

Have you ever heard a representative complain that he grew a line by 110 percent but then lost the line to a larger rep?

Or how about a remark from a prospective principal during an interview that the prospective principal liked the owner of the previous representative firm, but felt they just didn't have the manpower to grow his line?

How about the representative owner who says he just can't make any money as a manufacturers' representative because his overhead and manpower costs were just too high?

All of these questions apply to deciding when a representative should hire an additional person. This is a tough decision whether you are a single person representative firm or have 20+ employees. You know that the additional person is going to have an immediate negative impact on your bottom line at the end of the month. What you don't know with certainty is what positive impact that person will have on your bottom line this year and in years to come.

So, what are the criteria for adding that extra expense... I mean person?

From conversations I have had with my fellow reps, the following are things to consider:

1. Market Perception

What are principals looking for? Do you have enough people to adequately and reasonably cover the territory? This is the biggest hurdle a new representative firm must jump; how you get there can be a big investment. Not getting there could mean the end of your representative business.

For example, In Metro New York/New Jersey, I can see a firm covering the area with a minimum of one person in New York and one person in New Jersey. As I see it, a one-person firm would have difficulty explaining how he or she could cover it all. You need to be able to market your firm as having enough coverage that a principal will hire you.

2. Do You Have a Fast-Growing Principal?

It's very tempting to take a big dividend from that commission check you just received from that fast track principal. Resisting short-term financial gains in favor of long-term growth by hiring more salespeople can be a successful strategy.

3. Yes, It Boils Down to Dollars and Cents

I've heard some representatives say that they like to have the new person's yearly salary in the bank prior to making the jump. My personal feeling is that it's too long to wait.





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I do number crunching with an optimistic flair — if I feel that I can cover at least 75 percent of the additional personal cost, I make the leap. Yes, in the beginning months I will lose some money, but with some luck, I often break even after a few months.

If principals see you adding resources, they may find some way to steer additional compensation your way. Some of this compensation may come to you as an additional product line that you did not have, or they may move a house account to you and perhaps give you additional territories.

Conversely, if a principal feels he is paying you too much for the amount of manpower you deploy, the opposite could happen. Suddenly, the principal wants to discuss reducing commissions, converting major accounts to house accounts, or worse, terminates your agreement.

4. Top Principals Like Feet on the Street, Not Quite, “Build It and They Will Come”

Stretching your resources to hire that extra person can make the difference between landing that big line and coming in second best.

5. Businesses Do Not Stay the Same Size

This is wisdom my father, God rest his soul, shared with me when I was first starting my firm. He explained they will either shrink or grow. Having additional resources may put you in control to choose.

Every principal wants to be with a winner — to hitch their wagon to the next rising star. Adding manpower to your firm is a clear sign to your industry that your firm is the one to be with. In the short run, it seems scary and expensive, but in the long haul hiring additional personnel can make your firm the one with the fastest growing top lines.



John Beaver founded GSA Optimum, Oakdale, New York, in 1984. The metropolitan New York/New Jersey independent manufacturers' representative firm has 33 employees covering Maine to Virginia out of its four offices. The agency specializes in electrical mechanical, electronic, and electrical components. This growth can be partly attributed to his successful acquisition of six firms. In 2015 he began his tenure as a MANA Board member. He is also an active member of ERA and NEMRA. As a member of ERA he serves as a National Delegate and is the Chairperson of Metro NY/NJ ERA local chapter.