SOME METHODS OF SECURING MORE EFFECTIVE SELLING THROUGH MANUFACTURERS' AGENTS

By

William R. Jones
and
Robert J. Lannamann

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Signature of Authors.....Signature redacted.....
.....Signature redacted.....
Department of Business and Engineering
Administration

Certified by.....Signature redacted.....
Thesis Supervisor

530 Beacon Street
Boston, Massachusetts
May 16, 1949

Professor Joseph S. Newell
Secretary of the Faculty
Massachusetts Institute of Technology
Cambridge 39, Massachusetts

Dear Sir:

In accordance with the requirements for graduation, we herewith submit a thesis entitled Some Methods of Securing More Effective Selling Through Manufacturers' Agents.

We wish to take this opportunity to express our sincere appreciation to the manufacturers and agents that were visited for their kind cooperation in supplying us with the information which makes this thesis possible.

Sincerely yours,

Signature redacted

William R. Jones

Signature redacted

Robert J. Lannamann

PURPOSE

Theoretically the manufacturers' agent offers many manufacturers an ideal channel of distribution, but unfortunately, in actual practice, the success obtained through such agents is often limited. Little cognizance has been taken of this problem in the texts and periodicals devoted to marketing, and the authors hope that they may have made some contribution in this area. The authors have endeavored to ascertain those methods by which a manufacturer can obtain effective distribution through manufacturers' representatives.

SCOPE

This study on methods of obtaining effective distribution through manufacturers' representatives has been limited largely to the fields handling consumer goods. Industrial products and their distribution by agents have only been touched on briefly. A qualitative rather than quantitative approach has been used throughout because the very nature of the subject, its lack of clear-cut characteristics, would make any attempt other than the one adopted both misleading and fallacious.

METHOD

Of the three possible sources of information on this subject - printed matter, the personal interview, and the mail questionnarie - only one was found to be very satisfactory when examined. An inspection of the printed substance in three of the leading Boston business libraries disclosed some information, but such data generally were not too current and wholly inadequate for the purpose of this work.

Mail questionnaries were given serious consideration but were eventually not used for several reasons:

(1) the low percentage of answers usually received.

(2) the semiconfidential nature of some of the data required.

(3) the abundance of agents available for personal interviews.

It was, therefore, decided to exert all efforts into the obtaining of a series of personal interviews with agents and the executives of companies using representatives and in the several product classifications employing this channel of distribution. A questionnaire was prepared and tried on several agents and sales managers. Improvements were made, and the final form shown in the appendix was developed. In most interviews the questionnaire was not used directly. In fact, it was usually kept out of sight and only consulted between interviews to aid in recalling data on the previous talk and to serve as a reminder of pertinent questions for the following discussion.

Interviews with sales managers and other executives in companies dependent on manufacturers' representatives for distribution as well as interviews with the agents themselves and their salesmen provided

most of the facts in this paper. The majority of these interviews were made at conventions sponsored by various groups and associations. "Cold approaches" were made in nearly all interviews, but without exception people seemed willing and glad to talk with the interviewer whenever the press of business would allow time. There was a marked tendency towards general observations rather than specific examples from their own experiences in the answers these men would give, but in some cases they would lose their natural reluctance to discuss such things with a stranger and gave pertinent facts. It was usually possible to draw definite conclusions from their passing comments or attitudes on delicate subjects. One interesting discovery was that people at conventions were much more informative in the afternoons than in the mornings. By their very natures, conventions are rather exhausting to the participants, and by late afternoon their ability to parry questions is decreased greatly by either fatigue or stimulants!

"Cold approaches" were made on about a dozen agents at their offices with the same general results that were obtained at conventions.

A third class of interview was the interview made with friends or arranged through mutual friends. These included interviews with several more agents and company sales managers as well as with the Director of the Wholesale Garment Association in Boston.

ACKNOWLEDGEMENTS

The authors wish to express their appreciation to the sales managers and agents whose cooperation made this work possible, especially to the three men who shared so generously their valuable time and knowledge - Mr. Raymond Moore, the sales manager who helped with the development of the questionnaire; Mr. Ray Higgins, the sales manager from whom was received a detailed confirmation of the validity of many of the policies suggested in this paper; and Mr. Richmond of the Wholesale Garment Association.

SUMMARY

The source of the difficulties encountered by most companies in distribution through manufacturers' agents lies in the lack of control such companies have over the actions of their representatives. The most common complant made by manufacturers is that they have no way to assure themselves that their agents will apply a consistant selling effort. The manufacturer is most often responsible for this trouble, however.

The manufacturer has two alternate methods of obtaining effective distribution when employing agents. First, he may attempt to create such a strong demand for his product that it will be "pulled" through the marketing channels. In competitive fields this is not always possible. The second mothod involves first the selection of the proper agents to handle the line, and then the creation of a sound sales policy which will make the line so attractive that it will be "pushed" through the channels of distribution. If a manufacturer can establish a reputation for fairness in his relations with his agents, and if he can make his line profitable for agents to handle, then through cooperation he may achieve their support. The methods by which a manufacturer may cooperate with his agents are:

1. The agreement with the agent should be carefully planned to cover all contractual arrangements with the agent.
2. Protect the agent's territory.
3. Have a consistent policy on commissions.
4. Make a definite procedure for handling complaints coming from customers.

5. Supply agents with leads whenever such come to the attention of the manufacturer.
6. Back up the agent with advertising whenever possible.
7. Give the agent any sales assists that would be of value.
8. Notify the agent promptly of changes in policy or price.
9. Send company representatives into the field from time to time to accompany the agents when calling on customers.
10. Give the agent as much authority in the field as possible.

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I - Introduction

The Approach

Under many conditions, manufacturers' agents provide a simple, effective, and low-cost means of distribution. With the return to a buyers' market, their importance may well increase as manufacturers find they must reduce selling costs and at the same time provide for a more comprehensive coverage of their market. The methods by which a manufacturer may obtain the best results through the use of manufacturers' agents will become a significant topic. The thesis will endeavor to deal with that portion of the subject pertaining to manufacturers of branded consumer goods. It is a broad subject, largely intangible, and no steadfast rules can be consistently applied.

The first section of the report will be devoted to a discussion of the background material relating to manufacturers' agents, their functions, and importance. Secondly, an analysis will be made of the relationships that exist between them and their principals. We hope to evaluate the various policies which have given both good and bad results, and from these, perhaps, derive some general observations.

Functional Middlemen

Any complete picture of the channels of distribution currently being employed by manufacturers would have to include a number of agent middlemen. Although their total annual volume of business is relatively small, they do perform necessary functions and services within certain industries. We can divide these middlemen into four types; brokers, commission agents, sales agents, and manufacturers'

agents. Though we may set up theoretical boundaries between them, these do not necessarily hold in actuality, for the functions of one group shade gradually into those of another. There exists a jumble of cross-breeds, which is readily understandable, for the middleman must adapt his selling techniques to fit many different problems and many varied conditions. Although the thesis concerns itself with manufacturers' agents, many of the points discussed may be applicable to these other groups of middlemen for often the same sort of manufacturer-agent relations exists. It might be helpful at this time, then, to bring out the essential features that generally distinguish typical members of these groups. The NAMT Definitions Committee has defined them in the following manner.[1]

a. The broker is an "agent middleman who does not have direct physical control of the goods in which he deals but represents either buyer or seller and does business in the name of his principal."

b. The commission merchant "....transacts business in his own name and exercises direct physical control over the goods consigned to him and negotiates their sale."

c. The selling agent is "an agent middleman who generally operates on an extended contractual basis; sells the entire output of his principal; and has full authority with regard to prices, terms of sale, etc."

d. The manufacturers' agent is an "agent middleman

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[1] National Association of Marketing Teachers Definitions Committee, the National Marketing Review, Vol. 1, No. 2

who generally operates on an extended contractual basis; sells within an exclusive territory; handles non-competing but related lines of goods, possesses limited authority with regard to prices and terms of sale. He is authorized to sell a definite portion of his principal's production."

The features that commonly identify the functional middleman from the merchant middleman are that they seldom take title to the goods they handle, though they may have physical possession, and that these agents generally do not sell for their own accounts but transact business for others.

Definition of Manufacturers' Agents

For the purpose of the thesis, it is necessary to further define manufacturers' agents. The nomenclature used with respect to these middlemen is confusing, to say the least, for they often are referred to as manufacturers' representatives, and may also operate under the title of merchandise broker, export agent, or sales representative.

Manufacturers' agents may work alone or may employ a staff of salesmen to work with them. Many successful salesmen prefer to assume the independent status of a manufacturers' agent rather than work directly for a single company because they may have a greater potential income from the higher commission rate. Agents may operate out of their own homes but if they have a staff working for them, they usually maintain a sales office. When the number of items carried by an agent is extensive, he sometime has a showroom to which his regular buyers may come to make their selections. However, most

agents figure that the bulk of their sales result from personal calls on their customers unless their products are so standard that sales can be easily handled by mail. Agents also make full use of trade conventions at which they display their products and take orders for their merchandise. These conventions are held for numerous trades in the major cities of the country and will usually attract large numbers of prospective buyers.

Agents handle noncompeting lines but lines that are similar enough to be sold to the same outlets. For instance, an agent in the automotive supply field might carry a line of batteries, anti-freeze, tires, polishing wax, etc.... probably a dozen or more different articles. His accounts would include either automotive jobbers or the retail outlets. An agent dealing in giftware would tend to be more specialized and would handle either glassware products, chinaware, aluminum or copper dishes or trays, etc. Agents seldom carry a stock of the goods they handle as they wish to avoid all speculation. In some instances they will have a small reserve for the convenience of their customers in emergencies. Samples are usually bought from the manufacturer, although manufacturers sometime have a policy of furnishing samples to their agents free of charge.

Agents sell strictly on a commission basis from which they pay their own expenses. In rare cases, they may be retained on an annual fee; when this is done, they may be required to meet definite yearly quotas of sales. Agents selling garment lines are often given a drawing account to cover their expenses since their selling is seasonal, and for good reasons their commission is not paid until several months after the order is taken.

Agents attempt to cover a definite territory for all of their accounts; however, these territories do not always perfectly overlap - but for each product a specific area is defined. Unless stipulated accounts are reserved for the manufacturer, the agent may expect to have exclusive distributional rights within his region. He may further expect commission on all sales coming from his territory, regardless of their origins.

The most common shipping practice is for orders to be sent directly to the customer from the manufacturer, and for the manufacturer to handle the billing operations. When the agent handles billing (and this is only in unusual cases), he is entitled to a higher commission rate. Agents occasionally provide other services that warrant higher commission rates; these might include special missionary work, technical installation assistance for the customer, product design for the manufacturer, etc.

Position of Manufacturers' Agents in Distributional System

Manufacturers' agents or representatives are found in a number of fields. The following are the commodity lines for which they are most prominent:

automotive products
chemicals
clothing and furnishings
dry goods
electrical goods
furniture and house furnishings
foods and groceries
hardware
lumber and building materials
machinery, equipment, and supplies
metals
paper and associated products

There is no available compilation of figures on the total sales

of manufacturers' agents for recent years. It is hoped that the 1950 census will supply this missing information. Material now available for total sales and number of establishments is for all functional middlemen combined, but such data is of little value in a work such as this.

From past census material it is safe to state that manufacturers' agents are the least significant of the several types of functional middlemen in terms of total dollar sales, but that they outnumber the other groups.

Information for the year 1937 shows the following data pertaining to manufacturers' agents:[1]

Number of establishments	9,778
Sales (millions of dollars)	1,397
Operating expenses (millions of dollars)	75.5
Employees, full and part time	19,502

The average number of employees per establishment was quite small, 1.9 - which indicates the large number of the independent salesmen (agents). The average of sales per establishment was $143,000, and expenses, averaged 5.4% of total sales.

Variations in Distribution Between Consumer and Industrial Goods

Hereafter, the thesis will be devoted to a discussion of effective distribution of branded consumer goods through manufacturers' agents. Actually, most of the principles to be covered will also be applicable

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[1] Statistical Abstract of the United States, Department of Commerce, 1943, page 836

to industrial goods. In the process of interviewing, the authors talked with several agents for, as well as manufacturers of, industrial products. It was found that there are few major points of distinction. Generally, agents of industrial lines carry a smaller number of items. Their orders are larger, less frequent, and there are fewer accounts. The representatives usually must be well-trained and often possess technical or engineering skills. The agents may be expected to give technical advice to their customers and provide special services such as assistance on layout or installation problems, if the product was, for example, machinery. Or, the representative may carry on missionary work for the manufacturer. These agents usually work in closer cooperation with the manufacturer than do the representatives of consumer goods. We believe that there are probably more problems arising in the distribution of consumer goods through agents, than for industrial goods, where there usually is not this close cooperation between the two parties.

II - The Problems Arising from the Use of Agents

When Are Agents Practical to Use?

Manufacturers with peculiar marketing problems will often resort to the use of manufacturers' agents for either a part or all of the distribution of the products. Agents may offer certain advantages to the manufacturer that he could not obtain through the establishment and maintainance of his own sales force. Certain products are more adaptable to selling through manufacturers' agents than others. The following is a list of the major reasons agents are used, as compiled from interviews with various manufacturers and representatives.

1. Selling costs may often be reduced through the use of agents. Agents carry a number of items and, consequently, their expenses are borne by all of the manufacturers they represent. The cost of sales may be stabilized and maintained at a fixed rate as agents are an expense only when they produce orders. This is a particular advantage in a tight buyers' market or in depression years.

2. The manufacturer may not have the skill or resources with which to establish and support his own sales force. Manufacturers' agents will then permit him to devote all of his energies to production. Many companies lack sufficient capital to hire and train their own salesmen. Small manufacturers are often so-called "one-man shops" where the owner does not possess the fundamental skill, knowledge, or interest in marketing to handle his sales

problems. This is often particularly true in the gift and furniture fields. In some instances, agents will take on all of the marketing functions and will assume responsibility for billing the customers and carrying their accounts. They may even handle advertising and prepare such sales aids (folders and illustrated brochures) as are necessary.

3. Agents can often serve distant markets not rich enough to justify the establishment of a company-controlled sales force. Company 8, a manufacturer of special type furniture, employs its own salesmen in territories near the plant but by using representatives in distant sections of the country, it is able to obtain some coverage of additional markets. The company felt that any expansion of its own sales force into new areas would not be justified by sufficiently increased sales, and that though the agents were not doing an outstanding job by any means, the orders they did procure meant some extra profits.

4. Reputable agents may be helpful where competition is keen. When competing products are similar in nature, and the number of suppliers is large, the customer often purchases on a purely personal basis from salesmen he likes - men who have given him good service in the past. If he buys from an agent, then this agent may be a good means of distribution. This factor is probably more important for industrial goods than consumer products. For example, Agent A handles a line of fans as well as other types of electrical appliances - standard items in a competitive

field - sold both to industrial and consumer accounts. His customers are loyal to him and buy mainly on his recommendation of products. It took years to build his reputation and it is now his prime asset in business. Manufacturers who seek him to handle their line are, in effect, buying his reputation and following.

5. The normal channels of distribution may require the use of agents. This factor often ties in closely with number 4. The customers that a particular manufacturer wants to reach may normally purchase similar items through manufacturers agents, to whom they are essentially loyal. It might be disastrous for the manufacturer to attempt to change the buying habits for his product. Company 2 manufactures a line of clocks that are used to switch electrical circuits on and off - in outdoor advertising signs, store window displays, etc. The manufacturer found that his customers bought mainly through agents, ones they knew well. The Sales Manager felt that it would be suicidal to by-pass this distributional system and sell directly to the users, and so the company was forced to distribute through agents, though it is not too satisfied with the results.

6. Agents may be used when the market is alien to the manufacturer. This might occur when a manufacturer is introducing a new product and has few contacts with potential customers. Company 4, a Swiss manufacturer, recently initiated a subsidiary in this country. It was felt that, being an unknown company, agents afforded the best means

for entering a tight and competitive field. The process of gaining acceptance for the product has proven long and painful and the executives believe that the success they have made to date has been the result of their representatives familiarity with the field.

7. Agents may be used to supplement a company-controlled sales force. Some manufacturers have found that it is not feasible for them to fully cover their market with their own salesmen. Representatives, carrying other lines in addition, can afford to concentrate on the smaller, scattered accounts. In these cases, it must be well-defined just which accounts are to be handled by the manufacturers' salesmen and which by the agents.

8. Agents often provide a simple means of reaching foreign markets. The use of agents in foreign countries is increasing as manufacturers realize the sales potentials that exist in these areas. Their use simplifies the legal requirements that would be necessary to establish a subsidiary organization. Of necessity, the contracts with the representatives are unusually rigid in order to protect the manufacturers' patent and design rights, etc. Both companies 3 and 7 have their own sales force in this country but employ agents in Canada.

9. It may be convenient for agents to handle specialty items that would otherwise require considerable reorganization of the manufacturer's sales department to distribute through different channels or outlets. Companies that manufacture

side-line products to use waste materials, or to utilize machinery and labor in slack periods, will often find that these products cannot be sold through their present channels of distribution. In these cases, it might prove more econical to turn the secondary line over to agents rather than alter the existing sales procedure. Company 10 normally is engaged in resharpening and resetting drill taps used on gas mains. As the business has periodic slack seasons, it developed a side-line that would employ the machinery and work force. The company now makes a line of drawing pens and small tools in moderate quantities which it distributes through manufacturers' representatives because this part of the business is relatively insignificant, a mere convenience to the company, and does not warrant developing a sales force to handle these items.

10. Manufacturers of seasonal items may find representatives a satisfactory method of distribution. Agents may afford the answer to the question of how to employ company salesmen during the off-seasons. Company 6, a manufacturer of tire chains, distributes through agents because all orders are taken in a six months' period from May to October. All of its major competitors maintain their own sales forces but they have other lines that their salesmen sell in the remaining months of the year, which Company 6 does not.

11. Agents can often replace wholesalers and provide better service when specialized selling is needed. This factor is most important in the industrial field where the

salesmen may need to have technical knowledge of the product. Company 2, discussed previously, reported that it had the option of selling either through agents or jobbers. The company felt that jobbers would have little opportunity actually to acquaint themselves with the product and its uses since they carry thousands of different products. Company 2 chose to sell through agents because it believed agents could achieve more personalized selling.

Difficulties Manufacturers Encounter With Agents

Manufacturers' agents have proven that they can fill necessary functions in the distributional system. However, they do not always provide the perfect and ideal means for all companies with special marketing problems, but every system has its drawbacks. Many manufacturers have tried using agents with little success, and the complaints against them are numerous. It would be impossible to set forth all of the difficulties encountered with agents. Certain complaints seem to predominate, however.

In the interviews made in conjunction with this thesis, the basal complaint made against agents is that manufacturers have little or no control over their actions. Agents may refuse to cooperate with the manufacturer in pushing lagging sales. Agents often fail to cover the small, scattered accounts, though their sum total would represent a considerable volume of business for the manufacturer. An excellent example of the independence of agents is found in the garment trade where distribution is almost one hundred per cent through

representatives.[1] This field is keenly competitive, and the difference of a nickel on the cost of a single garment is likely to be the determining factor in making a sale. With few exceptions, manufacturers are small and have little or no customer loyalty for their products. Retail buyers purchase according to price, style, and their friendship for particular agents. The agents in the trade are mostly long-experienced men and there are few new men entering the field, for manufacturers prefer salesmen with good followings to handle their merchandise. Naturally the industry is beginning to suffer from this short-sighted policy. The result has been that agents can be extremely selective in the merchandise they carry. From a line of a dozen or more garments that a manufacturer may have, the agent is apt to choose only the best two or three. Companies have found that the agents are then inclined to drop the items that require pushing. This, of course, gives the manufacturer completely inadequate coverage for his products.

Because they lack control over their representatives, companies will often find that their agents do not apply the necessary selling effort to do an adequate job. Agents may be too interested in making immediate sales and pass up the many opportunities for sales that would require effort over a protracted period of time. Company 9, manufacturers of a product for which orders are large but quite infrequent, is experiencing this difficulty.

There is a danger that agents will take on too many lines and,

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[1] From information obtained from the Wholesale Garment Association in an interview with Mr. Richmond, the Director.

consequently, spread their time too thinly over the products that they handle. In such cases, agents amount to little more than order-takers, selling out of catalogues, much like a jobber or wholesaler. They haven't the time to demonstrate any real salesmanship. The number of lines that a representative can successfully carry depends largely upon the nature of the product; in industrial goods, it would probably average around six, but in the gift line twenty often is not too many. The Sales Manager of Company 11 suggested another difficulty that agents will bring on themselves by expanding their lines too far. He stated that many of the agents within a field know each other well, and if they call on the same customers will often help each other out by putting in a recommendation for the other fellow. When an agent takes on a line that encroaches upon a product handled by one of his agent-friends, he is apt to lose the support of an influential person.

Many manufacturers believe that most agents are essentially lazy, that they do not work as hard as they could or should. This is the result of their independent status and the lack of control that the manufacturer has over them. Instead of solving their own problems, they expect the manufacturer to pave the way for them completely. There is a limit to the amount of advertising a manufacturer can do, to the leads he can supply his representatives, to the sales aids he can give, and to the amount of time he can spend with the salesmen in the field. Good agents are capable of standing on their own two feet and do not depend upon the manufacturer for an excessive amount of assistance.

Another complaint against representatives is that they sometimes

oversell their account. Agents may not take a long-range viewpoint in their selling and may devote an undue amount of time to the sales of the one product that has the best immediate prospects. This is done at the expense of the other lines they carry. Overselling occurs most frequently when introducing a new product. The danger from overselling is that the manufacturer receives a false picture of the actual size of his market, and is led to expand his facilities to take care of the large influx of business. Later he finds sales dropping off and he is left with overextended facilities. In addition, both the agent and the manufacturer have lost the respect of the merchant who has been overstocked. To quote Agent C on this subject, "the agent seeking to give the customer only what he needs will be sending in a steady stream of orders to the manufacturer which will allow the manufacturer properly to schedule production. The agent is then performing a real economic function of value to the trade and is firmly establishing himself as a good salesman."

Manufacturers' agents, by all rights, carry noncompeting products, but products that are usually similar enough to be sold to the same outlets. The distinction between noncompeting products is sometimes rather fine, and agents occasionally overstep the boundaries. This complaint occurs most frequently in the gift and furniture lines. For instance, in the gift line, an agent may specialize in copperware - carrying a line of low-priced utensils and another of medium price. If they overlap somewhat, he is actually handling competing products, often to the disadvantage of both manufacturers.

The last major complaint against representatives is that they often have no clearly defined sales policy and will sell to more than one type of account (where such is harmful). For example, an agent

might sell a line of batteries to both jobbers and retailers at the same price, thus partially by-passing the normal channels of distribution and making it impossible for the jobber to compete on the item. This creates more ill-will towards the manfuacturer than towards the agent. When the manufacturer is strong enough in his relations with the agent, he may insist upon a uniform sales policy. If an agent is selling to jobbers, he should have no other accounts that tend to by-pass the normal channels.

A work of this sort cannot hope fully to cover all of the complaints that manufacturers have against agents, but these represent some of the real problems that manufacturers encounter when seeking to distribute through agents. Some of the troubles are caused by human nature, the natural desire to make a good living as easily as possible. Not all of them can be blamed upon this particular distributional system, for the manufacturer would meet them regardless of which channel he used to distribute his goods. In order to make the system more perfect, manufacturers must seek the answers to these difficulties.

Complaints of Agents

Perhaps the most attractive feature of distributing through manufacturers' agents is that it provides a flexible system that can be adapted to meet the problems facing each manufacturer. The disadvantage is that there can be no uniform code set up that will guarantee good results. Both the manufacturer and the agent must learn from experience how to work with each other. We have seen some of the difficulties that the manufacturers encounter, but the picture

is not one-sided at all. Agents have often found that the manufacturers will create situations or conditions that make an adequate selling job impossible. John H. Frederick, who has done a considerable amount of investigation of the possibilities of distributing through manufacturers' agents, estimates that "75% of the failure of agents is due to the lack of interest or cooperation of the manufacturer."[1] Representatives have many justified complaints against the treatment they receive from their principals. Again, it is impossible to investigate all the types that occur; at best we can hope to categorize some of the more frequent troubles.

1. Agents often suffer from the completely disinterested attitude taken by a manufacturer who seems to tolerate his representatives but will not assist them on certain necessary functions. Manufacturers may adopt the policy that since they expect no help from their agents on production problems, the agents should expect no assistance in selling. Such a philosophy just does not work, for it immediately creates resentment within the agent. There must be cooperation among sales, management, and production in any company even when the sales department is not directly controlled by the company. Agents are independent units acting for the sales department of the manufacturers they represent, and as such, they have every right to expect and receive the backing of their principals. If the manufacturer is

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[1] "Manufacturers' Agents, How to Find Them and Handle Them Resultfully," John H. Frederick, Printers' Ink, January 17, 1935

small and has an inadequate staff, then he may not be able to give any real assistance to his representatives. But where the agent performs more than his normal functions, he should receive extra compensation. Most agents are not in the position to carry on any large scale promotion-planning or advertising programs. Agents charge that many manufacturers are lax in handling inquiries or complaints coming from customers. When a manufacturer receives an inquiry or complaint from the field, it is his responsibility either to answer the letter promptly and courteously or to turn the matter over to his agent. If he does neither of these, he stands to lose the good-will of the customer - not only for himself but for his agent. An inefficient policy or method of handling complaints and inquiries would be disastrous to any company whether they had their own sales force or whether they distributed through agents. In times of a seller's market, manufacturers often refuse to supply the agent with any sales assists - descriptive folders on the products, technical information, etc. - that might be necessary in the selling process. At times, manufacturers are lax in notifying their agents of changes in prices or policies, and this creates an impossible situation for the representatives. Management, as well as agents, has definite responsibilities that must be carried out if good results are to be expected.

2. Agent C stated that some representatives have found that they can do too good a selling job, at times. If they are very successful, the manufacturer may decide that he would

prefer to set up his own sales department in that territory rather than see an agent make $10,000. or more in the area. This, he says, does not happen too often, but frequently enough to be considered. Agents who handle only a few lines are risking their livings on the good faith of their companies. An agent should have enough lines to give him some measure of independence. John H. Frederick quotes an agent who said, "fortunately most manufacturers are square but now that sales forces have to be built up, many of them look on their agents as 'bird dogs' who should be satisfied merely with flushing the birds, instead of eating them."[1] Manufacturers who engage in such practices, besides doing an injustice to the agent, are taking a gamble on future sales. Often they will find that the customers they expected to retain in that territory are essentially loyal to the representative and not to his product.

3. Manufacturers often have no well-defined policy with regard to commissions. Often they will pay varying rates with no justifiable reason. If, for example, an agent in the New York area finds he is getting a smaller commission than the agent doing the same job in Pennsylvania, he is naturally going to resent the arrangement. Manufacturers should, whenever possible, determine a uniform commission rate. Of course, when one agent is providing more services than

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[1] "Working With Your Sales Agent to Build Volume and Profit", John H. Frederick, Sales Management, July 15, 1937

another, he deserves a higher commission.

4. Manufacturers are often vague in defining "house accounts". Agents will operate under the impression that they have exclusive rights within a territory, only to discover that the company wishes to deal directly with some of the larger prospective customers. If the agent is operating as the primary source of sales within a territory, he should be allowed to handle all accounts within that region, unless his commission is such that it would not permit the manufacturer to compete on the order. For example, Company 6, a medium-sized manufacturer of tire chains, reserves certain accounts to be handled directly from the factory because the commission they would have to pay the agent for the orders would be too large to allow them a profit on the transaction. Their field is quite competitive, and to obtain orders from Sears-Roebuck, Montgomery-Ward, and the large chain stores, they have to be satisfied with a very small mark-up. Unless the manufacturer reserves certain "house accounts" he should pay the agent commissions on all orders coming out of his territory, regardless of their origin. Manufacturers are more careful about this than they were a few years ago, according to most agents, but there still are some who have not adopted this policy. If a manufacturer receives an order directly from a customer, perhaps in response to an advertisement, he may be tempted to feel that the agent deserves no commission. Perhaps he doesn't; he may have had nothing to do with the sale. On the other

hand, the agent may have called on the customer at one time, and the order is the delayed response to the agent's initial sales effort. Or possibly, the merchant saw the product in a store that the agent had sold - or had it recommended to him by one of the agent's customers. There is no fair way to judge what the actual cause of the sale was, so in all justice to the agent, he should be paid a commission on all sales coming from his territory, unless the account has been specifically reserved as a "house account".

The Balance of Power

The subject of the balance of control between the manufacturer and the agent is indefinable. The manufacturer is often in a position to bargain for more of his agent's time and effort if he feels an inadequate job is being done. A large amount of the manufacturer's bargaining power depends upon the strength of his product. For branded consumer goods, the manufacturer potentially is able to build up some degree of consumer-loyalty for his product. The limits of this possible loyalty depend upon its relative price and quality, and the degree of competition within the particular field. Needless to say, the keener the competition, the more difficult it is to build loyalty. If there is a demand for the manufacturer's brand, his position with the agent is greatly strengthened for there will be competition among agents for his account. The stronger the "natural demand" for his product, the more control he will be able to exert over his representatives.

Where competition is great, the agent is usually in the so-called

controlling position as he has a large measure of strength in his following of customers. In competitive fields, the selection of agents is usually done on the basis of the number of accounts that the particular representative can hope to bring to the manufacturer. This brings up the question of whether the customer is essentially loyal to the representative or to the manufacturer, and opinion is divided on this subject. In all selling, the personal element plays a contributing part. When price and quality are identical, buyers will generally purchase from the salesmen they like. They purchase where they know that they will receive service and dependability of the product. In most fields, the concensus of opinion seems to be that the buyers are essentially loyal to the agent, for he is the man with whom they have the direct contact. This loyalty is only present, then, if the agent is carrying a reputable brand. If a representative, for some reason, changes his line, he may usually expect to carry with him the bulk of the business that he brought the previous line, providing he can substitute a brand of at least equal quality and merit. An example of the typical existing attitude may be found in the case of Agent A, who handles electrical applicances of various types. His products are quite standardized, and his customers seldom haggle over price or make. They have known him and traded with him for years and know that his lines are of a comparable price and quality to any others found on the market, so purchasing is done purely on a personal basis. The buyers rely upon the reputation and reliability of the agents. In a way, this makes the agent almost a buyer for the buyer he sells to. The agent's prestige takes years to build, it is his primary asset in business and one that he will

maintain at any cost. The only wedge the manufacturer can have against the agent's personal following is to build loyalty for his brand through advertising, maintenance of good quality, and reasonable price, etc.

Where there is strong evidence of brand preference, or a style element in connection with the product, the loyalty may be directed principally to the manufacturer.

Manufacturers have another effective weapon that can be used to counteract the advantage that agents have in their following. Perhaps it can best be termed inertia. When taking on a new line, the agent can more or less have a strong voice in making the agreements as to commission, territory, and various other arrangements. If he is an agent that is keenly sought, he can be fairly demanding in his terms, at least initially. The agent, in introducing a new line, needs to spend extra attention on it until it becomes established - special emphasis from his salesmen, etc. His profits on the first sales are small in relation to profits received after the line is in demand or at least well-known. For then much reordering can be handled inexpensively by mail, or without the necessity of the salesman's carrying a full line of samples. The account then becomes more important to him, for he stands to make more money on it in relation to the amount of effort required. The manufacturer may then be able to strengthen his position and insure himself that his products will receive the proper attention. Company 13 described its experiences in this respect. They manufacture reproductions of small furniture and gift items in knotty pine. Initially they had difficulty in procuring agents who would take on their line, for there is a fair

amount of competition in this field. Soon after their product had been established and a demand developed, they felt that sales were not up to the potential of the market. Upon investigation, they found that the salesmen were not taking any samples with them on their road trips, but were trying to sell solely from illustrated folders. As the chief feature of the line was its unusually good and expensive finish, they were, of course, getting few new accounts because no illustration could show effectively the merits of the line. In this field agents usually maintain showrooms for the convenience of buyers. The company found that its line had been pushed into a dark corner of the showroom in favor of a new line that the agent had just taken on. Here again it was not being featured sufficiently. The company was in a position to make substantial demands to rectify these conditions, since the agent was just beginning to make money on the line, and the agent could count on a sizeable volume of reorders. In addition, the company was turning over commissions on considerable business that came directly to them in response to advertisements in trade journals. This money, of course, was pure profit to the agent, for the orders involved no sales effort on his part whatsoever. In order to keep the manufacturer's account, the agent had to make concessions on a number of points. The manufacturer, though he had no loyalty to his brand, had been able to work himself into a position having some degree of bargaining power with the agent.

With regards to loyalty, there are strong agents and weak agents, strong manufacturers and weak manufacturers. The fight for control depends largely upon the relative strength of the two parties. The answer often lies in which party is more dependent upon the other for

a living.

It may then be seen that the question of "who owns the customer" is one that often arises. The agent has the edge, but he must rely on the quality and price of his manufacturers' products. By working together, they can hold the customer with both quality and service.

III - The Selection of Agents

The Importance of Proper Selection

Once a manufacturer has elected to distribute through independent representatives, he is faced with the problem of finding good salesmen. No matter how much a manufacturer may intend to cooperate with his agents, he cannot expect to get good results without good representatives, so the selection of agents becomes a consideration of paramount importance. One agent expressed the opinion that a good agent will do a good job regardless of how little his principal may cooperate with him, while a poor agent will do a poor job in spite of any amount of assistance from the manufacturer. The latter part of the statement is certainly true, but the former half is open to debate. Many of the difficulties that manufacturers have experienced with agents may be traced directly to the improper selection of agents to represent the companies. Manufacturers often approach this problem in a haphazard manner, whereas they should devote more time and thought to the procuring of agents than they would for hiring men to work in their own sales staff. This is one area where the manufacturer does have direct control over the sales results he may anticipate.

Locating Manufacturers' Agents

Little information has been published about manufacturers' agents - what to expect from them, how to handle them, what problems will arise, etc. The subject is, in some respects, an intangible one. In fact, it is sometimes difficult for manufacturers even to obtain the names

of representatives to contact for consideration. Many of the best agents operate from their homes and have no offices. Even more will not be listed in the classified sections of the telephone directories. The situation is further confused by the fact that agents operate under so many different names. The trade associations often do not have lists of agents, and when such lists are available, they are seldom kept complete and current. John H. Frederick suggests ten ways for a manufacturer to obtain the initial contacts with agents.[1]

1. Ask noncompeting manufacturers for the names of their agents. Pick manufacturers whose products are distributed through the same outlets, and manufacturers with whom you would want your product to be associated.

2. Ask the buyers in the larger stores (or jobbing houses) which agents come to them, and what they think of them. Pick stores or jobbers for questioning that are either customers or potential customers.

3. Examine lists of agents prepared by trade journals, where such exist. Remember that the product manufactured may fall in two or more trades.

4. Answer ads that appear either in the classified sections of newspapers or in classified sections of trade magazines.

5. Advertise in trade journals or newspapers. Advertise over your name, for good agents seldom answer blind

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[1]"Ten Ways to Find Live Wire Manufacturers' Agents," J. H. Frederick, Sales Management, March 15, 1937

advertisements.

6. Ask your present agents if they know of good agents in the new territories in question. They may have made contacts with representatives through trade meetings, conventions, or the association with them in handling the same accounts.

7. Talk to agents at trade conventions. These meetings are held by many trades in various cities throughout the country. They will often present an excellent opportunity for the manufacturer to observe agents "in operation".

8. Follow up requests for interviews received from agents. If your product is well-known, representatives will undoubtedly contact you from time to time seeking your account.

9. Send a company representative into the field. Have him talk to jobbers or owners of small stores to find out about the agents that call on them, what their reputations are, etc.

10. Investigate agents' agents. Such offices are similar to regular employment bureaus except that they deal solely in establishing contacts between agents and manufacturers. They may ask a retainer fee or a commission in one form or another for securing you an agent. However, the extra cost may prove worthwhile, because they have investigated their prospects and weeded out the poor ones.

Most of the interviews made showed that the agents were contacted initially by one of these methods. There were a few noteworthy exceptions. Some manufacturers seek men in specific professions for part time employment. For instance, a manufacturer of school equipment wanted to hire school teachers who wished to make extra money. He felt that these men had valuable contacts in their localities, and that their need for additional income would guarantee the company their full cooperation. The agents that the company has obtained in this manner have proven very satisfactory. As the men are restricted to part time work, the territories assigned are usually much smaller than normal.

Another manufacturer looked for retired business executives because the product had large but infrequent sales and buying was done by top executives. It was felt that many men who were retired would welcome such a part-time position. The company now has several high-calibre agents, who before retirement held high positions in big corporations; men with wide contacts which are invaluable to the company. The manufacturer claimed that he could not have afforded to have hired men as qualified on a full-time salary basis.

These examples suggest the many possibilities open for manufacturers to seek unusual sources for agents, sources that might be far better than any other available ones. Sporting equipment makers often hire professional baseball players on a commission basis in the off-season. Advertisements have been appearing for clergymen and retired teachers to represent book publishers. Any manufacturer using agents would do well at least to consider the possibility of using similar sources, because the contacts that such people have

often will be invaluable.

Which is the Right Agent?

After the manufacturer has contacted several possible representatives, he should determine which ones are able to offer the type of service he requires. Perhaps he will need agents who can perform certain specific functions in addition to their selling work. Some of these duties which agents occasionally take over are listed below:

1. Credit investigation. It is often easier for the agent to handle all credit investigations in the field than for the manufacturer to follow up references. Inquiries made in the locality may provide quicker more accurate and up-to-date information than a formal investigation by the manufacturer.

2. Market data. A company employing manufacturers' agents is apt to lose touch with the market; therefore, the agents are in a position to furnish their manufacturers with much valuable information concerning prices, trends, etc. Such data need not be of a formal nature since the agent, from experience, will be able to judge market potentials.

3. Product design. Occasionally, the agent will maintain a design department for the manufacturer. The value of this is again due to his close contact with the market, and his ability to judge what can be sold.

4. Missionary work. Some products require a great deal of missionary work in order to build up the demand or to keep it constant. Agents, with their many contacts, often

are able to accomplish this quite satisfactorily.

5. Technical service. Some agents are required to have an engineering background, or the ability to furnish their customers with technical advice concerning the products they handle. They may have to assist with installation or layout problems, etc. This function, of course, is more important in industrial lines than for consumer goods.

6. Billing and advertising. In rare cases, the manufacturer may wish his agents to handle other functions not directly associated with marketing. If the manufacturer wishes to devote all of his energies to production, the agent may take over the billing of customers and credit risk; or the agent may be given an additional allowance to cover all advertising of the product, the preparation of necessary sales aids, etc.

7. Estimating. Where the manufacturer has a product susceptible of variation or modification, the agent often is required to furnish the prospective buyer with an estimate for adapting the product to the specific need. Such estimates are, in effect, a company bid on the job, and a contract may be based on the bid. An agent capable of making sound bids will need the talents of a production man in addition to those of a salesman.

Once this preliminary weeding has been accomplished, the manufacturer should regard the prospective representatives from the following seven aspects, according to John H.

Frederick.[1]

1. What is the agent's ability as a salesman? Is he the type of man that you would want representing your company? Has he a good sales record?

2. Is the agent financially able to cover his territory adequately? Many manufacturers fail to investigate this point, only to discover that the agent is operating on such a slim financial reserve that he is unable to bear the travelling expenses necessary to cover his territory.

3. What is the territory that the agent now covers? Does it correspond at least fairly closely to the territory you have in mind? Often an agent will overestimate the amount he can successfully handle. This point is apt to involve actual research to determine the number of potential customers in the given area, their average distance apart, the number of calls the representative can make per day, etc.

4. What is the agent's standing in the community? What is his reputation? Has he good character references? What do other agents think of him? Often one agent will recommend another to a customer who is looking for a specific item. What do his buyers think of him?

5. Who are the buyers to whom the agent sells? Are

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[1]"How to Rate and Judge a Prospective Sales Agent," J. H. Frederick, Sales Management, June 15, 1937

they the ones you want for your accounts? Naturally, it is best to find an agent who has a following with the particular accounts you are seeking.

6. What other products does the agent handle? Are they ones with which you want your product associated? Does the agent have too many items at present, so that he could not give your line the proper attention?

7. What are the agent's relations with his present accounts? Are other manufacturers that he represents satisfied with the job he is doing? Does he change lines often? If so, why?

These factors are not sufficient to summarize all of the conditions that enter into the selection of an agent. For instance, the manufacturer must determine what type of salesman will best suit his needs - does he want a low-pressure or a high-pressure sales job? The consensus of opinion gathered in interviewing was that the low-pressure salesmen proved more satisfactory in most instances. However, if there is keen competition, the manufacturer may want to employ the smooth-talking, high-pressure type of agent. Each manufacturer will have special problems that will affect his method of selecting an agent. The essential idea which must be kept in mind is that the selection of the proper agents is a prerequisite to obtaining effective selling through manufacturers' agents.

The Sales Manager for Company 11 believed that the best agents are about thirty years old. This man stated that men of this age usually have pressing family obligations which require them to work steadily and conscientiously, and by this age they have developed a

great deal of business and selling experience.

Another manufacturer has developed a rather unique method of selecting agents from which he reports excellent results to date.[1] At the close of the war, the company found that its sales force had completely disintegrated: many of the company's best pre-war salesmen had been promoted to other duties and other salesmen had not returned to their old jobs. They were faced with building up an entirely new staff; therefore, they decided to try using manufacturers' representatives. They experimented in giving sales aptitude tests to a number of veterans who had business experience. Those who qualified were set up as independent agents. The company provided them with sufficient training to get them started and gave them necessary financial assistance for the initial period. The company even helped them secure other accounts, furnished them leads, and gave them all types of sales aids. The manufacturer assumed that the new agents would be loyal to its products. It was hoped that the agents would continue to appreciate what the company had done for them and would continue to give the manufacturer their full cooperation and support.

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[1] "Better Business With Buttons," B. White, Industrial Marketing, April, 1946

IV - The Relations Between Manufacturer and Agent

Contracts

The contract between the manufacturer and the agent should be an equitable agreement for both parties. It need not be a formal, written document, for a verbal understanding will usually serve the same purpose. Verbal contracts, in practice, are the more common. The danger in a verbal agreement is that it is apt to become vague in many respects. All too often, neither the manufacturer nor the agent places special emphasis upon the terms of the contract; territory and commission frequently being the only factors defined. The one exception, when contracts are always rigid, is when either the agent or the manufacturer is operating out of the country, and then legal requirements make it necessary to have a well-defined working arrangement.

Perhaps the informality usually present has certain advantages in providing a friendlier basis for the relationship, but it is highly possible that this looseness is directly responsible for many of the misunderstandings that arise between the manufacturer and the agent. For example, in the case of Company 6, the agents believed that they had exclusive rights within their territories only to discover that the manufacturer was handling certain accounts directly from the factory and was allowing no commission on these orders. Although the company's reason for doing this was quite justifiable, there were some hard feelings created. By clearly defining these "house accounts" at the beginning of their relationship, the company

could have avoided this situation.

The contracts made with the agent seem to be one area where the manufacturer is overlooking, for the most part, an opportunity to foresee future difficulties that might arise and to prevent them before they occur. Almost without exception, the companies and agents interviewed who had the best record of mutual cooperation were the ones with carefully planned contracts.

The areas that may be covered in the contracts between the manufacturer and agent are:

1. territory
2. commission
3. terms of sale
4. advertising
5. sales aids
6. termination of contract
7. customer relations

These items will be taken up in more detail in the order just given.

Territories

A manufacturer seeking national coverage will ordinarily employ several agents each of whom will serve a region or section of the country. The boundaries separating these sections from one another are often indistinct, and it is vital to both the company and the agents concerned that the contract clearly define the extent of each territory. Failure to do so invariably leads to friction between the agents, poor selling in the afflicted areas, and a deterioration of company-agent relations.

A few manufacturers' agents offer national coverage to companies a service akin to that generally given by sales agents. In these cases, the agent may handle credit investigation, billing, and other functions commonly carried out by the manufacturer. More commonly, a regional manufacturers' agent will have arrangements with other representatives in other sections of the country permitting a complete chain of agents. Such a chain of agents has certain characteristics which make it superior to coverage through a single agent. It allows individual contracts to be made with each agent, contracts capable of handling local problems, and it gives the manufacturer a closer relationship with his sales group.

Commissions

The commission rates paid agents very over a wide range . Some of the factors that determine what the commission shall be are:[1]

1. character and price of the product
2. the degree of competition in the line
3. salability of the product, and the amount of missionary work that will be required
4. amount of average sale
5. time needed to present the product to the customer
6. possibility for repeat business
7. the expense involved in covering the territory
8. the usual number of complaints, demands for adjustments, shortages, etc.

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[1]O. Fred Rost, Distribution Today, Whittlesey House, 1933, page 120

9. number of functions performed by the agent

10. manufacturer distributing on an exclusive, long-range contract - lower rate prevails

Also to be considered is the fact that agents with a strong following are able to demand a higher commission than those without.

Much has already been said about the standard practices concerning commissions. At present, most companies are allowing commissions on all orders coming from a territory, regardless of their origin, except where the agreement with the agent stipulates that the manufacturer will handle certain accounts directly. This often results in the agent being paid for some sales with which he had no direct relation. However, as previously discussed, the agent may have contributed indirectly to the sale, and in all fairness to the agent, commissions should be paid on all orders where exclusive rights have been granted the agent. In some cases, the manufacturer will pay a split commission on repeat orders coming directly to the company. Where the manufacturer maintains a sales office within an agent's territory, a partial commission is often paid on orders taken at the office. This is true in the garment trade, where the manufacturers usually have a sales office located in New York City.

The customary arrangement is that commissions are allowed as soon as the order is shipped from the company. In event of default of payment on the part of the customer, the commission already paid on that order is deducted from future payments to the agent.

Terms of Sale

A manufacturers' agent may be defined in part as a middleman who

has no control over the price or terms of sale. Many agents, however, perform a valuable service to their principals by recommending price changes when the market conditions warrant, and some agents actually have the authority to regulate prices and terms within certain defined limits. This latter type of agent represents a transitional type having characteristics of both a manufacturers' agent and a sales agent.

Agent K offers an example of a hybrid type of representative who has a degree of control over the terms of sale. This agent has facilities for performing all the distributing functions for manufacturers wishing to devote their full energies to production. Agent K has agreements with certain of his principals which allow him to establish selling prices and extend credit to the buyers. The manufacturer in such an arrangement computes his production cost and the agent and company divide equally between them the margin between the cost and selling price.

In the garment industry an order secured by an agent does not become valid until the manufacturer receives a confirmation of the order from the buyer. In this field the authority of the agent is so slight that legally he can hardly be considered to have the powers of an agent.

Company 6, a manufacturer of auto chains, provides an example of the practice commonly followed in regard to terms of sale. The company's agents sell to jobbers at prices and terms established and maintained by the company, and no discretionary authority whatsoever is vested in the agents.

Advertising

The contracts between the manufacturer and agent may or may not specify the arrangements on advertising. Advertising efforts of manufacturers depends in part upon the philosophy of the manufacturer himself. Many companies using agents do so to free themselves from distribution problems, and to allow their full efforts to be employed in the production of goods. With such companies, the ideal arrangement, from their standpoint, would be to have an agent who could carry on all operations except the actual production functions. The ideal agent would handle all contacts with the customers - orders, credit and billing, complaints and adjustments, and all sales efforts including advertising. This arrangement is most often found with the very small manufacturing firms where all available skills and funds are swallowed up in the production techniques and facilities. These companies are usually neither willing nor able to give their agents much assistance in their selling work.

Most companies of any size do carry on some advertising, usually in trade journals, and often furnish their agents with reprints of these advertisements. Advertising to the trade most commonly will feature the name of the agents distributing for the manufacturer. When advertising to consumers, usually the agents' name is omitted. The nature of the manufacturer's product will often impose limitations upon the amount and type of advertising that would be effective.

Company 6, a manufacturer of tire chains distributing through agents has an unusual advertising problem. Freight rates on a heavy finished product such as chains are high, and the company can only

compete in a market within several hundred miles of the plant. The automotive periodicals that would reach the potential purchasers (jobber) of tire chains have a national coverage which makes them unsuited for the company's use, and there is neither the brand consciousness among consumers nor company funds available to justify consumer advertisements. No local medium for either middleman or consumer coverage exists but some cooperative national advertising is done with several other chain manufacturers to promote the Weed type chain produced under licensing arrangements from Amercian Chain Company.

Company 1 buys considerable space in the papers and periodicals serving the electrical industry and sitributive channels to help their agents sell the company's line of fuse boxes and switches more efficiently. Many of these ads list the various agents handling their lines, but on smaller ads, or in ads having more than normal-length copy, the printing of all agents' names and addresses would not be feasible, and in such cases the copy invites people to contact their local agent.

In the electrical field jobbers' salesmen provide their customers with thousands of items ranging from fuses to transformers, and it would be impossible for the average salesman to be familiar with all the lines his catalog lists. Such a salesman can be little more than an order taker for most items, and for a given product to be sold it is usually necessary for the buyer to request it. Add to this condition the fact that the whole electrical distribution and installation system is very close-knit and can't be by-passed by a manufacturer wishing to make direct sales - add these facts together and it becomes clear how difficult a job Company 2 has in trying to arouse interest

in its line of time switches designed to turn on and off automatically the lights in store windows and in outdoor signs. The President of Company 2 felt that his agents were doing a poor job in promoting the line, and he added that even with good selling by the agents, the insulation between agent and ultimate user would create a serious problem. His only solution to the problem lay in stimulating the interest of potential users through advertisements. The use of advertisements to create a consumer demand which will pull goods through an otherwise poor distributive system is fairly common in this and other fields. In the garment industry certain of the larger manufacturers are attempting to develop brand loyalty among consumers by extensive advertising campaigns, but such attempts are meeting with severe difficulties due in part to the highly competitive nature of the business. These ads also attempt to "pull" good through the channels of distribution, but the "push" aspects are by no means neglected. Trade paper advertisements are used fairly extensively and these ads invariably mention the agents handling the line. Department and retail stores feature these lines more frequently in their newspaper advertisements, often display and sell them vigorously .

Advertising practices are almost as numerous as the agents using them, making it impossible to draw any definite conclusions on this subject. Most agents have limited capital and a small territory. Much of their selling is done on a personal basis among a moderately sized group of buyers. Advertising in such circumstances would accomplish little if anything at all.

Some of the larger agents, Agent K for example, advertise not only in trade papers but also in some national magazines. Such

advertising policies usually justify the agents receiving higher than normal commissions for his services. These agents are invariably those who offer manufacturers extra services - billing, claims adjustments, and the like. Agent H, who like Agent K deals in gift lines, does some advertising of his own and also joins with other gift agents from time to time in sharing full-page ads. Gift agents usually handle many of the same type lines, but as a rule each agent specializes in certain lines - English bone china, pewterware, paintings - and cooperative advertising and selling with other agents proves to be beneficial to all.

Agent K further earns his higher commission by his policies with respect to cooperative advertising by himself, department stores, and manufacturers for promoting a new gift line of merchandise. One large department store will be given temporary exclusive privileges to a line and will feature it in local newspaper ads for which Agent K and the manufacturer help pay. After the initial high volume of sales drops off, the line will often be sold through other stores and the commission rates to the agent will be lowered. Agent S operates in a similar manner.

Agent O advertises at his own expense in certain confectioners and specialty foods papers, largely to keep his name before the market. Such ads have been of help in securing for him new lines as well as new accounts. Agent O made a comment that several other agents in different fields have echoed - that a product which the manufacturer advertises is more sought after by an agent than an unpublicised product and is usually much easier to sell to the trade.

Several agents expressed the opinion that, when possible, the

manufacturer should grant them an advertising budget which could be passed on to their customers for local cooperative advertising programs. This, they state, would provide them with a valuable selling argument.

Sales Aids

The term, sales aids, in this work includes all forms of assistance the manufacturer gives to his agents in performing their sales functions.

Many of the smaller companies, most often those with worker-owners, are strictly production-minded and their managements lack the resources, time, and abilities necessary to share in the marketing operations. In the larger companies with the prerequisites for offering selling assistance, company policies often limit the extent to which such assistance is given. Company 1 and Company 11 had very similar views on this subject. Both companies had sales managers whose duties were to coordinate and supervise the operations of their agents and to work with these agents in the field on certain large or troublesome accounts. These companies furnished their agents samples and folders and did some advertising but refused to assist their agents in any other way. Both sales managers were experiencing the same trouble - their agents were constantly requesting more help from the company.

Agent F represented several concerns which seemed to have the very short-sighted policy of taking full advantage of a seller's market not only to give their agents a bare minimum of such aids as folders but also to be unpleasant with customers in handling complaints

and even requests for product information.

Company 7 on the other hand worked very closely with its lone agent, a Candian representative who covered the entire dominion. The sales manager and certain other company executives made frequent trips to Canada and gave the agent all the assistance they could.

The variety of agent-principal arrangements existing in this field makes any general statement on the subject of sales aids an impossibility. It can be stated, though, that a complete understanding should exist between a manufacturer and his representatives on the extent of the manufacturer's selling assistance to the agents and failure to have such an understanding results in one more area for possible friction between the parties.

Perhaps the closest cooperation between the manufacturer and his representatives is found in the trade conventions which both attend. Each manufacturer at a convention has a display of his product. The arrangements between the manufacturer and agent vary widely, but the local agent is generally entrusted by the company with handling the space requirements and other details relating to the actual display. The company and the agents included in the convention share the expenses of the display, and both parties staff the exhibit - usually the sales manager will be present during the entire convention and two or three of the agents or their salesmen present for lesser periods. These conventions are a high point of the selling season for both the manufacturer and the agent. The former has the opportunity to meet many of his customers and potential customers, and also to perform some qualitative market research. The agent can share in these benefits and at the same time meet manufacturers seeking

representation.

A brief listing follows of sales assistance often given to agents:

1. Samples - when supplied to agent, free of charge
2. Folders, literature, reprints, and mats of advertisements
3. Conventions - sharing of expense and presence of company executives
4. Bulletins describing company plans, new products, modifications, solutions to sales problems found by other agents
5. Field visits by Sales Manager and other executives
6. Training of agents' salesmen
7. Facilities of company in solving unusual technical problems.
8. Technical assistance in the field.

Customer Relations

The agreement between a manufacturer and his agent will usually specify the procedure for handling complaints unless trade practices are specific on the subject. In most cases the agent has the duty of handling all complaints, even those made directly to the manufacturer, and this practice seems to have much in its favor. The agent is closer to the customer and to the customer's problem and is therefore the logical personal to ascertain the validity of a complaint and recommend to his principal the proper steps to be taken. Invariably the manufacturer will be too far removed, both physically and

on a personal basis, to deal effectively with the customers, and all too often the manufacturer will be lacking in the diplomacy necessary for an amicable settlement.

In fields requiring technical and engineering ability, the agent, no matter how competent, will require technical assistance which only the manufacturer can give. Company 1 and its agents constantly are at odds over the extent to which such specialized assistance should be given. The company feels that the agents are trying to shirk their duties and the agents feel that the company is not fully behind them. It would be interesting to observe the customer's reaction to this constant bickering. Personal loyalty in Company 1's field is strong, and it seems likely the customer receives many comments from his agents not at all favorable toward the manufacturer. Obviously the manufacturer should work toward a more complete understanding with his agents on a basis problem of this sort.

The lack of agreement on customer relations, in fact, the complete lack of an understanding on the manufacturer's part as to the importance of customer relations, is all too clearly shown in the case of Agent F. Certain of this agent's lines are in short supply, and the manufacturers of these lines are very adamant on handling complaints or even inquiries. While this is an extreme example, it still clearly indicates the need for mutual understanding on the subject of customer relations.

In the garment trade, manufacturers handle complaints directly from the factory. If the situation becomes involved and the manufacturer has difficulty in arriving at a settlement, the matter is referred to the Wholesale Garment Association which acts as a mediator.

Termination of Contract

Written contracts invariably contain a section stating the causes for and methods of discontinuing the relationship between the parties. Common causes for termination are such things as failure to sell a certain minimum number of units, failure to observe company pricing policies, and adding of competitive lines. Such causes are usually considered sufficient to warrant immediate termination, but in practice their inclusion is more a matter of form than an actual safeguard. Methods of term nation are hardly more a vital part of the contract than are these causes. The methods vary from industry to industry, but usually specify that the terminating party must give anywhere from thirty to ninety days prior notice of his intentions.

The unwritten contracts have in all but a few cases the implied understanding that terminations will be handled in the customary way for that industry. If other terms are desired by either party, that party must draw attention to his special wishes and an agreement be reached upon them.

In the garment industry, in many gift lines, and in certain other fields terminations are effected only at the end of the selling season unless unusual circumstances demand more prompt treatment. The terminating party is expected to notify the other party a month or two in advance - at least early enough to allow him to make other arrangements conveniently.

In actual practice the terminations of contracts are done in a routine manner and predicated on the trade practices rather than specific agreements.

V - Methods of Cooperation

Why is Cooperation Important?

"On one side we have seen the manufacturers with their products bidding for a portion of the agents' time; and on the other we have the representatives who desire to make the most money through the sale of products most profitable to handle."[1] Though problems will arise between the two parties, it is not an irreconcilable combination. The answer lies in developing a formula for working together.

It has been shown that the customers are essentially loyal to the agent if he is carrying merchandise of at least comparable price and quality to other agents. And so, an agent with a strong following has considerable bargaining power over the manufacturer. The manufacturer of branded merchandise has two methods of obtaining effective selling through representatives. First, he may create sufficient consumer demand to "pull" his product through the channels of distribution. Company 5 illustrates this technique, the demand for their goods being so great that they were able to force their agents to operate under any conditions they dictated. If they were unsatisfied with one representative, another was easily obtainable. Few companies are able to create such a situation, especially in competitive fields where manufacturers' agents are commonly used as

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[1]"Working With Your Sales Agent to Build Volume and Profit," John H. Frederick, Sales Management, July 15, 1937

a means of reducing selling costs. The second method a manufacturer might employ is to "push" his product through the market. The manufacturer can accomplish this by creating a sales policy that is attractive enough to cause a demand for his line. Representatives are primarily salesmen, and few are equipped to handle sales promotional or management problems. By fully assuming the responsibility for these duties through a system of active cooperation with his agents, the manufacturer will pave the way for an effective selling job and simultaneously make his products more desirable from the representative's standpoint. If the manufacturer can make his line valuable to the agent, then an effective coverage of the market is inevitable.

The Human Approach

Manufacturers tend to regard their representatives as a separate entity, an organization apart from the company rather than an integral unit of their selling mechanism. As Mr. Frederick states, "a manufacturers' agent is no different from a salaried salesman except that he gets paid for what he does, not what he expects to do, and that he has enough confidence in himself and the lines he handles to expend his own money to pay his expenses. Such an agent is just as susceptible to encouragement as is a salaried salesman. He likes to consider himself as a vital part of the organization he represents."[1]

The Sales Manager of Company 11 has developed a singular concept of the relationship that should exist between the agent and the manufacturer. When he assumed office, the company had eighty-five agents,

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[1]"Manufacturers' Agents; How to Find Them and Handle Them Resultfully," John H.Frederick, Printers' Ink, January 17, 1935

seventy of which accounted for only seventeen per cent of the firm's sales. Believing that these seventy agents were doing neither the company nor themselves any good, he released them. He then established a sales policy based on consistent fairness to the agents. The sales group now has been built up to twenty-five agents, each of whom does a substantial amount of business for the company. The company's line is important to each of them, and they are rewarded for promoting it vigorously. His approach to the problem is certainly worthy of examination, for the results have been excellent. He has an attitude that is more often found in the personnel than the sales department. He founded his policy upon the belief that a person is a human being first, and a salesman, a machinist or a clerk second. A company may buy a man's time and a part of his energies, but it cannot purchase his spirit or enthusiasm. These qualities must be earned by fair dealings with the man, and by capitalizing upon his inherent selfishness. A person is more interested in what a position can do for him than in what he can do for the company. In the long run, what will serve the agents' interests will also best serve the company's goals, and this concept, wisely applied, will bring forth the full energies and capabilities of the salesman.

The Sales Manager of Company 11 wants each agent to have a vital interest in the company and at the same time not be dependent upon the company's every whim. He has little use for the conviction that there is an inevitable battle existing between the manufacturer and the agent for the "balance of power". He does not try to undermine the agent's position with the customers, but encourages them to cultivate close friendships with their accounts. When each agent is

well-established in his territory and has a loyal group of customers, he doesn't have to fear what his principals' may demand of him. He is in a position to demand, not beg, fair treatment from the manufacturer. A fearful agent cannot be a good agent because the fear will hide the man's enthusiasm for his work. On the other hand, if the manufacturer has established a reputation for fairness, his account will become valuable and he need not fear excessive demands from his agents.

In following through this policy, the company gives its agents well-defined written contracts granting exclusive territories. The same terms are offerred all agents and there are no secret or preferential arrangements for higher commissions for a few selected men. The contract gives each agent a large measure of authority in the field and makes the agent an actual company representative, not merely a middleman that must refer every minor detail to the factory for decision. The Sales Manager also furnishes all types of folders, literature and other sales aids that would be helpful. He has put himself "on call" with his agents whenever they wish help on tough customers. In return, the company expects the agents to handle nearly all of the distributional functions as a part of their job. The agents furnish the company with credit information of all new accounts. Many of the duties that are considered special services have become expected functions of the representatives.

With the "human approach" of Company 11 as perhaps the optimum example, some of the areas of possible manufacturer-agent cooperation will be investigated.

Methods of Cooperation

Many people have expressed the opinion that the manufacturer is most often to blame when he fails to achieve satisfactory results in selling through manufacturers' agents. Whether or not this statement is altogether true, the manufacturer is in a position to initiate a program of close cooperation with his agents as the primary step in obtaining effective distribution through representitives. Certain methods suggest themselves as ways in which the manufacturer can best hold the interest of his agents and guarantee to himself their wholehearted support. It is assumed first that the manufacturer has taken the necessary steps to procure the proper agents to handle his products.

1. The agreement with the agent should be carefully planned to cover all contractual arrangements with the agent. The contract need not be written, although it is probably preferable as the manufacturer may then foresee and prevent many of the possible difficulties that might arise.

2. Protect the agent's territory. Allow commissions on all orders coming out of this region regardless of their origin - unless out of necessity certain "house accounts" must be reserved. The accounts to be handled directly by the company should be clearly understood by the agent when the initial contract is made with him.

3. Have a consistent policy on commissions. Pay all agents the same rate, unless one agent is providing more services than another. Reward agents who are performing special functions. Pay commissions promptly, for agents often

operate on a small margin, and their travelling expenses which are usually high represent a large share of the commissions they receive.

4. Make a definite procedure for handling complaints coming from customers. When possible, let the agent settle these disputes for the customers want direct dealings and quick action. When the manufacturer receives complaints, courteous replies should be dispatched promptly. The customer belongs to both the manufacturer and the agent, and the agent's reputation in the field should not be jeopardized by faulty handling of these complaints.

5. Supply agents with leads whenever such come to the attention of the manufacturer.

6. Back up the agent with advertising whenever possible. Feature his name in regional advertising. Seek his advice on local media and correct timing. Mention his name in general advertising. Supply the agent with reprints of advertisements as these may serve as valuable selling tools. If profits permit, give the agent an advertising allowance which he may pass on to his customers to be used on cooperative local promotion.

7. Give the agent any sales assists that would be of value. These might be illustrated folders describing the merits of the product, illustrated brochures, catalogue sheets, etc. Be sure the agent understands the product, its uses and advantages. Some manufacturers periodically send out letters to their agents containing information

about their product, especially if it is of a technical nature - new uses that have been found, etc.

8. Notify the agent promptly of changes in policy or price. Tell him what other agents are doing with the product, new markets they have found, and so forth.

9. Send company representatives into the field from time to time to accompany the agents when calling on customers. If helpful, have a man available to assist him when calling on big accounts where a joint effort might be more successful. At other times keep in close touch with the agents, have periodic personal meetings to talk over the product, the sales plans, and his sales problems.

10. Give the agent as much authority in the field as possible. Let him be a representative of the company in the real sense of the word. From such an agent, the manufacturer may obtain much valuable market data, assistance in credit investigation, and suggestions for product design and improvements.

Although this is not intended to be a complete listing of the possible areas for cooperation, it does indicate an approach to a method of obtaining effective distribution through the use of manufacturers' agent. It is a method embodying the philosophy of working together to reach the common goal.

APPENDIX A

Questionnaires

QUESTIONNAIRE

Manufacturers

1. Are your sales partially or entirely through manufacturers' agents?

2. Why do you use manufacturers' agents?

3. What contractual agreements do you make with your agents?

    a. Written or verbal
    b. Commission
    c. Territory
    d. Duration - how canceled
    e. Quota - any quarantees required
    f. Call reports

4. Advertising

    a. By manufacturer, cooperative, or agent
    b. If by manufacturer, is agent mentioned
    c. If by manufacturer, do you supply reprints

5. What type of sales aids do you supply your agents?

    a. Do you pass on tips or leads
    b. Do you send field representatives
    c. Do you supply any printed material to the agent
    d. What is your policy on samples
    e. Any other methods used

6. Customer Relations

    a. Who handles inquiries coming from the agent's territory? Why
    b. Who handles complaints coming from his territory? Why
    c. Is the customer essentially loyal to the brand or the agent

7. Sales

    a. In general, have manufacturers' agents been a satisfactory means of marketing your goods
    b. Do you feel that the agents properly emphasize your product
    c. What do you consider the chief drawback of using agents
    d. Do you change agents often? Why

Manufacturers (Continued)

8. How do you pick your agents

   a. Qualifications
   b. Sources

QUESTIONNAIRE

Manufacturers' Agents

1. What contractual agreements do you make with the manufacter

    a. written or verbal
    b. type of commission (is it paid on direct orders to manufacturer)
    c. how is territory defined
    d. what is usual duration - how can it be terminated
    e. is there a quota - must agent make any sales guarantees
    f. call reports required

2. Advertising

    a. by manufacturer, cooperative, or by agent
    b. if by manufacturer, is agent mentioned.
    c. if by manufacturer, are reprints supplied

3. Sales Aids

    a. does the manufacturer pass on tips
    b. does the manufacturer send representatives on field trips
    c. any printed material supplied by manufacturer
    d. what is the policy on samples
    e. other methods
    f. what extent is market analysis used either by agent or manufacturer

4. Customer Relations

    a. who handles inquiries coming from your territory? Why
    b. who handles complaints coming from your territory? Why
    c. is the customer essentially loyal to the brand or the agent

5. Sales

    a. how do you allocate your salesmen's time between the various products you represent
    b. how do you introduce a new product? is there special emphasis on it at first? if so, how
    c. do individual manufacturers often put pressure on you to push their product more? how do they do this? how do you handle such situations
    d. roughly how do your sales break down by mail, phone, direct calls, and through show-room displays

Manufacturers' Agents (Continued)

6. Products

   a. do you often change the lines you represent? Why
   b. how is the initial contact made with the manufacturer
   c. do you perform any special services for the manufacturer (product design,etc.)

7. Suggestion

   a. how could the manufacturer cooperate with you to make your selling job easier or more productive

8. How many lines do you handle

APPENDIX B

Interviews With Manufacturers

Company 1 - use about 20 agents to sell their fuse boxes, connections, and circuit breakers throughout the country.

Agreements with agents

Company 1 has contracts with all its agents outlining their commission terms, defining their territories, and providing for the handling of complaints and credit investigations. These contracts may be terminated after sixty days notice.

Selling assistance to agents

Company helps agents in covering conventions by providing them with displays and sharing in the cost. The sales manager travels the country regularly, visiting the agents in the field, doing missionary work, and being present at exhibits and conventions.

Special services by agents

Agents help the company by informing sales manager of trends and developments in the territory. For example, when a large construction job is being planned, the agent in that territory contacts the company and gives the information necessary for him and the sales manager to work out a coordinated plan of attack.

Relations with agents

The company has a policy of giving no technical help to its agents except in the rare instances where it alone could furnish the needed data. The sales manager (with whom the interview was held) stated that it is the company's job to produce, not sell. The company does not expect its agents to help it with production problems, and feels the agents should expect no help in routine sales difficulties. It was his (sales manager's) job to give the agents and the company as

Company 1 (Continued)

much mutual assistance as he could, and aside from this, the agents were on their own.

Comments

The sales manager several times implied that the agents were trying to shirk their full duties by endeavoring to obtain greater company help. The impression was received that the company's minimum aid policy was not too popular with its agents.

Company 2 - a small concern manufacturing clocks used to switch electrical circuits on and off - circuits in outdoor advertising signs, store windows, and the like. New England representative is Agent A.

Agreements with agents

The company has the informal type of agreements prevalent in this field. These agreements outline commission rates, extent of territory, and allow for termination upon one month's notice.

Comments

The president of the company spoke to the interviewer at length about the difficulty of a company such as his establishing itself in the electrical field.

He does not think very highly of agents, most of whom are nothing more than order-takers, have little appreciation for the quality of his clocks, or have the imagination to see the potential demand existing for his clocks.

The president would like to sell his products directly to the user, but unfortunately their installation requires, under building and insurance codes, the services of an electrical contractor. These contractors are part of the whole closely-knit channel of distribution for electrical goods, a channel which it would prove suicidal to try to by-pass. The average jobber lists thousands of items in his catalog, and naturally the jobber's salesmen cannot know much about any one of them. It is likely that the average salesman would never have heard about company 2's clocks, or even realize just what a time switch is. A customer desiring a time switch would have to ask the salesman about them. The salesman would then look the item up in his catalog

Company 2 (Continued)

and fill out the order form.

The president feels strongly that his company's major problem is overcoming this distributional maze. As a partial solution, the company engages in direct mail advertisements to potential ultimate users.

Company 3 - a local firm making a line of adjustable lighting fixtures such as draftsmen use on their desks. Interview was with the sales manager.

Comments

Interview was short and made in presence of Agent C, his Boston representative.

He uses agents in both the United States and Canada to sell the product. The Canadian agents afford the simplest legal way of handling international trade, and also avoid certain state and federal taxes. Canadian sales have been hampered by the dollar shortage, and also by certain Canadian wiring requirements which are more strict than ours and demand special plugs and switches.

The company does some trade-paper advertising partially "to keep the agents happy". The sales manager spends "some time on the road to help the boys along, especially when they are working on a big order".

Company 4 - A Swiss manufacturer of power house insulators and associated heavy fixtures which is trying to break into the American market.

Selling assistance to agents

They advertise in trade journals, a very expensive thing for a small firm, but a necessary step to keep the company's name before the market. Agents have strongly urged them to run such advertisements. Inquiries resulting from the ads are answered by the New York office, and copies of the correspondence sent to the agents.

Special services by agents

The company's representatives have gone out of their ways to help the company become established - furnishing company with characteristics peculiar to the U. S. market, suggesting market strategies to meet certain problems, and recommending certain modifications in some of their equipment. The vice-president with whom the interviewer spoke felt that manufacturers' agents seem to provide the only chance for acceptance of a small and unknown firm in a tight, competitive field.

Comments

Company seems to feel that it should be expanding sales faster than it has, and while the agents are not blamed for this condition, still it seems the company feels that the agents could push the line even harder than they have.

Company 5 - a large national manufacturer of timing and motor control gear and panels. Interview was held with manager of the company's Springfield sales office.

Agreements with agents

The company maintains its own sales offices in the principal cities, but uses manufacturers' representatives to attain fuller coverage of the numerous smaller and scattered accounts. Strict written contracts are necessary not only to define commissions and territories but also to segregate the company-serviced accounts from those handled by agents.

Special services offered by agents

The agents and company salesmen work together on certain jobs - usually those operations where subcontracting by a large firm to smaller companies is the practice. Determination of commission rates on such cooperative efforts was not disclosed. Agents occasionally cultivate customers to be handled by company's sales force. Such customers are often business friends of the agents and buyers of other lines that the agents sell.

Relations with agents

Manager said that agents at times do not give the company the cooperation expected and changes have to be made. It seems likely that the company experiences a high turnover rate of agents. The company is one of the largest manufacturers in this field, and is in the position to force agents into working under terms unfavorable to the agents simply because of the demand for the product.

Company 6 - manufacturer of automobile and truck tire chains. Interview with the sales manager.

Agreements with agents

The company makes no formal contracts with the three agents it uses. There is an understood agreement between them on certain matters and they have found that by working closely together, they can iron out other difficulties as they occur. The contracts do specify territories and commissions.

Services performed by the agents

The agents perform no special services for the manufacturer. They do keep in close touch with the company and make annual visits to the plant to discuss sales problems. The agents can help the company somewhat by furnishing market data, information on what other companies are doing, trends in the market, etc.

Assistance given the agents

The company supplies the agents with all type of folders and catalogue sheets that would be of assistance. As their market is restricted by the heavy freight charges on their products to a radius of 250 miles from Worcester, the company does not feel that advertising is feasible for them. There is no media that would cover this specific territory satisfactorily for them. They do cooperate with four other manufacturers in advertising a special type of chain which they make under a licensing arrangement from the patent holder. The manufacturer handles all complaints (though they usually go through the agent first). Their main trouble comes from motorists who break their chains through misuse and then try to place the blame on the company.

Company 6 (Continued)

Comments

The sales manager felt that they had achieved satisfactory results with their manufacturers' agents. He believes that this is possible if a manufacturer will take the time to become well-acquainted with his agents and to keep in close contact with them at all times. Their policy of using agents is in contrast to that of competitors who have salesmen in the field. Tire chains are a seasonal item as all ordering is done between May and September. The other manufacturers all have additional products that can employ their salesmen's time for the remaining part of the year.

Company 7 - national makers and distributors of school and fraternal jewelry, plaques, and medals.

Comments

This interview is of interest because it shows a special use to which a manufacturers' agent can be put by a company. Company 7 sells through its own channels in the United States but handles its extensive Canadian trade through an agent. The legal technicalities involved in international trade present a formidable barrier to any company desiring to maintain a foreign sales branch, and by using agents, the company can simplify its problem appreciably.

The contractual relation with the Canadian agent is much tighter and more binding than most such agreements in order to protect the company's patents, copyrights, and designs.

The company gives its Canadian agent generous assistance in selling by having the sales manager or other sales personnel visit the territory whenever possible.

Company 8 - a Philadelphia manufacturer of school furniture, laboratory and library equipment.

Comments

The sales manager stated that his company, being one of the smaller manufacturers in this field, has tended to make most of its sales in the northern and eastern halves of the country. Sales offices are maintained in these sections, and agents used only in the other portions of the nation where the level of business would not justify a full time sales group. Agreements with the agents are verbal, and the relationships tend to be very informal. Agents are given the same sales helps that company sales offices receive - trade advertisements and the Dodge Company listings of new construction. The company finds agents useful as a means of selling the line, but prefers to maintain the tighter control a company sales office allows whenever the volume of business permits.

Company 9 - manufacturers of school and laboratory furniture distributed partially through manufacturers' agents. See Agent I, their Pittsburgh representative.

Comments

Had only a very short talk with the sales manager at the company exhibit in the Philadelphia convention of the National Educators Associations. His company in the past distributed largely through manufacturers' agents, but has now established regional sales branches of its own in most parts of the country. At present approximately a third of their goods are handled by agents. The sales manager has found manufacturers' agents hard to manage in this field where orders for goods are often large and infrequent. The company feels that agents often do not apply the necessary drive over a long period of time to close many of these big orders. The agents are inclined to be interested in immediate results.

Company 10 - "Howard", the owner and operator of this small machine shop in Philadelphia, does a lot of job-lot work, and quite a business sharpening and re-setting the combination drill-taps which Philadelphia Electric uses on gas mains. Howard, and his father before him, has made a line of drawing pens and other small tools from time to time and sold them through agents.

Agreements with agents

Howard has loose understandings with the agents who carry his line covering such things as commissions and time of delivery from receipt of order. Chief value of the agreements lies in the defining of territories. He has never been represented by more than four agents, and the several agents generally have almost identical territories. One agent has South Jersey but is allowed to serve two accounts in Philadelphia. At present the Philadelphia agent also covers two buyers in Wilmington, Delaware, and an account in Camden. These concessions have to be agreed upon not only by Howard but by the agents affected.

Relations with agents

Neither Howard nor his agents have much control over each other. Howard is just one of numerous makers of pens and tools sold at comparable prices, and brand loyalty is almost nonexistent. For Howard, production of this line has never been large - always more or less of a side line to his regular shop work. Howard is not very desirous of producing the line unless the quantity, time, and price elements fit into his work schedule readily. These facts put the whole relationship on more or less of a mutual take-it-or-leave-it basis.

Company 11 - manufactures grand stands, score boards, and steel lockers, which are nationally distributed by manufacturers' agents. Two lengthy interviews were held with the Sales Manager.

Agreements with agents.

There is a written contract between the company and its agents giving each a fully defined and exclusive territory. The sales manager feels strongly that the contract should be an equitable agreement for both parties, literally a "meeting of minds", and not just a legal formality or paper in which clever company lawyers endeavor, through legalistic terminology, to hold the agent to the maximum degree while the company promises little. The same terms are offered to all agents in the contract - there are no secret or preferential arrangements on commissions. This policy pays off in dividends of respect and trust by the agent for the company and prevents embarrassing disclosures when the agents meet one another at conventions and shows. The contract gives each agent a large measure of authority in his territory making the agent "Mr. Company" in the territory and not just a go-between who must refer every minor detail to the factory for decision.

Selling assistance by manufacturer

The company's products are so large and bulky that samples are out of the question except for stationary displays. Color folders and literature are prepared for the agent's use in the field, but such aids can never play more than a minor role in the selling work. The sales manager feels that the efforts of the salesman himself decide whether or not a sale will be made , and he does a fair amount of field work with the agent and his sales force showing them the special

Company 11 (Continued)

features of the line and how it can best be promoted. Each new agent is given special instruction by the manager in these techniques. For those agents who maintain showrooms, the company leases half-size illuminated score boards and full-size bleacher stands. Such displays are also used at conventions of educational and athletic groups. The company and its agents share the expenses of these convention exhibits at which both the agents of the region and the sales manager areusually present. Advertisements are frequently run in certain of the school and sports papers. These ads are paid for by the company and mention the agents to be contacted for details.

Special services offered by the agents.

The company's philosophy is that the agent should handle nearly all the distributional functions for them as a regular part of his job. The sales manager is gradually getting all the agents to obtain credit information on new accounts rather than have the home office of the factory do it. He has found that a fair portion of the builders and contractors with whom the company does business resent the impersonal credit approach which results when the home office sends out credit forms requesting further information on bank connections and balances. The agent in the field personally knows most of his customers and potential customers and is able to perform this duty painlessly and effectively, especially when dealing with foreign-born contractors many of whom speak and read English with difficulty. In view of the company philosophy on the duties of an agent, it appears that what are normally considered "special services" become

Company 11 (Continued)

expected functions of the representative.

Relations with agents

The sales manager has a viewpoint more often found in the personnel department than in the sales department - that a person is a human being first and a salesman, machinist, or clerk second. A company can buy a man's time and part of his energies, but not his spirit and enthusiasm. These qualities have to be earned by fair and square dealings with the man, and by capitalizing on his inherent selfishness. A person is primarily interested in what a position can do for him, not in what he can do for it or the company. In the long run, what will best serve the agent's interests will also best serve the company's goals, and this concept, wisely applied, will bring the full energies and capabilities of the salesman into play.

When the present sales manager assumed office, the company had eighty-five agents, seventy of which accounted for only seventeen per cent of the firm's business. Believing that these seventy men were doing neither the company nor themselves any good, he released them. Since then the sales group has been built up to twenty-five men, each of whom does a substantial amount of business for the company. Therefore, the company's line means a lot to them, and it is to the best interest of each agent to promote the line vigorously.

The sales manager wants each agent to have a vital interest in the company and at the same time not be dependent upon the company's every whim. He has little use for the common concept of a battle existing between every agent and his manufacturer with the constant struggle for the balance of power. He does not try to undermine his agents' position with customers, but encourages them to cultivate

Company 11 (Continued)

close relations with their accounts. When each agent is well-established in his territory and has a loyal group of customer-friends, he doesn't have to fear what his manufacturer may do to him. He is on just as solid ground as the company he represents and in a position to demands, not beg, a fair deal. A fearful agent cannot be a good agent because the fear will hide the man's enthusiasm for his work.

The sales manager has made quite a study of the relationships between manufacturers and their agents, and one of his conclusions is that in most instances "companies have all too often given agents the short end of the stick". He is trying to give his men a square deal not because he is a reformer, but because he believes that they will be better salesmen that way.

On the other side of the picture, he has found that most agents do not work as hard as they could or should, that they often whine for help in the field on problems that "they're too damn lazy to get off their broad bottoms and solve for themselves". This is his chief complaint with the agents he employs.

He has found that the best agents are about thirty years old. At this age they have developed a good measure of business and selling experience and usually have pressing family obligations which require them to earn every cent they possibly can - they don't have a chance to get soft and lazy.

"Agents are a dime a dozen, good agents are rare."

There is a danger, especially among the older agents, of their taking on additional lines in the hope of increasing profits. In this field

Company 11 (Continued)

the result is often just the opposite. Most of the agents know each other well, call on the same customers, and help each other by "putting in a good word for Joe and his bloomin' line of grand stands" when they are making their calls. When "Joe" decides to take on several more lines, he encroaches on the lines handled by his agent-friends who now become his competitors, and instead of having a group of influential people praising him, he probably has most of them cursing him.

The sales manager believes that you cannot have too many friends passing along the "good word" about your line. As an example of this, he cited the arguments he and the company treasurer always have whenever he entertains people not strictly connected with sales and enters the cost on his expense account. There is an editor of an educational magazine in which the company advertises. He occasionally takes the editor out for dinner and a show when it might seem more natural for the editor to treat him to the evening. The sales manager justifies this action with the following logic. The editor often is guest speaker at school board banquets and PTA meetings. He can do more to sell their line by a few kind remarks to the right people than the sales manager and his agents could do in a month of talking.

Company 12 - makers of a line of seals and tags for box car doors, gas and electric meters, money bags. Sales manager was interviewed.

Agreements with agents

The firm has some regional offices, but most of the line is sold through manufacturers' agents. Written contracts specify areas of operation for both company offices and company agents in order to avoid the confusion and conflict which would otherwise develop from ambiguity. Contracts specify commission rates, and may be terminated at the close of the selling season by either party. Contracts with foreign agents are similar.

Selling assistance to agent

Agents are amply supplied with samples, folders, and all the other selling aids furnished the company sales group. The sales manager spends a good part of his time on the road visiting offices and agents and getting the feel of the market - new ideas for the line and its promotion. Some trade paper advertising is done - mostly for benefit of the agents.

Special services offered by agents

Before the "dollar shortage" the company did a substantial business with English, Chinese, and other foreign users. Some business is still done, and such business is handled through foreign agents to avoid certain legalities connected with international operations.

Relations with agents

He was very satisfied with the agents they have, and the selling job being done, but admitted that the agents were hard to control. He feels that "a good agent will be a good man for the company, and a poor agent a poor man for the line regardless of how much the

Company 12 (Continued)

company tries to help the agent or otherwise get him to promote the line". Most agents carry a stock of the company's line since the items are inexpensive and when needed, often needed immediately. The sales manager thinks that having their own stocks makes the agents feel a real interest in the line, and since the agents have their own money invested, they are more likely to promote it.

Company 13 - manufacturers of a line of small Colonial furniture reproductions and gift items (mirrors, stands, bookcases, etc.) Items are knotty-pine with unusually good finish.

Agreements with agents

Seldom written - duration undefined but contract may be terminated with 30 days notice by either party. Pays 15-20% commission, depending upon strength of agent - commission on all orders coming from territory, regardless of origin. Uses four agents, one an independent salesman, others have sales staff to cover area. Agreement also covers arrangements on sharing expenses of convention displays, furnishing of samples, and sales assists to be supplied, etc. Certain large accounts are reserved for manufacturer to handle directly. This is only done for the bigger department stores where the manufacturer must cut his price to the point where a commission could not possibly be paid.

Selling assistance given to agents

Manufacturer supplies folders and illustrated price lists describing products. Samples are furnished free to charge to the agents periodically - arrangement for agents to sell old set and refund money to manufacturer (no commission paid on these sales). Company advertises in trade journals, pays commission on all orders resulting from these ads, and turns over account to the agent for future follow-up on reorders. Justifies this on the grounds that the order may have come from an initial contact made by one of his agents - or that the customer may have seen his merchandise in a store that one of the agents sold. This policy induces better cooperation of the agent.

Company 13 (Continued)

Special services provided by agent

Agents maintain salesrooms at which buyers call to make purchases - about 50% of their sales made through these displays. Agents also show merchandise at trade conventions in the principal cities within their territory (manufacturer shares a portion of the expense of these exhibits). Agents supply little market data. Manufacturer will occasionally take product out himself as this is the only way he can judge what the reaction to his product is and what the potential of the market should be. This is done with the knowledge of the agent.

Relations with the agents

Manufacturer feels that many agents do not do a consistent selling job, that they are primarily interested in making as much money as fast as they can. In the gift line the turnover of products and agents is fairly frequent. Agents will push item at first then slack off. In his case, he has found that the salesmen soon become lazy and will try to sell from illustrated folders. When this happens, there is a very evident drop in sales because the unusual finish on his products can't be appreciated in a picture (reason he is liberal with samples). Also finds that, unless he watches carefully, his line will be pushed into the "dark corners" of the showroom and not be featured sufficiently. Suggests that agents are inclined to carry too many lines in this field. He has discovered that the manufacturer has an unusual bargaining power - limited to a certain extent. When the agent first takes on a line, he is in a position to be demanding because agents are hard to find (within the gift field, the agents will specialize in one particular class of merchandise). The agents

Company 13 (Continued)

make little money when first introducing a line, but once it becomes established, the line has considerable inertia, for orders will come to the agent by mail - orders for which he has used little additional sales effort. The line then becomes both profitable and attractive to the agent, and the manufacturer is in the position to demand more attention if he is justified in believing the agent is not doing his job. If the agent needs continual pestering, he will be dropped (best agent he has is an independent salesman in New York State - sells more than New England agent with a staff of ten salesmen). The control element in the relations between manufacturer and agent is controversial - depends upon a number of factors including the strength of the brand name (and the competition there is for his account).

Relations with customers

There aren't too many complaints coming in on his line - the ones that do come in mostly concern shipping breakage or mistakes in shipment - the type that are (and should be) handled directly by the manufacturer since he can do it more quickly than the agent. Manufacturer notifies agent of complaints that involve him and they work together.

Comments

Manufacturer feels that the best method of obtaining good results with agents is to handle them carefully - be ready to cooperate whenever needed. Agents have their drawbacks, but all in all, can be an effective and inexpensive way of distributing. He tries to set a uniform policy in dealing with them, to be consistent and fair with them at all times. Customers are essentially loyal to the agent so he tries to strengthen his position in this manner, and by advertising his

Company 13 (Continued)

product as extensively as possible. He is fairly new in the field but feels that he has established a good name among the agents. Agents often come to him seeking his account, and when he is looking for an agent for a new territory, he will ask present agents for recommendations.

APPENDIX C

Interviews With Agents

Agent A - Boston representative for Company 2. Also glass fixtures, conduits, fans, and other appliances and fixtures.

Agreements with manufacturers

Usual informal agreements defining territory, commission. Can be terminated at will on thirty days notice.

Special services by agent

Agent A has been in business over 25 years and is very well-known and respected by his accounts. He knows from experience that many of his customers will stock or use a new and unheard-of line just on his word, and this characteristic makes him very sought-after as an agent. It is also very helpful to his present manufacturers when they wish to bring out a new line of goods.

Relations with manufacturers

He commented that his relations with most of the concerns are very cordial, but that occasionally there will be a troublesome one. He continued by saying that he and the president of Company 2 get along very well personally but do not see eye-to-eye on selling policies. (He seemed to enjoy describing the president's impatience with him.) The president wants a more high-pressure sales job done on his line, but Agent A believes strictly in low-pressure salesmanship and relies on the confidence his accounts have in him.

Customer relations

Many of his customers are personal friends and most of them have been buying from him for years. The customers have known Agent A long enough to appreciate his merchandising ability and will invariably follow his advice in their orders. He represents lines which are very similar in all respects to competing lines, thus making a

Agent A (Continued)

customer's selection mainly a matter of personal loyalty to the agent. In many respects Agent A serves equally as a buyer for his customers, and a representative for his manufacturers.

Agent B - Boston representative for a wide range of electrical lines including switches and transformers. The interview was held with one of Agent B's two salesmen. The man interviewed sold fabricating parts to manufacturers, while the other salesman handled the consumer lines which are distributed through wholesalers or jobbers.

Agreements with manufacturers

The contracts he is familiar with define commission rates, territorial boundaries, and certain large purchasers which the manufacturers deal with directly. Advance notice of 30 to 90 days is required by contract for either party to break off the relationship, but in actual practice one party will inform the other party of its change in plans for the following year at the close of the current season. When such notice is not forthcoming, each party assumes that the other has automatically extended the contract for another year.

Comments

The salesman could not spend much time with the interviewer but stressed two points repeatedly which he felt should be included in this thesis. First, if an agent is going to sell through jobbers, sell through jobbers and to no one else - no direct sales to retailers under any conditions. Nothing arouses a jobbers antagonism more than this sort of "chiseling". The salesman stated that there is a fair amount of this sort of thing being done.

Second, a manufacturer should make his goods exactly as the samples represent them. Use of "dressed-up" samples destroys confidence, makes for poor acceptance of that particular line, and robs the agent's other lines of their reputation. He feels that an agent is no more successful than the confidence level the trade holds for him.

Agent C - partner in a Boston firm of agents representing four lines of electrical appliances including those made by Company 3.

Agreements with manufacturers

The manufacturers they represent are rather small and as a rule sell largely to local markets. The agreements are verbal and rather loose except for the understandings on such matters as commission rate and territory.

Selling assistance from manufacturers

These smaller manufacturers as a group are not capable of giving much valuable aid to their agents in the selling work. Their manufacturers from time to time do run small trade-paper ads. The companies that have sales managers are liberal in allowing them to participate in conventions and field trips with the agent. Occasionally the company president will drop around to the agent's office to discuss pertinent matters, and often top executives will spend a morning or afternoon at a display booth greeting the convention buyers.

Relations with manufacturers

Agent C mentioned that it was possible to do too good a selling job for some manufacturers. When a manufacturer sees his agent making $10,000. or more in commissions a year in his territory, the manufacturer will sometimes decide he would be better off to establish his own sales force there. Agent C added that this does not occur very often but often enough to be kept in mind by the agents. What the manufacturer fails to realize is that many of the sales of his product in the territory are based on friendship to the agent and will be lost if the agent is released. Also, the agent may only realize $10,000. in good years, much less in poor years, while the

Agent C (Continued)

manufacturer maintaining a sales branch would have to spend a more constant annual figure regardless of sales.

An agent representing but two or three manufacturers is risking his financial existence on the good faith of his companies. (Agent C and his partner have only four lines.) To be secure and maintain independence from demanding manufacturers, an agent should have at least six lines in this type merchandise.

Agents have to be constantly alert for two things. First, there is a natural mortality rate for certain lines, as the customers using them die, move, go out of business, or substitute other products. Such lines should be dropped when they become unprofitable. Second, agents should constantly watch new products being brought out and endeavor to add likely ones to their list in order to keep their lines complete and vigorous.

Customer relations

Agent C has found that low-pressure selling is best for all concerned - agent, customer, and manufacturer. He makes his rounds and shows the accounts what is offered. Six months later the account may have need of one of his lines and will then call or write the agent. The high-pressure type of salesman is not interested in anything but his present sales. When introducing a new line, this type of salesman may oversell his accounts on the line at the very beginning. This gives the manufacturer the idea that sales are actually very high; so he overproduces. The customer of the agent is burdened with a lot of hard-to-move merchandise, and the agent merits the ill-will of both parties. The agent seeking to give the customer what he needs will

Agent C (Continued)

be sending in a more even stream of orders to the manufacturer who will be in the position to make work schedules on a sound basis. The agent is performing a real economic function of value to the trade and is firmly establishing himself as a good man with whom to do business.

He commented that there are all kinds of buyers and all kinds of salesmen. "It takes a hot-shot to sell a hot-shot, and a booze-hound to sell a booze-hound. A plugging, honest salesman will move the goods even if he has B. O., halitosis, and the like."

Most of their work is carried out on a very personal basis with their accounts, many of whom he considers as close friends. People buy from him and his partner because they are known and liked.

Agent D - partner in a firm of manufacturers' agents handling about ten lines in the electrical field. They cover New York and New England. Two more or less simultaneous interviews were held, one with Agent D, and the other with his Upper Hudson River salesman.

Agreements with manufacturers

Neither man would volunteer much information beyond saying that the usual contracts and agreements were in force between them and the manufacturers.

Selling assistance from manufacturers

Most of their companies do appreciable amounts of trade paper advertising - inquiries to companies are passed along to the agents. Agent D felt that their manufacturers were doing a good job with selling assistance, especially in providing technical data and the services of technical men in meeting sales problems of a very technical nature. He felt though, that in the final analysis it is up to the agent to do his own selling job, and "It is very often a case of who you know, rather than what you know."

Customer relations

The better agents have a loyal group of customers who will take a lot of merchandise on the agent's recommendation because the customers trust and respect the agent's business and technical skill. It takes years to build this prestige, and it is the agent's chief asset in business, one he always maintains at any cost.

Agent D's New York salesman is a retired business man who handles six or seven lines just for something to do. He said that most manufacturers don't like agents to handle more than about seven lines, and he agrees that two or three main lines and three or four minor

Agent D (Continued)

lines are about all a salesman can do justice to.

Agent E - New England representative for three manufacturers of lighting and infrared bulbs and lamps.

Agreements with manufacturers

The standard informal agreements defining commission and territory are used, termination upon thirty days notice except in certain instances where termination is automatic and immediate.

Selling assistance from manufacturers

Agent E carries a line of goods made by smaller companies which have to compete with similar goods sold by General Electric and Westinghouse. His companies are very much aware of the marketing problem confronting them and do everything in their power to help his sales work. Many concerns wish to have several manufacturers fill their requirements for each line of goods so that they will not suffer unduly from a strike or price change in a given supplier's plant. This policy works to the smaller producer's advantage in his battle with the giant concerns, but there still exists very stiff competition among the smaller firms for their share of the market. These firms, therefore, have to work very closely with their agents to stay in business. Agent E was contacted at an electrical convention, and his displays and booth were almost comparable with the showings of the much larger manufacturers. Agent E declared that his companies always work closely with him on the larger commercial and industrial installations by supplying him ample technical assistance when needed, and providing "travelling executives" whose chief functions are to "propagandize the top managements of customers" - a level of authority not accessible to most agents, but one which plays a vital role in purchasing.

Agent F - interviewed salesman for a Boston firm of manufacturer's agents handling playground equipment, nets, and other athletic equipment.

Agreement with manufacturers

Written contracts are renewed annually, and define territory, commission, arrangements for handling complaints, and certain legal relations between principal and agent.

Selling assistance from manufacturers

Catalogues, folders, and some samples and models are supplied, but several companies whose lines are still in short supply have been reluctant to provide ample sales aids or assist selling efforts in any way.

Special services by agent

Agents and their sales forces give manufacturers considerable information on new developments in the equipment field, also suggestions for modifying present equipment to meet new needs as they arise. Agents also separate the "chaff from the wheat" by weeding out worthless and bothersome inquiries from their territories.

Relations with manufacturers.

The short-sighted attitudes of certain manufacturers have developed some bitterness and lack of cooperation between these companies and their agents. Requests for information by agents, and complaints from the field often have not been handled promptly or politely by these firms. Other manufacturers have been very fair in all dealings, and relations seem to be sound with them. The impression was received that the latter companies will receive preferential treatment when the buyers market returns in all lines.

Agent F (continued).

Customer relations

Agents develop quite a personal following with the coaches and trainers upon whom they call regularly, thus putting sales on a personal rather than a brand basis in many cases.

Agent G - New York representative for Company 11, and several other school and athletic equipment makers.

Comments

The rush of business limited the value of this interview, but his comments on the policies of Company 11 give a valuable slant on a basic problem.

Company 11's sales manager feels strongly that each agent should represent the company as fully as possible in his territory and handle virtually all matters - complaints, credit information, technical problems, and the like. The sales manager flatly stated that "most agents are too damn lazy to do the complete job".

Agent G heartily endorses the sales manager's main policies along the lines that the agent should have considerable authority in the field - should be truly a company representative, not a mere order taker.

The disagreements arise in the "no man's land" between company functions and agent duties. Company literature and field visits by their executives are of invaluable aid, but agent G feels that sales would be benefited by the company adopting a more liberal attitude toward "helping out with tough customers, .. (and).. providing help on certain unusual problems". He had to admit, though, that the company was doing almost as much as it could to aid the representatives in "softening up customers".

Agent H - employs two salesmen to help sell the gift lines in New York and New England.

Agreements with manufacturers

Written agreements are the exception, not the rule, in this field. Agreements cover such matters as, territory, supplying of samples and sales aids, and commissions. The lack of written agreements permits a company to drop an agent on short notice, but except in rare cases, terminations are made only at the end of the year.

Selling assistance from manufacturers

Chief selling aids are samples which may or may not be supplied free of charge. In his china and glassware lines, a few samples are used to indicate quality, and the complete lines shown in very carefully drawn, full-color plates. He showed the interviewer one company's catalogue on which the company requests a fifty dollar deposit per copy.

Customer relations

Agent H has about 3000 accounts each of which is visited at least once a year. During the war most of his lines were in short supply, and he was able to service all accounts himself without a showroom-office. With the return to a buyer's market, a real selling job is required - two salesmen and a well-fitted showroom. Complaints may or may not pass through the agent, but the agent has to take the blame for them sooner or later. He makes every effort to be fair with customers on such matters, a policy in which he is backed by most manufacturers. A few firms are very tight and small on dealings with complaints - firms which tend to be hard to get along with in most business transactions.

Agent H (Continued)

Agent H feels that a good manufacturers' representative must be more than a salesman. He has to keep from overselling customers on lines that are not likely to move very well. This merchandising function builds the store's faith in the agent over the years and makes for a mutually satisfactory relationship. He has even helped small store owners in setting up their window displays and advised new store proprietors on what lines they should invest their limited capital.

Comments

He does some advertising on his own in trade papers. While the interviewer was present, another agent telephoned and the plans for a full-page ad sponsored by seven or eight agents were discussed. Agent H said that he and some of his agent-friends often advertise in this fashion.

Agent I - Pittsburgh district representative for Company 9, manufacturers of school and laboratory furniture. He represents no other company.

Agreement with Manufacturer

Agent I's contract with the company is written, and specifically defines commission, territory, and the handling of competing lines. Either party must give six months' notice before termination of contract can take place.

Selling assistance from manufacturers

Company 9 does a small amount of advertising, but its main contribution to helping the agents is the Dodge listings of new construction, a copy of which is sent to every agent. Agent I felt that his company's contribution to his sales word was negligible, but he neither expected nor especially desired much assistance from them.

Special services offered by agent

In effect, Agent I runs a Pittsburgh sales office for Company 9, handling claims, complaints, credit investigations, and several other functions for the company in an informal but thorough way. He stated that the company rarely has to visit his territory on business, and when it does, it is mainly at his request for consultation on unusual jobs.

Relations with the manufacturer

He admitted that the company and he occasionally get angry with each other over minor matters, but see eye-to-eye on basic problems. It seems certain that his relations with the company are excellent. If it were otherwise, he would not dare risk handling their line exclusively.

Agent I (Continued)

Customer relations

Even though he counts some of his customers among his closest friends, he still feels that their buying responsibilities make them more loyal to the product than to the agent.

Comments

Agent I formerly handled several lines, but has found it most advantageous to limit himself to the one line. He works out of his home - the expense of maintaining the office necessary if he should take on more lines would not leave him sufficient profits to justify the action.

He was the only agent to volunteer his commission rate - 15% .

Agent J - represents four lines of school supplies in the Philadelphia-South Jersey region.

Agreements with manufacturers

Contracts are nearly always in writing, more for clarity and mutual understanding of relations than for legal reasons - the average contract being susceptible of immediate rescinding by either party. He represents exactly the same territory for the four companies, this region being a natural division widely used.

Comments

Agent J represents several of the same lines that Agent M represents in New England. It was interesting to observe that Agent J made the same observation about customer loyalty as did Agent M - loyalty is mostly to the brand unless the agent can introduce another brand equally as good.

Agent J does a limited amount of advertising in the trade periodicals in his field, and also mails promotional material of his own to the school accounts he handles.

He has represented two of his companies for over 25 years, and commented that company satisfaction in an agent depends primarily on the agent's doing a consistently good job of selling.

Agent K - manufacturers' agent for several line of glassware and dinnerware, acts in capacity of sales agent for one manufacturer.

Agreements with manufacturers

Agent K is staffed to give a manufacturer both national and Canadian coverage, if desired. Contracts are verbal and rather informal, defining the territory which he is to handle. The average commission in this field is 10% , but he receives from 16½% to 24% because he performs certain other functions. The contracts may be terminated at will by either party. He has had a working agreement with his present accounts for many years and has gradually been assuming more and more of the marketing functions. The manufacturers require no call reports and set no quotas - for one manufacturer he is the sole distributor, for others he is their principal distributor. He is in constant communication with his manufacturers to consult on problems and makes frequent visits to their plants.

Services provided by agent

The agent has sixteen salesmen traveling on the road for him, and in addition maintains a design department for his principals. He usually assumes all credit investigation, billing operations, and credit risks - which helps account for his higher commissions. The manufacturers he represents prefer to have little to do with the marketing problem but cooperate closely with the agent whenever necessary. The manufacturer sends all leads and inquiries he receives to the agent. The agent handles all complaints coming from customers. He also plans and places all advertising (at his own expense). They advertise both to the trade and to the consumer (Life magazine). Selling is done by

Agent K (Continued)

using samples purchased from the manufacturer - no sales aids are prepared, except counter cards for the retailers. When introducing a line, the agent prefers to place it first with a large department store and cooperate with the store in intensive advertising programs. Occasionally they introduce a new line at the first gift show of the year. When a manufacturer reports that sales are falling below production capacity, the agent tries to put special emphasis on the line, instructs his salesmen to push the line harder, advertises to the trade more extensively, or perhaps even sends salesmen on special trips. Agent K also maintains the design department for all his manufacturers. He feels that this works out most satisfactorily because he is close to the market and in a better position to judge what type of product is wanted. The agent maintains a showroom in New York. He estimates that his sales break down as follows:

mail.....10%

direct call by salesmen.....40%

show room displays.....50%

Comments

The agent feels that his system has had remarkable results for all concerned. It has relieved the manufacturer of much of the marketing burden. He believes that he can carry on such functions more effectively and inexpensively than could any one of his manufacturers. Although he does no formal market analysis, he is able to observe trends and to judge product performance by experience. He has an unusual arrangement for determining the amount of commission to charge. It is based on the following procedure: the agent designs the new

Agent K (Continued)

item and estimates what the market will pay. The manufacturer then figures his cost of production, and they divide evenly between them the margin of profit. The agent has one main suggestion for manufacturers to observe whenever possible and that was for the manufacturer to give the agent an advertising budget to be passed on to retailers for local cooperative advertising programs. He believed that such a plan would provide the agent with a valuable selling tool.

Agent L - handles a line of locks in the Portland,Maine area.

Comments

This interview's chief value lies in the unusual circumstances it contains. Agent L is a Portland school teacher who handles a single product, the locks, in his spare time to augment his income. The school connection has been of considerable assistance in the sales work, most of which is to schools. He feels that the company does a creditable job of assisting him in his work, and is satisfied with him as long as he does a thorough job of covering the territory assigned to him.

Agent M - covers most of New England representing five firms who manufacture steel lockers, shelves, related steel items, and locks.

Agreements with manufacturers

Agent M indicated that these agreements take the form of written contracts outlining commission rates, territory, and causes for termination, but he gave no details.

Selling assistance from manufacturer

Companies he represents advertise in trade and educators' journals, and these ads are a fair source of new accounts. Interested buyers are referred to agents by the companies, and the agents are expected to distribute folders and literature furnished by companies to their customers.

Special services offered by agent

Agent M stated that he and other agents in this field do a lot more for their companies than just selling, but he would not disclose any of these services beyond mentioning that "...agents keep the manufacturer posted on trends, new ideas, and other market data."

Relations with manufacturer

He believes that in most instances the cooperation between agents and manufacturers is good. He felt that his companies were "on the whole" treating him fairly, and that he "had no kick" with them.

Customer relations

Most of Agent M's sales are to educational institutions, and while there is a good bit of friendliness between himself and the buyers, still the customer's loyalty is largely to the manufacturing company unless the agent can present another line equally as good for the same price.

Agent N - New England representative for a concern designing and making anatomy models and charts, and geographical maps and teaching aids.

Agreements with manufacturers

Agent N represents just this one firm and has many of the characteristics of a company salesman, but he is completely independent from the company. He has a contractual agreement with the company, is paid entirely on a commission basis, and is free to handle any other non-competing lines he chooses.

Selling assistance from manufacturer

The company's line of models and charts is very carefully made, and sells for a price in keeping with high quality merchandise. Samples of the line are a necessary sales aid to impress prospects with the precision and flexibility of the goods. The company does everything it can to assist the selling work, the agent states, supplying him with folders, samples, and scale models.

Special services offered by agent

Much of the company's business consists of special designs and models made to customers' specifications. Agent N regularly calls upon a leading technological institute, and this institute a year or so ago desired special geography maps indicating physical features, earth curvature, and great circle relationships among strategic localities on the international political scene. Agent N handled all arrangements between the institute and the company for construction of these maps. Similar services by him are often necessary when customers require specially designed anatomical apparatus.

Comments

Agent N has handled other lines in the past but declares that his

Agent N (Continued)

present line requires all his time and remunerates him better for his efforts than did any of the other lines.

Agent O - deals in six lines of confectioners and bakers supplies throughout southeastern Pennsylvania. Has no salesmen working with him.

Agreements with manufacturers

All his agreements are written and provide for termination with a thirty to sixty day notice required. Certain customers are specified as "house accounts" or in one case, sold at a lower price with a reduced commission. Territories are carefully outlined. No quotas or call reports are required by his manufacturers.

Selling assistance from manufacturers

Most of his lines are stable commodities which require no special promotion. The extent of manufacturers sales aids is slight - a few firms supply monthly or periodic price lists. Agent O deplores the tendency many companies have to give their agents little sales assistance - they should offer an agent exactly the help they give their own sales personnel.

Services offered by agent

Agents handle complaints and do some trade paper advertising. Ads are usually for the purpose of keeping the agent's name before the trade, not to promote the agent's lines.

Relations with manufacturers

Companies frequently apply pressure on him to push their lines, and he generally responds by giving the line in question more promotion for a while. When he feels that the line is already getting its full share of attention, he will tell the company so. Closer cooperation by companies with their agents would make for easier and better sales. He does not change lines very often - only when the line fails to pay

Agent O (Continued)

or when a company installs its own sales force.

Comments

Once an agent becomes established, his customers are about 90% loyal to him, Agent O has found. Agent O maintains no showroom. His sales are divided in the following way:

personal calls.....75%

phone orders.....15%

mail orders.....10%

Agent P - handles one line, a service which reconditions athletic equipment. He covers the upper New York State area.

Agreement with manufacturer

Agent P is for all practical purposes a company salesman, but theoretically he is an agent, is free to handle other lines, is paid only when he sells, and has a written contract defining the relationship in detail.

Selling assistance from manufacturer

Agent P's company is the oldest and largest in the field, but there is very stiff competition, especially from "fly-by-nights", local laundries and shoemakers which do a make-shift job by simply cleaning and mending the uniforms and shoes. The company keeps Agent P well stocked with folders, three-year, wallet-size celluloid calendars (coaches make up playing schedules on a three-year basis), and "before and after" samples, showing what reconditioning can do. Agent P added that in this sort of work, the reputation of the company, its honesty, and fairness are of paramount importance to the customer. Therefore, the best assistance a manufacturer can give his agents is to maintain a good name.

Customer relations

The agents selling this service handle all the arrangements between the company and the customer. In a typical transaction a school coach would let the agent check every piece of used gear and then submit an estimate for renovation which the coach would present to the proper school authority for approval. The equipment would be picked up by the agent at the close of the playing season and shipped to the company plant. Before spring practice time, the company would return the

Agent P (Continued)

rebuilt equipment. The estimating function performed by the agent requires not only sound judgment but also experience tempered by forecasts of leather price trends. Agent P said he occasionally will make a poor estimate but such instances are rare. When the poor estimate is in the customer's favor, the company will let it stand, but when the customer has been overcharged, an adjustment is usually made.

Comments

Agent P and most other agents in this field are former athletes who are on very good terms with the coaches and trainers they sell to. Loyalty is directed more to the agent than to the company, and the nature of the estimating makes it necessary for customers to have complete confidence in the agent. Agent P's obvious enthusiasm for his company seems to indicate sound company-agent relationship. Agents generally carry a small stock of athletic supplies just for the convenience of the customer.

Agent Q - New England representative dealing in gifts.

Agreements with manufacturers

No formal or written contracts are used. Understandings exist on such matters as territory, commission, company sales aids, and showroom displays.

Selling assistance from manufacturers

Companies supply him with folders, samples, showcases, price lists, and data on new lines coming on the market. Some of the lines Agent Q represents are made by very small firms which know how to manufacture but not how to sell or promote. Even when such companies try to co-operate, they are of little help.

Relations with manufacturers

The very small companies are usually not in the position to make demands upon the agent, but larger companies expect him to do a certain amount of business in his territory. If such business does not materialize, and there is no good reason for the failure, the agent will invariably be dropped.

Comments

Agent Q maintains an office-showroom with a secretary, but he himself is nearly always on the road. He keeps in daily phone contact with the office to learn the latest developments and give instructions to the secretary. The showroom does not begin to pay for itself, but an office is necessary and a showroom desirable. Agent Q handles only five or six lines instead of the average of twenty in this field, but he is able to cover all accounts without using salesmen. He has connections with other agents in New York and the midwest which give further coverage on some lines.

Agent R - he and his two salesmen represent a gift line of goods through New York and New England.

Agreements with manufacturers

Informal and verbal contracts outline the company-agent relations pertaining to commission, territory, methods of handling complaints, and termination procedures.

Special services offered by agent

Agent R represents less than the twenty or so lines normally carried in this field by an agent, but he offers more services to his fewer manufacturers. These services range from the complete distribution service (billing, collections, credit, and the others) for several of the smaller companies to only the selling function for his largest client. Commissions vary accordingly.

Customer Relations

Agent R is one of the older men in this field and does most of his selling on a personal basis. Companies set quotas for sales and the agents generally have to meet them or lose the line. These quotas should be readily attained by any conscientious agent with a loyal group of customers. Companies rarely try to push Agent R because of his following - something he feels is necessary for an agent to have any independence from his companies. New customers are often added at the semi-annual gift shows which also stimulate sales from old accounts and help indicate trends in the market.

Agent S - New England representative for seventeen lines of gift items - employs two salesmen.

Agreements with manufacturers

Contracts are written in very few cases - generally verbal, and often little more than "understandings". Each agent has a definite territory and receives commissions on all sales coming from it. Unless there are unusual causes, the agent-company relationship will not be broken during the season. The common method of termination calls for the terminating party to notify the other party sometime in November that different plans have been made which will go into effect the first of the year. The agent is then expected to return any samples, folders, or other property belonging to his principal. The most common cause for a company to drop an agent is that the agent has not been promoting the line effectively. Agents will usually drop a line which no longer fits in with their other merchandise or a line whose manufacturer is difficult to deal with - especially on complaints.

Selling assistance from manufacturers

Agents like to handle lines that are nationally advertised to consumers and will make special efforts to obtain them. Such ads have been found to stimulate business appreciably. Trade-paper advertising is also helpful, but to a lesser extent. Most firms supply enough folders and samples, and some furnish mats for newspaper ads.

Special services offered by agent

Agent S stressed the fact that a good representative does much more than a mere selling job. He has to see things from the buyers viewpoint and help the buyer make wise selections. Agent S related an incident that occurred over a new novelty item which he was showing

Agent S (Continued)

to a local department store buyer. The buyer was fascinated by this article and was convinced that it would be well received by his customers in spite of its high price. The agent disagreed with the buyer and dampened the buyer's enthusiasm enough to reduce the buyer's order from twenty-four to nine units. As the agent had foreseen, the item moved slowly, and the order of nine was sufficient.

Customer relations

Some manufacturers have a form of selective distribution which is applied, with the agent's consent, when introducing a style item or an item expected to have heavy initial sales which will later diminish. Under this system, one large metropolitan department store would be the exclusive outlet for an item during the first few weeks when sales would be at a maximum. The department store would repay this priviledge by featuring the item in its newspaper advertisements, and placing the item in advantageous locations in the store. When sales for the product begin to level off, the store would reduce its promotion, and the agent would be free to introduce it in other retail outlets.

Further comments

Agents in this field sometimes handle lines that are very close to being competitive. Certain copper utensil good, for example, may be put out by different companies and have different qualities. One line might be very expensive, another line moderate in price, and a third line a low-priced item. A single agent will often handle all three lines, but they will usually be sold through three different classes of retail stores. The distinction is often slight and the products may overlap somewhat. When this happens, it is usually to

Agent S (Continued)

the disadvantage of both parties.

Four gift agents were interviewed - all four in the same building and on the same floor. Each of these agents specialized along certain lines - Agent Q with pewter, Agent S with framed pictures, etc. These agents, while handling similar lines, are not directly competing with one another on most lines, and help each other in sales work by referring customers to the other agents.

Agent T - handles two lines only - sweaters, and leather goods.

Interview held with a salesman of Agent T.

Agreements with manufacturers

Contracts defining territory and commission are written and are fairly strict. No sales quotas or call reports are required. The contract made when the second line was taken on (leather goods) stipulated that the agent would not be permitted to add additional lines - violation was an automatic termination of all agreements.

Services provided by agent

The agent handles all credit investigation and billing for both of his manufacturers. He maintains a showroom in New York City and participates in all trade shows. The expenses of both of these are borne on a determined percentage basis by the agent and both of the manufacturers. (One manufacturer recently paid to have the offices and showroom completely remodeled and refurnished.) The agent also furnishes the manufacturers with information on market conditions and trends - he maintains constant communication with the two manufacturers.

Services provided agents

The manufacturers advertise their products on a national level to consumers but do no trade advertising. The agents are furnished with samples - no other sales aids are necessary. Sometimes counter displays are prepared for the retail stores, and the manufacturer will often participate with the larger retailers on a cooperative local advertising campaign. The manufacturer tries to let the agent handle all inquiries and complaints from the field as he is in closer contact with the customers. Complaints involving the manufacturers are handled promptly and courteously by him.

Agent T (Continued)

Comments

The agent feels that the system he has worked out with the manufacturers is acceptable to both parties. He believes that most of the trouble arising between manufacturer and agent is the result of the agent's neglect in his duties. He thinks that most agents try to handle too many lines and so can't devote enough time to any one of them. When the representative was asked whether he thought an agent who handled only two accounts was risking his living on the good faith of his companies (see interview with Agent C), he replied that that was not necessarily true. He believes that if the agent is good, he will have no trouble finding a new account if one manufacturer should drop him. He added that the agent can do a better job if he has only a few lines, and consequently, there is less danger of his being dismissed by a manufacturer.

APPENDIX D

Interview With
Wholesale Garment Association

Interview with the Director of the Wholesale Garment Association, Boston, Massachusetts.

The position of agents in the industry

Manufacturers' agents are used for almost one hundred per cent of the distribution of garments from the manufacturer to the retail outlet. Agents operate on informal contractual basis that defines commission and territory. They are given exclusive rights within their territory except when the manufacturer maintains a branch sales office (usually in New York City). Buyers for the bigger stores often go to New York to visit these show rooms and make their selections. The sales office will split the commission on these orders with the agent, though he may have had nothing to do with the actual sale. Other manufacturers may specify certain house accounts to be handled directly by the manufacturer. The contracts made with the manufacturer are always for a full season to prevent the agent from being cut-off while he is on the road selling. He is paid strictly on a commission basis and may have a drawing account against expenses. Commissions are paid on orders as shipped, which may be considerably less than the order as taken by the salesman as orders must be confirmed by the purchaser to the manufacturer, and the purchaser has the privilege of altering them to suit his convenience. Few manufacturers require their agents to meet sales quotas but some of the stronger garment makers demand call reports from their representatives. This is the exception rather than the rule, however.

Services provided by the agent

The agent is not in a position to give many extra services to the manufacturer in addition to his sales work. Manufacturers must stay one

Wholesale Garment Association (Continued)

full season ahead of sales in their planning, so any market data or design service furnished by the agent would be of no value. Agents are continually on the road during the selling season and so cannot handle billing functions.

Services provided by the manufacturer

Most manufacturers do some advertising to support their agents. The field is extremely competitive, making it difficult but not altogether impossible to build up brand loyalty. The agents used are usually picked on the basis of the following of buyers that they have in the trade - perhaps the main advantage of using representatives in this field. Advertising by the manufacturer is done principally to the consumer and often carries the names of retail outlets where the merchandise can be purchased. Any advertising in the trade journals would carry the agents' names. Manufacturer has complete authority over prices and terms.

Customer relations

Manufacturers generally handle all complaints, though the agent may be called in to participate on their settlement. If the manufacturer is unable to cope with the situation, the association is asked to represent him. For example, if the manufacturer and the customer are having difficulty in making an adjustment on returned merchandise, the association may be asked to act more or less as a mediator. The association is also called in when a default in payment occurs. If a store goes out of business and has accounts payable to a number of manufacturers with insufficient funds to meet them, the association may be asked to work out some arrangement that is satisfactory to all

Wholesale Garment Association (Continued)

parties.

Comments

The agents at present are about the only means a manufacturer has for reaching the vast number of garment outlets. The situation is far from perfect, however, and is one that will become increasingly worse unless the manufacturers take action soon. Competition is keen and all manufacturers look for long-experienced salesmen. As a result, good salesmen are very scarce, and there are few new men entering the field. Salesmen are in a position where they can be overly particular about the lines they handle and the amount of actual selling they do. Salesmen will pick out the best two or three items out of a line of a dozen or more that their principal may manufacture, and will not bother to handle the remaining articles. Consequently, the manufacturer is receiving incomplete representation for his merchandise. The good salesmen won't bother going to the smaller outlets, also contributing to incomplete coverage. Often when they come to a town, they will hire a hotel room and set up displays to which the leading buyers are invited to visit. Many buyers are too busy to visit the salesman's display, and so the manufacturer again receives thoroughly inadequate representation. All in all, the impression was created that the agents are definitely inclined to be lazy, are interested not in doing a good job but in making quick and easy sales. It will be hard to remedy this situation. The manufacturers must begin to look to the future and start hiring and training new men. At the suggestion of the Wholesale Garment Association, one manufacturer recently hired three college

Wholesale Garment Association (Continued)

graduates who had shown sales ability in aptitude tests, gave them a brief training program, and put them on the road under the direction of an experienced garment salesman. They were to be strictly company salesmen, on a salary basis with a small incentive commission on sales over quota and an expense allowance. The company has achieved remarkable sales results since initiating this program and feels that it is getting far better coverage of the potential market. Such a policy might not be possible for most of the smaller manufacturers but it is a potential solution for some.

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