicate that whatever we're doing to grow is an evolution, not a revolution. We spend a great deal of time on our process-

es and procedures in order to do everything right on the front end.”

Just as important as communicating with the ‘home team’ is the effort to communicate with the agency's principals. “We built a communications package that sits right on top of our accounting package,” he explains. “We did that in order to share both technical and sales call reports with our manufacturers on a daily basis. I fire off these reports between 5:30–6:30 every morning. This provides us an ability to pro-actively communicate with our manufacturers on specific threats, opportunities and general market conditions on the front end. There is a certain amount of ‘enlightened self interest’ with this effort, as it eliminates the need of our principals to be continually attempting to ‘extract’ this information after the fact. This, in effect, compresses everyone's internal transaction costs and makes our agency much more valuable in the eyes of the manufacturers that we represent.”

Staying on point when it comes to the importance of planning and communication, Creyer maintains, “Personally I feel that the company has to be on the same page from top to bottom. I remember many years ago that when President Kennedy walked through NASA and asked the janitor what his job was, the janitor replied ‘It is to get a man to the moon.’ As agency owners we have to involve our employees in our plans, engage them in the growth of the company as well as incentivize them to do so. The path must be clear, concise, but not perfect. We are going to hit small bumps and mountains as we try to grow, but as long as we work through the small bumps, we should not be surprised when a mountain comes along. Mountains can be catastrophic for a company. In my 20 years in this industry, the company I was employed by and now am part owner of had to climb over two mountains. They lost major lines twice that represented significant income, and their loss could have affected growth and the company in a negative manner. Both times the management team kept all the employees intact and continued by re-planning, re-executing, and resetting goals to overcome the mountain. It was not easy, but we have made it through twice (knock on wood). I feel that everybody needs to be involved. The more people pushing the train uphill the better. If everybody just rode the train, the train would never make it to the top.” 