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FALL 2016

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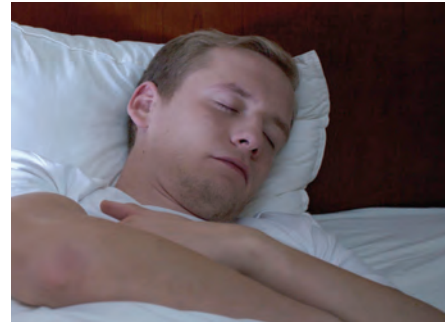
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FALL 2016

START - UPS



**A Systematic
Approach
to Growth**



*This thing all things devours:
Birds, beasts, trees, flowers;
Gnaws iron, bites steel;
Grinds hard stones to meal;
Slays king, ruins town,
And beats high mountain down.*

Fans of Tolkien's "The Hobbit" will instantly recognize the riddle as one that Gollum poses to Bilbo Baggins. The answer of course is "time."

In many ways, start-ups are just as much an enigma to salespeople as the riddle was to Bilbo. But in the case of salespeople, time isn't the answer. It's the core question.

One of the key characteristics that differentiates great selling organizations from lesser ones, and extraordinary salespeople from simply ordinary ones, is the ability to manage time, their most precious asset. Of course, continuing to cultivate and maintain major accounts is an obvious place to invest a significant amount of temporal capital. The problem is that in today's electronic industry, any major account is always one decision away from a merger, acquisition, outsourcing or offshoring, all of which could spell instant commission disaster for a rep firm. As a result, an effective sales organization must not only take care of current customers but also always be cultivating its potential future major accounts.

This of course leads us to the business of start-ups.

We are fortunate to truly live in a golden era of entrepreneurship. Innovative business models, highly scalable, free technology platforms, and the relatively newfound availability of funds through crowdsourcing platforms have made it easier than ever to be an entrepreneur. The good news is that this means that there are more start-ups than ever that could become a rep's next major account. The bad news is that there are far too many start-ups to focus on, making it imperative to pick the right ones to pursue.

The things that make start-ups so challenging for sales reps are exactly what make them start-ups.

By one definition, a start-up is a company working to solve a problem where the solution is not obvious and success is not guaranteed. This means that start-ups need help. Lots of it. In sales speak, start-ups almost always require an extremely significant investment in time to support.

By another definition, start-ups generate revenues below \$20 million, have less than 80 employees, and founders remain resolutely in control of the company they started. As a result, in addition to requiring a significant investment in time, start-ups will never pay a rep's bills. Ever. The second they start to pay your bills, by definition they are no longer a start-up. The good news is that start-ups do afford a salesperson access to their executive team, something that could prove extremely valuable if and when they are successful.

Finally, start-ups are for-profit enterprises intent on becoming big enough to take over the world. And that, of course, is the reason for this article. They require effort, investment and hard work, but one of them is bound to become either your or your chief competitor's next gorilla account.

The balancing act between servicing existing major customers and finding the next big account within a sea of start-ups may be the most important thing your company will have to manage over the next decade. You may be tempted to view start-ups as too high a risk and too big a time sink for you to afford as commission rates continue to shrink and competition increases. But you can't afford not to call on them. Your future growth depends on it. However, just like you actively try to manage risk in your business every day, why would you leave your start-up initiative to chance?

Do you want your salespeople calling on whatever start-up happens to hit their radar at random? Or perhaps the start-ups that tell the best story? Or would you rather they devote their limited time calling on the start-ups that are most likely to become their next major account? Clearly the need exists for a more systematic approach to this critical market segment.

What follows is a systematic approach I've had the opportunity to field test across several of the sales organizations I've managed over the course of my career. The approach is predicated on adopting a venture capital mindset to sales management and consists of five basic steps:

1. Determine fund size.
2. Set evaluation criteria.
3. Identify potential start-ups.
4. Score and invest.
5. Rebalance/manage investment portfolio.

Determine fund size

As discussed, your selling organization's primary form of capital is time. The first step to creating a systematic start-up development strategy is to determine how much capital you want to deploy, which in your case is time. Specifically, how much of your salespersons' time are you prepared to devote to developing start-ups? How much time can you afford to have them spend on this activity?

(continued on next page)



About Alex Gabbi

Alex Gabbi is a professor of global entrepreneurship, marketing and international business operations at the McCombs School of Business of The University of Texas at Austin. He is also a published author (The Journey: A Family's Journey of Love, Loss and Restoration), creator of Founder, a business strategy game, and five-time start-up executive in the software, hardware and consulting space.

Most recently, he was a partner at Global Innovation Village, a consulting company focused on innovation management consulting and a 10-year veteran of Arrow Electronics, where he served as the general manager for South Texas.

You can email Alex Gabbi at alex.gabbi@mcombs.utexas.edu.

COVER STORY: Start-ups

(continued from previous page)

The percentage of salesperson time you are willing to allocate to the activity, translated into hours, represents your fund size.

As a business leader, you can choose how to allocate this time capital across your salespeople. Having tried most combinations, I've found that giving all of your salespeople an opportunity to call on start-ups tends to work best for a few reasons:

- It's a welcome break from the daily stress and grind of servicing major accounts.
- It provides great experience dealing with higher level executives and develops general business acumen, both of which represent skills that are highly transferable to major accounts.

Set evaluation criteria

Don't overdo the evaluation criteria. Generally, I look for strength in six overall categories (the

sidebar on page 18 provides some ideas for metrics):

1. Customer - unmet need with a large market and access to customers;
2. Product - customer focused solution with a clear value proposition and low barriers to adoption;
3. Timing - established demand with no signs of commoditization;
4. Competition - differentiable position solving a clear market inefficiency;
5. Finance - strong financing and working capital with good potential economies of scale;
6. Team - with functional competence, a track record, strong subject matter expertise, and key relationships.

Identify potential startups

Of course, there are some markets like San Jose, Austin and Boston, that are renowned for being start-up hot beds. However, every market has a rich ecosystem of emerging companies that rep firms can and should tap into. There are a variety of ways to access these ecosystems and identify opportunities ahead of your competition, but it will require time and effort.

For starters, do your homework. Look at the websites and press releases for local venture capitalists. Who are they funding? Become active on crowdfunding sites like Kickstarter. What campaigns in your local market are having success? Would you fund them? Use services like askwonder.com to do research on high-growth verticals and start-ups in your region. Finally, identify incubators, accelerators, co-location facilities and entrepreneurial organizations that are active in your area.

Next, start networking. Partner with distributors to get their lead lists. Research LinkedIn to develop an understanding of who the "players" are in the start-up space and work to build relationships with them. Develop a strategy to forge relationships with local incubators and accelerators. Find ways to add value to them (and by extension their start-up clients) and they will reciprocate. Some techniques to do so could include free samples, seminars or on-site office hours.

Score and invest

Have your salespeople score each of the evaluation criteria for their target startups on a scale from one to five (where one is very poor and five is outstanding). Set an active management threshold point target. When we had six categories, I set the threshold at 18 for my team. Start-ups that met the target point value or above would be actively called on and tracked closely.

As your salespeople start calling on start-ups, you will find that they will quickly realize they don't have all of the information they need to give a score in each of your criteria categories. The



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COVER STORY

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Brook Merchant
President
R.C. Merchant & Co., Inc.

With so many ERA members, it is not easy to get to know every rep and manufacturer in the business. "Someone You Should Know" is The Representor department that gives readers the chance to learn about fellow ERA members, including how their time is spent both in and out of the office.

Meet Brook Merchant, president of R.C. Merchant & Co., Inc., located in Farmington Hills, Mich. He is a third generation sales rep in the electronics industry.

The Representor asked Brook a few questions about his time in the rep business and his experiences with ERA. Here is what he had to say.

Tell us a little bit about yourself.

My name is Brook Merchant, and I am a rep. My real name is Jonathan Merchant, but on my first day of work at R.C. Merchant Co. (RCM), I knew that was going to be a problem. You see, my father's name was John Merchant. He was a very aggressive, Type A, old school rep. On my first day, I received five phone calls from angry people, yelling at me, mistaking me for my father. I knew then a name change was in order. I am a third generation sales rep in the electronics industry. I was born a rep and will always be a rep. Mollie, my beautiful wife of 34 years, is also an owner of our firm. I have two children, Jeffrey and Mallerie.

What are some things you enjoy outside of the workplace?

"Outside of work" is a term I hold precious in today's 24/7 business climate. I love the outdoors — hiking, fishing, hunting and walking in the forest. I am a "fit-bitter" who strives to get 80-100K steps per week to unwind and relax. I love to cook, and I periodically take cooking classes at a local community college. I, of course, love to eat really good food. My top three restaurants right now are Mon Ami Gabi in Chicago, Hugo's Cellar at the Four Queens Hotel in Las Vegas and Lima in San Juan, Puerto Rico.

How long have you been an ERA member and how long in the rep business?

RCM has been an ERA member since 1937. We are one of the oldest members of the association. Our firm is the oldest electronic representative in the U.S. solely run by one family. It was started by my grandfather in 1924, selling tubes and tube sockets. As a third generation sales representative, I began my full-time career at RCM in January 1981. I am very proud of our history and heritage. My daughter, Mallerie Merchant, has spent the past five years with TTI in Schaumburg, Ill., as an outside salesperson. Mallerie will be joining our firm in October 2016 as a fourth generation leader. We are less than eight years away from my largest goal in life — to make it successfully to our 100th anniversary. People often tell me that only 17 percent of firms make it through the third generation. I think we will make it. We will be throwing a party at EDS 2024.

How did you become interested in being a rep in the electronics industry?

I really never thought of anything else. I worked at the firm ever since I can remember and always considered myself a rep. Several years

after graduating from college (NMU, 1981), my father was diagnosed with cancer. The diagnosis sped up my transition to a leadership role, and I have never looked back.

What have you found to be most rewarding about the rep business?

By far, the people. My customers, my principles and the relationships I have formed with other reps in ERA and lesser-known groups have brought fulfillment in my personal and professional life.

Briefly describe your rep firm.

We are a two-division rep firm: Electronics, IPE and an Electrical Power Quality Group, servicing the data center market.

What recent innovations, best practices and/or changes has your firm made?

Our primary changes and innovations over the next two years include focusing on developing alliances with Ohio and Indiana reps for coverage of the Great Lakes region in our electronics group. We also are developing our own Analytical Sales Engine for growing business with our long-tail customers.

What have you learned and/or what contacts have you made through ERA that have had the greatest positive impacts on you and/or your business?

My mentors in this industry include Bruce Anderson and many greats who have passed away, such as James Cartwright, Jack Berman, Bob Trinkle, Gene Foster and Tim Coakley. Many of their notable quotes and lessons guide me through my daily decision making and long-term planning. Bruce Anderson said, "Cash is king." James Cartwright taught me about leveraging business and locking up good people. Jack Berman encouraged a rep owner to be an educator. Bob Trinkle stated, "The buck stops here!" Gene Foster and Tim Coakley encouraged us all to "share shamelessly."

Are you active on social media? Do you follow ERA? Have ERA updates via social media been helpful to you?

Yes, I use LinkedIn and Facebook. I follow ERA on Facebook.

What is one interesting fact that people may not know about you?

I am very interested and fascinated by the study of pines. Pine forests are a meditative place for me, and I feel most at peace while in the pine forests of northern Michigan.



Building the bridges: manufacturing to reps to end users

by Liz Beerman

Designed by Evening_tao/FreePik



Liz Beerman

Liz Beerman is executive director of MRERF/IPA – Manufacturers' Representative Educational Research Foundation.

Liz's background includes extensive terms as director of operations for CQG, Inc., corporate marketing manager for Arrow Electronics and global training in consultative sales and marketing, for HP. A graduate in psychology and education from California State University in Los Angeles, she received her Masters Degree at the University of Northern Colorado.

You can call Liz Beerman at 303-463-1801 or email her at liz@mrrerf.org.

All of us, whether manufacturers, reps, distributors, or those who service these channel business model warriors, have had to explain what the rep business model is. Cocktail party, dinner party, conference room or shipping dock — explaining the impact of creating and moving product becomes a relevant topic of conversation. How does what I am buying get to ME without paying the middle person?

It has been reported that the majority of American manufacturers move their product through the “independent, multi-line, synergistic, professional field selling model.” What a mouthful of words! Yet, the power and politics behind them drives and delivers more than 90 percent of product daily from the end of the manufacturing, integration or assembly line, across the miles, to a location that is only words on an invoice, to an end customer with an associated price and profit margin that will ultimately determine the success ... or failure ... of your transaction and bottom line.

OK, so you are overworked, exceptionally tired, underpaid, not recognized for your 110 percent effort and wondering why you stay with it. Where do you turn for help?

Identifying, building, developing and incentivizing the relationship among key players in this scenario is the one and only path to ensuring consistent goal attainment, without killing yourself and your team in the process.

Manufacturer to channel, rep and distribution, and to end user, demand cutting-edge relationships that, while crucial, are too often either taken for granted, or worse, seen as adversarial.

Start with the question of yourself, “What

motivates or incentivizes YOU to buy? And from whom?” Most often it is the credible referral, certification or personal relationship that drives your decision. Manufacturer to channel, rep and end user is no different.

So how can you implement and then impact continued motivation — coming and going — to increase revenue?

Manufacturers bridge to rep firms in three steps:

- **Identify** those traits and skills that have worked most successfully in selling your product (either from your direct sales or rep sales).
 - What do they do? Watch their deliberate actions and document them.
 - Why do they do it? What is the desired outcome?
 - Did they get the sale with a happy customer on the other side?
 - Then replicate it with the rep firms you partner with.
- **Validate** the rep firm is a Certified Professional Manufacturer Representative, (CPMR). Be assured that it takes its business seriously, has invested in the infrastructure of the firm and is guaranteed to be here tomorrow.
- **Value** the partnership by understanding the rep business and determining what elements would be of value to them. What specifics do they want, and need, in a motivation and incentive plan, beyond commissions? If they go above and beyond ... so should you, consistently.

(continued on page 28)

Why certify?

by David Dasson, CPMR, CSP

I recently had a conversation with a fellow rep, which started out with “We used to ...” There also were some “Back when I started ...,” and “That is how we did it ...” It made me realize that this industry today is vastly different than it was even when I started in it. The marketplace and landscape of our customers also are vastly different than they used to be. The “that is how we did it” mentality and mode of operation just does not cut it in today’s world.

You can hardly attend a conference or have lunch with a fellow channel partner these days without the conversation turning toward a discussion of what it is going to be like over the next five years.

So what do we do? One of the answers is knowledge!

Continuing education is so critical in today’s business environment, and that is why you certify. Like any professional designation, it means that you have invested in yourself and your business. It means that you have taken time out of your busy schedule to better yourself and remain current on today’s business trends and tactics. Third-party certification increases your professionalism and your credibility.

Our business model, the independent professional sales function (rep), has a certification program. This program is an intensive three-year course that will educate you on the current business strategies and tactics that are vital to your organization. Strategic planning, succession planning, line profitability and legal strategies are just a few of the topics that are covered over the three years.

The Manufacturers’ Representative Educational Research Foundation (MRERF) and the Institute for Professional Advancement (IPA) are the organizations that create, implement and manage the CPMR (Certified Professional Manufacturers Representative) designation course as well as several others. They are non-for-profit institutions and are backed by more than 17 different and diverse associations. ERA is one of the founding association members that continually has supported MRERF and IPA. Being certified separates you from the other agencies in your area. Furthermore, manufacturers increasingly are looking to hire firms with CPMRs. It demonstrates that you have invested in your firm and the continued operation of it. Find a CPMR, buy him/her a coffee and ask about the certification experience, or contact me directly.

There is a wealth of information at our website — www.mrerf.org.

David Dasson, CPMR, CSP, is president of MRERF and partner at Net Sales Co. You can call David at 585-924-1844 or email him at ddasson@netsalesrep.com.



R. C. Merchant & Co., Inc.

Established 1924

**IMMEDIATE
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RELEASE**

August 17, 2016

J. Brook Merchant, President of the R. C. Merchant & Co., Inc. announces the newest addition to our staff. Mallerie Merchant is fourth generation in the company, joining her father, Brook Merchant. R. C. Merchant & Co., Inc. was originally founded in 1924 by Mallerie’s great grandfather Roscoe C. Merchant.

Mallerie’s primary responsibilities will include sales, sales management and balance sheet responsibilities for both the Electrical and Electronic Groups. Her planned start date is October 17, 2016.

Mallerie is a DePaul University Graduate, where she earned a BS degree in Business, majoring in Entrepreneurial Management, minoring in Marketing.

Mallerie has been working as a Field Account Manager at TTI in Chicago. She has built strong relationships with TTI’s top business partners by developing growth plans for accounts and working with customers’ purchasing and engineering staff on projects and designs for future business. She ranks in the top 25% of Field Account Reps for year over year growth.



Please join us in welcoming Mallerie to our company. We look forward to the knowledge and dedication she will bring to our principals, distributors and OEM customers.

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(The ERA chapter of each rep firm is listed in *italics* after the company name.)

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Fasten your seat belts, folks!

The last word of the theme for ERA's 2017 Conference is accelerate!

Boy! How much faster will the changes come flying at us, or by us? It seems as if our industry continues to change and evolve at a faster and faster pace.

Which category do you find yourself in?

- Those who make it happen?
- Those who watch it happen?
- Those who wonder what happened?

I am sure that all of us THINK we are in the first category at all times. But, do we ever find ourselves in the second, or (perish the thought) the third category?

The evolution (or revolution) of our industry just continues to accelerate.

Who among us could have foreseen the major changes in the channel over the past 60 days? CEOs, presidents and vice presidents get demoted and/or depart. A major distributor gets bought. Consolidation continues among the manufacturers, and the new management broom sweeps clean ... all as a means to satisfy Wall Street and shareholders EPS expectations.

Everyone seems to be looking to cut costs and improve the bottom line. But what price are they paying over the near/long term in market and customer penetration and sales initiatives? What has been the impact to OUR customers throughout all of this? Does anyone care?

What does this mean to the local rep, the local distributor branch or the local/regional manager for a manufacturer? LOTS!

Your customers value consistency of service, continuity of supply, consistent (lowest?) pricing and NO surprises. Nothing is more upsetting to any of them (or us) than to get notified of a change in their account coverage, missed delivery or unforecasted cost increases. So how do we avoid these throughout all of this industry chaos?

It is not an easy solution, is it? Day-to-day communication between the reps and the distributor branch offices on the latest

new product introductions (NPI), lead time changes and pricing visibility has become more complicated. There are many CRM and MRP systems that need to be navigated and coordinated BY PEOPLE who then meet and TOGETHER visit the customer to show alignment on behalf of the manufacturer. Nothing can replace this human interaction.

Yet, you hear all of the time about the phasing out of the in-person sales call ... how it is all digital now ... NOT TRUE!

Earlier this year, ERA announced its Distribution Membership Initiative on July 1. This was done to help facilitate, under one organization (ERA) an open and ongoing dialogue between the local rep office and the local distribution branch office, all to help better support their common customers for common manufacturers. What a concept — talking to each other, visiting the customers TOGETHER — to help grow sales for our manufacturers through excellent coordinated customer service. The rep and the distributor salesperson become stronger when they coordinate their efforts TOGETHER at the

customer's desk, and both the customer and manufacturer benefit! This benefit should translate into increased sales and commissions for all.

Let's not complicate a ham sandwich here. Visiting customers together is a main tenet for good rep companies and distribution branch sales personnel. Nothing can replace this unless we allow ourselves to be replaced by digital marketing and websites. We need to show manufacturers how we use their digital campaigns to augment our customer meetings and how we are in fact an extension of their efforts, not separate from them.

So, what's ahead? Your ERA continues to reinvent itself as these market changes require.

- We have transitioned our ERA National headquarters to a "virtual office," saving our staff many hours of commuting time, thus allowing more time to service our members.



by Walter E. Tobin

ERA CEO

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Visiting customers together is a main tenet for good rep companies and distribution branch sales personnel. Nothing can replace this unless we allow ourselves to be replaced by digital marketing and websites.

(continued on page 20)

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One rep's plea for more consultative partnerships

For this edition of *The Representor*, I am pleased to turn over this space to my fellow rep and good friend of almost three decades, Mark Conley, ERA's past president and chairman of the board. Recently, as Mark and I were sharing an adult beverage at a principal's rep council meeting, he began relating the highlights of a wonderful article he had just read regarding MBAs and their impacts on

U.S. manufacturing. The more he spoke, the more mesmerized I became, and so this new column for *The Representor* was born. Congratulations to Mark for developing this thought-provoking letter, and stay tuned. **The topics he addresses are on the agenda of ERA's 2017 Management and Marketing Conference in February.**

— Dan Parks



by Dan Parks, CPMR
West Electronic Solutions
ERA President
e: dan@westelec.com

Dear Dan,

In your position as president of ERA, and based on recent conversations we have had, this letter is intended to express my thoughts about the state of the electronics component industry and business in general.

To put it simply, manufacturers are making ever-increasing demands on their field sales representatives and distributors, and I fear that the impacts on their own businesses will be far greater than manufacturers realize. I believe ERA has an important role to play in addressing this issue, and so here are a few pertinent facts to consider along with some of my personal perspectives.

FACT: Reps and distributors are the eyes and ears of their principals/suppliers within every local market, and no direct sales force will replace this "presence" and source of market intelligence, especially given the historically fleeting tenure of the average direct outside salesperson within a territory. By comparison, most reps and distributors spend their entire careers in one territory.

FACT: Many manufacturers have been cutting representatives' commissions for some years. It began with forcing split commissions for offshore business. Manufacturers used their strong leverage to influence reps to accept this structural change — an adjustment that has had numerous negative results. When you add the impact of average selling price erosion of 5 percent per year and the increase in house accounts, the impact on reps has been dramatic.

... Manufacturers are making ever-increasing demands on their field sales representatives and distributors, and I fear that the impacts on their own businesses will be far greater than the manufacturers realize.

MY PERSPECTIVE: Due to the nature of Asian-based business, manufacturers have had to hire (mostly) direct salespeople in Asian countries. I believe little value has been derived from this direct sales force. As a matter of fact, I could argue that this same Asian sales force is at least partially, and maybe primarily, responsible for the incredible price erosion in the industry over the last 10 years. So, in addition to reps having to take full responsibility for designs in North America and taking a 30 to 50 percent commission cut for doing so, they have taken additional pay cuts due to the pricing erosion manufacturers have experienced offshore.

FACT: Distributors are experiencing similar consequences with higher profile business. Manufacturers' territory sales managers are, more than ever, taking it upon themselves to dictate the margins their distributors will make. Unfortunately, "higher profile" pieces of business don't necessarily equate to larger dollar opportunities. Once again, price erosion, stemming from Asia, has squeezed the margins of manufacturers, and that erosion has flowed down to distributors.

FACT: In addition, manufacturers are requiring even more commitments from their reps. In the long-gone "good old days," reps were paid a full commission rate in exchange for the expectation of being "hunters," responsible for creating demand. Manufacturers maintained the responsibility of handling the marketing and customer service functions, and CRM programs

(continued on page 30)

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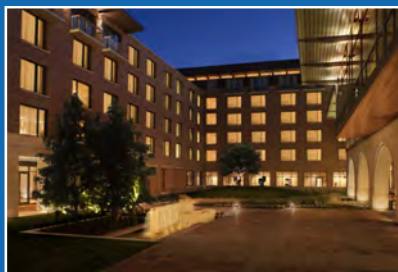
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Ecommerce and manufacturers' reps ensuring success after the first 'click'

It seems every five years or so there is an event or evolutionary market occurrence that completely changes the landscape of how we sell to or connect with our customers. From digitization to Cloud-based information access and storage, technological advancements continue to appear limitless.

Those of us who have been a part of the electronics industry for the past 30-plus years — whether a manufacturer, manufacturers' rep or distributor — can relate to these events, and how we have had to adjust our business models to survive and thrive in this rapidly changing environment.

From a sales perspective, I would classify ecommerce as one of the most impactful events. How we purchase everything, including electronic components, is driven by the proliferation and enhancement of this go-to-market process.

For the design engineers, it has opened a veritable treasure trove of access to products and technologies supporting their design efforts.

For the manufacturers, the potential to capitalize on the growth ecommerce offers, by building on the manufacturers' rep/distributor collaborative selling effort, is just as significant.

For sure, the naysayers are out there shouting: "The end for field sales is near. And all the millennial engineer requires is a computer with no need for any personal interaction to complete his or her design." This is tantamount to saying, "Who needs doctors when you have WebMD?"

As a manufacturer or distributor, the value of your ecommerce initiative is not complete until you have ensured that your customer's experience is optimized. The most effective way to do that is with a manufacturers' rep being part of your total offering.

Most ecommerce initiatives are focused on speed of response and accuracy, which is obviously critical to success, but it doesn't

end there.

Where the manufacturers' rep adds the next level of value is enhancing the customer's productivity with solid technical support, application guidance and the synergistic lines that will provide the customer's engineer a single local point of contact — a point of contact, or a trusted advisor, who truly adds value to the design effort and no doubt will be called in on future designs.

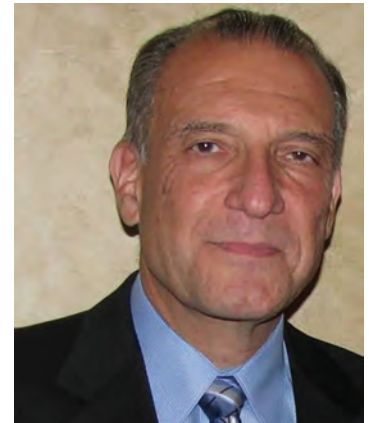
Productivity cannot be overstated when it

comes to enhancing the customer experience. It translates into real bottom line benefits for his or her organization. Bottom line benefits are realized by the manufacturers as well when they have a manufacturers' rep investing time on the front end of a design that may not realize revenue in the short term. The manufacturers' rep also is there to "protect" the business from the inevitable competitive attacks that will be coming.

The combination of having an easy-access

ecommerce site supported by the collaborative selling effort of a manufacturers' rep, teaming with a distribution partner that's supplying quick turnaround product, is a powerful tandem. This combined effort will drive growth for the manufacturer and distributor by providing a valuable, productive and sustainable resource for the customer.

ERA has proven to be the ideal catalyst to facilitate the rep-distributor engagement on behalf of the manufacturer. ERA has an ongoing focus on ensuring its rep and expanding distribution membership are on the forefront of sales technology, collaborative selling methods and market trends. This will serve to ensure its manufacturer members have access to the best selling practices and processes, not only today, but for whatever the next evolution of reaching and serving the global customer base will be tomorrow.



by Cesare Giammarco

Special consultant to ERA

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... I would classify ecommerce as one of the most impactful events. How we purchase everything, including electronic components, is driven by the proliferation and enhancement of this go-to-market process.



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For information about **MICHIGAN ERA**,
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Clean sweep in commission action offers valuable lessons to industry

Raise your hand if this sounds familiar: A rep agreement plainly provides for a fixed commission rate. After the rep secures orders, the principal claims the parties orally agreed the rep would accept a lower commission rate on those orders. The rep disputes making any such agreement, but the commissions get paid at the lower rate.

Wow, that's a lot of hands!

What's a rep to do? Reject the lower rate, get terminated and wind up with nothing? Recognize that something is better than nothing, and meekly go along? Storm the office of the VP of Sales and overturn over his desk, while he is seated behind it?

Meet independent rep Kathleen Brown

The owner of rep firm 181 Sales, Inc., Kathleen Brown, made her principal answer in court and even obtained exemplary damages. Here's how it went down.

181 Sales entered into a Manufacturer Representative Agreement (MRA) with Karcher North America, Inc., a manufacturer and distributor of pressure washers and other cleaning equipment. The MRA provided for a 4 percent commission on the net invoice amounts billed to two large customers, Menards and Fry's Electronics.

Try as she may, Ms. Brown was unable to sell Karcher's products to Fry's at several of its California locations. She did, however, land more than \$1.5 million in sales to various Menards stores in Wisconsin, Illinois and Iowa.

After these Menards sales were secured, Karcher claims it called 181 Sales to insist upon a modification to the MRA lowering the commission to 1 percent because the products sold were part of a Menards "closeout sale." Karcher claims this was consistent with the industry standard, and that 181 Sales reluctantly went along.

"Karcher simply made that up," retorted Ms. Brown. Not only didn't 181 Sales accept the reduction, it objected each time Karcher brought it up. This was borne out by several

emails from Ms. Brown reminding Karcher that the contractual 4 percent rate applied.

Oral modifications to rep agreements are not reliable

181 Sales brought suit in the San Francisco federal court charging Karcher with breaching its contract and violating California's independent sales representative statute. It then moved for summary judgment, urging the court to find that no trial was necessary because the evidence

supported only a finding in favor of 181 Sales.

Responding to the motion, Karcher did not dispute that it failed to pay a 4 percent commission, but maintained the parties amended the MRA in their phone call. As noted, 181 Sales denied any such agreement was reached.

In a ruling just handed down in July, the federal trial judge concluded that resolving this dispute was unnecessary based on a standard clause contained in the MRA: "This Agreement shall

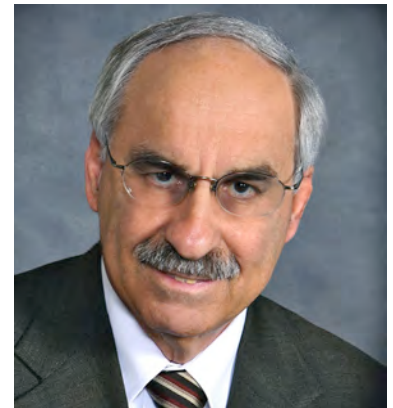
not be amended, altered or qualified except by memorandum in writing signed by the Company and the Representative."

Karcher could not argue the alleged amendment was "in writing signed by the parties," and as a result, any modification purportedly reached by phone was insufficient to lower 181 Sales' commission rate. Similarly, the assertion that a lower commission rate applied to "closeout" items was also not considered where the MRA unambiguously provided that 181 Sales would receive 4 percent on all sales made to Menards. Evidence of industry custom and practice is generally not considered when the contract terms are unambiguous.

The solicitation of California sales, not their procurement, triggers its sales rep statute

The court also granted 181 Sales summary judgment on its claim under the California

After the rep secures orders, the principal claims the parties orally agreed the rep would accept a lower commission rate on those orders. The rep disputes making any such agreement, but the commissions get paid at the lower rate.

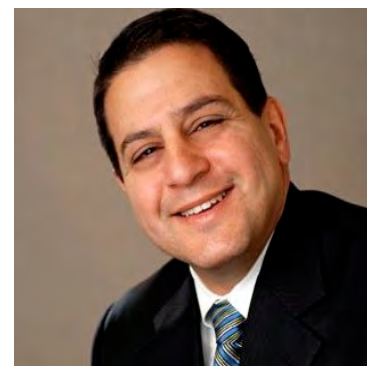


by Gerald M. Newman
ERA General Counsel

Gerald M. Newman, partner in the law firm of Schoenberg, Finkel, Newman & Rosenberg, LLC, serves as general counsel to ERA and is a regular contributor to The Representor. He participates in Expert Access, the program that offers telephone consultations to ERA members.

Gerry co-authored this article with his partner, Adam Glazer.

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Adam Glazer

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COVER STORY: Start-ups

(continued from page 6)

SIDEBAR

Financial Metrics

- Monthly Revenue Growth
- Revenue Run Rate

User Metrics

- K-Value
- Cohort Analysis

Marketing Metrics

- Customer Acquisition Cost and Payback Period
- Net Promoter Score

Sales Metrics

- Basket Size and Order Velocity
- Customer Lifetime Value

Market Metrics

- Total Addressable Market
- Average Wallet Size

process of working through the evaluation affords them the opportunity to call on their account, learn more, meet with executives outside of engineering and develop their business acumen. It will push them out of their comfort zone, but they will be better off for it.

Rebalance/manage investment portfolio

Your start-up strategy should not be static. Every quarter, as a leadership team, reevaluate your fund size to ensure market dynamics haven't shifted. Once you've reached a decision in that regard, reevaluate the scoring for each of your salesperson's start-up accounts. Typically, this occurs in conjunction with account reviews. Don't be afraid to elevate new start-ups to "active" status and demote others. Just as an investor would think, you should never put "good money after bad."

Conclusion

Start-ups represent both the biggest risk and opportunity to grow your business. As such, with the rapid change in market dynamics that continues to occur in our industry, it is imperative that all selling organizations have a start-up strategy. This strategy should be systematic and based on objective, rather than subjective, criteria.

One effective start-up strategy is to emulate the management of a venture portfolio. Providing a rigorous approach to your sales team will allow the team to focus on the right activities and enrich their expertise in business, developing skills that are transferable to their major accounts as well. This will put you in the best position to maximize your odds of picking winners and having the right relationships with the next major accounts in your territory. Happy selling! ■



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IRA rulings: A review of recent personal tax items of interest

When Congress has no interest except to go home, tax news get stagnant. The courts and the various IRS rulings become the center of the tax professional's interest. So we have a few of them here. It is of some interest to point out that when the economy is bad, the IRS and the courts tend to lean over backward to give the taxpayers a break. When the economy improves, the government gets more aggressive. I am currently seeing the more aggressive attitude taking hold.

Self-employed vs. household employee

The use of nannies has become common in today's world. Some people use them for taking care of young children so the parents can work. Others use them for the old and for the handicapped. Many times these "companions" come from agencies that employ them; however, many also come from recommendations from trusted sources. It is these individuals who have attracted the interest of the IRS because they may not be contributing to Social Security. The IRS has generally allowed these individuals to consider themselves self-employed. They report their income and are allowed to deduct any expenses they may incur that are not reimbursed. In the IRS view, this is an area of unreported income, particularly for Social Security tax purposes.

The IRS now wants to question whether these people are truly self-employed, or if they are household employees whose tax should be paid by the person for whom the services are provided. The IRS personnel have been instructed to question whether the caretakers are under the control of the recipients.

This one is going to be tough. Most have regular hours. While they may have some latitude in when various activities occur, very often they are instructed in general on what activities should and should not be performed. This will be an interesting hot topic going forward.

Shared ownership of residence

Here is a victory for taxpayers. This involves people who are not married but are sharing ownership of a residence with a mortgage in excess of \$1,000,000. By law, the interest deduction on the mortgage is limited to the amount of interest paid on the million dollars. Heretofore the IRS argued: one residence, one mortgage, one deduction; the interest on the first million to be split between the two unrelated parties. The Ninth Circuit court decided that the one million dollar

limit was per tax return. Thus, two individuals can each deduct the interest on up to one million dollars of mortgage (though not more than the total interest paid). The IRS has just acquiesced.

One thing to remember in all this happiness is that the unrelated parties must be on the title (must be owners) to deduct either the mortgage interest or real estate taxes.

IRA rollovers

The third subject pertains to rollovers from an IRA. The easy way to roll over an IRA or qualified plan to another plan is to open a new plan and have the new trustees request the old trustees to electronically transfer the funds. There are reasons, however, why people don't do it that way. Some people don't trust that the transfer will ever happen. Others find this a way to temporarily borrow the funds. The rule is that a rollover must be completed in 60 days after withdrawal. The problem is that, if the funds arrive on day 61, the entire withdrawal is taxable, and if the individual is under age 59.5, there is a 10 percent penalty added.

Many taxpayers run this down to the wire. It is easy to withdraw the funds, not easy to pay it back — perhaps the cash someone expected doesn't materialize; perhaps they get really sick. The IRS has now made it possible to avoid the penalty in certain instances. The IRS has instituted a "self-certification" procedure to avoid the penalty for late rollover if the reason is due to certain circumstances. The IRS has provided an example of a letter to be submitted to the new administrator — not the IRS — stating the reason why the rollover was late. The administrator can then regard the rollover as made on time BUT has to notify the IRS of its acceptance of a late filing. The IRS can then audit the taxpayer and find out if the reason was legitimate. The taxpayer better have a copy of the letter handy, and the reason better be correct.

Chief reasons include: The new trustees didn't process the deposit on time or made a mistake; the check was lost in the mail or in process; the deposit was erroneously made to the wrong account; the taxpayer or a member of his family died or was ill; or the taxpayer was in jail. This is better than nothing!

Previously, the administrators showed no remorse in reporting late rollovers as withdrawals on the year-end 1099Rs. Now, the IRS will have to audit to find out if the excuse is not legitimate. How often will that happen? I guess we will have to wait and see.



by Stanton B. Herzog, CPA
ERA Tax, Audit & Accounting Consultant

Stanton B. Herzog, CPA, principal in the firm of Applebaum, Herzog & Associates, P.C., Northbrook, Ill., serves as ERA's accountant and is a regular contributor to The Representor. He is available to speak at chapter or group meetings on a variety of financial and tax-related topics. He also participates in Expert Access, the program that offers telephone consultations to ERA members.

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EXECUTIVE COMMENTARY: Accelerate with ERA

(continued from page 11)

- COLT training is scheduled for this Fall — a huge benefit to chapter leaders to help them lead and direct their local chapter activities.
- We increased membership by more than 100 NEW members in rep, manufacturer and distributor categories.
- 2017 Conference planning is well underway — this will be a “NOT TO MISS” event.
- We will participate in electronica 2017 in Munich in November — we have become truly global with membership in both EMEA and Asia.
- Consultants have been added to our “Kitchen Cabinet” team of industry experts who bring to ERA years of valuable experience in sales, engineering and channel management. Watch this space for further additions to this valuable team!

In summary, changes will continue. We need to manage the change and not let it manage us!

As always, I am open to your thoughts, comments and criticisms on what YOU see ERA needing to do — this is YOUR ERA, not mine. My email is wtobin@era.org and my phone (617-901-4088) is always on! ■

LEGALLY SPEAKING: Court overturns rep contract

(continued from page 17)

independent sales representative statute. California’s rep statute — a version of which is also found in most other states — enables a sales rep who is not paid under a contract with its principal to collect three times the amount of unpaid or late paid commissions. To be eligible, the rep must “solicit wholesale orders at least partially within” California.

Karcher resisted application of the statute to the unpaid commissions on sales to Menards on the grounds that those sales were all made outside California. Judge Michael S. Tigar again refused to let Karcher wriggle off the hook, noting that 181 Sales qualified by soliciting orders in California, albeit unsuccessfully, to Fry’s.

As he explained, “Karcher used the services of 181 Sales to solicit wholesale orders from Fry’s Electronics (in California) as well as Menards (outside California).” This was sufficient to make Karcher liable for three times the amount of unpaid commissions on the Menards business.

The ‘Choice of Law’ provision must be specific

One other point from Judge Tigar’s well-reasoned decision also deserves a mention. The strong California sales rep statute, under which 181 Sales collected exemplary damages, did not get invoked without a fight.

Karcher argued Delaware law should apply, relying on the MRA’s formidable-sounding choice of law provision: “This Agreement shall be made and construed in accordance with the laws of the State of Delaware.” Not surprisingly, Delaware is one of a handful of states without a sales rep statute.

181 Sales argued convincingly that the contract language pointing to Delaware law was limited to the making and construing of the contract, and did not include language (often found in other manufacturer-drafted contracts) specifying that any disputes related to the contract will be governed solely by Delaware law.

Accordingly, Judge Tigar concluded that “while the narrowly worded choice of law clause in the MRA is sufficient to govern interpretation of the contract, it does not bar non-contractual causes of action of another state, including 181 Sales’ claim under” California’s sales rep act. This key finding enabled 181 Sales to avail itself of California’s statute rather than get mired in Delaware law.

With this triumph, it was a complete sweep for 181 Sales. Summary judgment was entered in its favor for the unpaid commissions, exemplary damages, attorney’s fees, costs and prejudgment interest, and a trial was avoided. Perhaps more importantly, in racking up this impressive victory, the legal gains scored by 181 Sales are made available to the larger sales rep industry. Similarly mistreated reps may well be able to draw upon one or more of the pro-rep rulings found in this legally significant decision. ■

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Relationship marketing: how to ‘shut up and dance with me’ for salespeople

As a professional speaker, I get to attend a lot of conventions and learn a lot about what is going on in various industries. This is where the real learning comes as you see new tools, hear about new trends and get to meet important people.

At this particular convention, I wanted to visit the exhibit hall. This is where you find some of the latest cutting-edge ideas, products and services. People have put some serious money into being there, and it is a great place to learn what and who is happening in any given industry.

Put off by the salesperson's approach

As I walked by the various exhibits, I saw a salesperson I knew from a long-time vendor. Although I had not done business with the vendor yet, I was interested in its latest tools and the possibility of beginning a new business relationship. Like any entrepreneur, I am willing to invest money to get a good return and improve my business; however, the approach of this salesperson turned me off.

Upon seeing me, he immediately launched his pitch about the vendor's new mobile app and proceeded to show me the various features it has. Every time I casually mentioned something I was interested in, he avoided my question or comment and went back to his pre-designed sales pitch. Needless to say, I was not impressed.

He didn't pause once to ask about me or what I was doing there. He knew me from several encounters in past years, yet he demonstrated a vivid lack of care about me and my needs. He only saw me as a sales opportunity, and must have thought that, by being obnoxiously persistent, he might win me over.

Engaging in relationship marketing

Being obnoxiously persistent doesn't work; however, relationship marketing works. It is about caring for others, listening to them and “dancing” with them.

This reminded me of a popular song a couple of years ago by the group, Walk the Moon, “Shut Up and Dance With Me.”

Contrasting what happened to me at the convention with that song, too many salespeople are like my contact at the exhibit hall. They only want to sell their own stuff rather than engage in relationship marketing. They only want to blab on and on about their greatest new feature rather than ask questions and listen to their prospects.

Here are a few key points that could help salespeople engage in relationship marketing and to “shut up and dance” with their customers:

Listen to your customer. First, find out where your prospect is before you start blabbing away about your stuff.

Ask important questions. Instead of blabbing about yourself, ask important questions that are relevant to your customer. Like in dancing, place yourself where your customer is, not where you want to be.

Hold back on showing your own stuff. Oh, this one is tough! Everything inside you is screaming to tell your customer about your new whiz-bang, turbo-charged, mobile-responsive, whoopee-do (technical term). Don't!

Customers don't care about your stuff. They are concerned about their own issues. Keep dancing with them to find out more about them while you shut up about you. Yes, shut up and dance with them. This is what relationship marketing is all about.

Find their needs and wants. Don't pivot into your offering until you can relate to their needs and wants. Only after you have discovered where they have pain or desires, do you direct them to your product and how it can help them. Yes, this is true even for your new whiz-bang, turbo-charged, mobile-responsive, whoopee-do.

Remember that dancing is not about dragging. You make music together. Dance with your customers, listen to them, be responsive to them and care for them. This is the essence of relationship marketing.

I think if we, as salespeople and entrepreneurs, can embrace these five suggestions, we can have a better dance with them — and do better business!



by Terry Brock

Terry Brock is a marketing coach who helps business owners market more effectively leveraging technology. He shows busy professionals how to squeeze more out of their busy days by using the right rules and tools.

You can reach Terry at 407-363-0505, by email at terry@terrybrock.com or through his website at terrybrock.com. Also, look for Terry on Twitter @TerryBrock.

ERA 2017 CONFERENCE WILL FEATURE KEYNOTER JON PETZ

ERA has announced the keynote presenter for its 48th Management and Marketing Conference, scheduled Feb 26-28, 2017, at the AT&T Conference Center in Austin, Texas. The theme of the conference — “Collaborate, Differentiate, Accelerate! Drive to Excellence” — will be highlighted in the presentation by author, humorist and former telecommunications industry executive and manufacturers’ representative Jon Petz of Columbus, Ohio.

Petz specializes in injecting humor, audience participation and sometimes even a little magic into customized programs that provide audiences with deliverables based on real-life experiences. His client list includes many major electronics and other industry companies, including Samsung, Microsoft, IBM, Dell and Oracle.

Petz was selected through a screening process of many possible keynoters that was conducted by the Conference Keynote Sub-Committee, chaired by Tobi Cornell, CPMR, of Kruvand Associates, Inc. She says, “Jon brings together all the qualities the committee was seeking. We wanted someone who could kick off the conference with a rousing message about the importance of collaboration, differentiation and acceleration in our businesses today but presented with a lighter, thought-provoking and very human touch.”

Other conference program segments, including 14 new breakout seminars, are now being finalized. For details on the program and sponsorships, visit erg.org.

ERA WILL BE AT ELECTRONICA IN MUNICH

Continuing a tradition spanning several decades, ERA will participate in electronica 2016, the world’s largest electronics trade show, coming up on Nov. 8-11 in Munich, Germany. The association CEO, Walter Tobin, and rep volunteer John Hutson, CPMR, of The MacInnis Company, will man the ERA stand (#256 in Hall A6). Both have made many appointments with international manufacturers and sales reps to introduce them to ERA and the North American rep business model. Their goal is to assist international manufacturers with finding North American reps and to help international reps who are seeking to sell the products of North American manufacturers in Europe and beyond. For details on Electronica, go to electronica.de.

NEW RULES FOR OVERTIME PAY TAKE EFFECT DEC. 1.

In a recent newsletter from Howe and Hutton, a Chicago law firm whose clients include many trade associations, it was reported that the U.S. Department of Labor is changing the criteria that determine whether a worker is eligible for overtime pay. The salary threshold for exemption from eligibility will increase from \$23,660 to \$47,476 per year, effective this coming Dec. 1. Another existing requirement for exemption from eligibility will not change, as workers will still have to perform primarily executive, administrative or professional tasks if they are to be considered exempt from overtime, in addition to receiving pay at or above the new annual threshold. Overtime pay will still be required at a rate of time and a half for time worked in excess of 40 hours per week. *(Editor’s Note: This topic will be covered in a breakout seminar at ERA’s 2017 Conference. See item above for dates and location.)*

2015 SAW SLIGHT DECLINE FOR POWER SEMICONDUCTORS

Overall revenue for the power semiconductor global market dropped slightly in 2015, due primarily to macroeconomic factors and application-specific issues, according to a new report from IHS Markit, a research firm specializing critical information, analytics and solutions. The global market for power semiconductors fell 2.6 percent to \$34 billion in 2015, the report says. Discrete power semiconductor product revenue declined 10.1 percent, while power module revenues decreased by 11.4 percent, and power integrated-circuit (IC) revenues increased by 4.5 percent overall. The report identifies Infineon Technologies as last year’s leading power semiconductor manufacturer, with 12 percent of the market, Texas Instruments with 11 percent and STMicroelectronics with 6 percent.

WHY BEST EMPLOYEES QUIT THEIR JOBS

A recent Inc. magazine article highlighted the “Seven Reasons the Best Employees Quit, Even When They Like Their Jobs.” Those seven reasons are: 1) stagnation — when employees feel they are not growing professionally; 2) overwork, which is common among top-performers; 3) vague visions — lots of visions and dreams but no achievable strategic goals; 4) a profits-over-people attitude in the organization; 5) lack of recognition, which does not necessarily mean added compensation but should be motivating to keep top people at their best; 6) lack of trust, including unethical dealings with customers and failure to keep one’s word; and 7) excessive hierarchy, described as a “rigidly top-down organization” in which employees are not encouraged to contribute their ideas or empowered to make decisions. To read the full article, go to inc.com.

How to find 'A-players' when interviewing rep candidates

A rep firm/agency owner I work with tells me he is so captive to some poor performers he hired that he hesitates to go on vacation. And when he does get away, he can't relax because he is continually fighting fires back at the office.

Where did he go wrong when hiring these people? He interviewed thoroughly and checked references. Geoff Smart and Randy Street's book "Who" offers the answer. He didn't aim high enough. Smart and Street urge managers to search out "A-players," whom they define as "candidates who have at least a 90 percent chance of achieving a set of outcomes that only the top 10 percent of possible candidates could achieve."

Securing these A-players will take up more of your time at the hiring stage, but it will save you serious time and money in the longer run.

In the best-seller "Good to Great," author Jim Collins sums up the same hiring philosophy: "Get the right people on your bus and into the right seats ..." Be very diligent in hiring people who talk to your customers, run your sales force, assemble your product and sit in the corner office. The following guidelines will help fill your bus with A-players.

Hiring the right people for your bus

After you have initially screened candidates and weeded out the obvious non-fits, set up the first in-depth interviews. Try to line up at least one more person from your rep firm/agency who can co-interview with you.

Walking through a candidate's career

Structure the first interview as a chronological walk through the candidate's career. Use five simple questions for each job (listed below and liberally lifted from the pages of "Who"). Your goal is to hear the stories behind the scrubbed resume highlights and, in the process, gather an immense amount of information that will help you to make a wise hiring decision.

If this exercise seems too much like a grilling session, think of yourself as a biographer

rather than an investigative reporter trying to gather dirt.

Five important questions to ask

1. What were you hired to do?

You are trying to understand the candidate's view of the goals and targets of the job and how their success was measured.

2. What accomplishments are you most proud of?

This question will elicit the stories behind

the polished statements on a resume. A-players will tell you about accomplishments that match the job outcomes they just described to you.

B and C players will talk about events, people they met or aspects of the job they liked. You won't hear much about measurable results, though.

3. What were some low points during that job?

People may hesitate to share their lows; however, we all know there isn't a rep alive who hasn't experienced a low, or a bunch of

lows, on a job. Don't let the candidate off the hook; keep pushing.

4. Who, specifically, were the people you worked with?

a) What was your supervisor's name, and how do you spell that (even if their last name is Jones)? What was it like working with him/her? What will your supervisor tell me about your greatest strengths and areas for improvement?

You've got to love this line of questioning. It shows that you are serious about contacting their former bosses, so they better tell the truth. It also elicits responses that illustrate how a candidate got along with past bosses.

The A-players will probably give high praise to the coaches and mentors who have helped them over the years. The B, C and D players might use words such as "jerk," "moron," "useless." Just think what they might call you later down the line.

b) How would you rate the teams you

Securing these A-players will take up more of your time at the hiring stage, but it will save you serious time and money in the longer run.



by Nicki Weiss

Certified Professional Sales Management Coach and Master Trainer

Nicki Weiss is an internationally recognized Certified Professional Sales and Leadership Coach, Master Trainer, thought leader, speaker and facilitator. Since 1992, she has trained and coached more than 20,000 business leaders, sales teams and reps. Nicki has a particular passion for working with manufacturers, distributors and rep firms in the electronics industry.

Nicki is ERA's sales consultant, the brainchild and facilitator of ERA's free teleforum programs and the founder of the SalesWise Academy. Every day, leaders wake up knowing that they, their technical reps and field sales engineers need to sharpen their focus and their skills. But they don't have the tools, resources or patience to continually help enhance their strategy, communication and relationship building skills. The SalesWise Academy fills that void and delivers those skill-building lessons. To learn more, go to saleswise.ca or call 416-778-4145.

(continued on page 28)



Chapter News reports the local activities of the 22 chapters of ERA. The chapters sponsor educational and training workshops, local trade shows, legislative and industry projects to enhance the professionalism of individual members and to advance the goals and mission of the national association.

CAROLINAS

The Carolinas Chapter is continuing its monthly networking breakfasts throughout the fall.

The chapter also held a program on Aug. 22 titled, "What makes North Carolina the place to do business in the electronics technology sector?" The guest speaker was Brooks Raiford, executive director of the North Carolina Technology Association.

The CERA 13th Annual Dick Paden Memorial Golf Tournament will be held on Oct. 10 at Wildwood Green in Raleigh, N.C.

CHICAGOLAND - WISCONSIN

The Chicagoland-Wisconsin Chapter had a ball during its rooftop event for the Cubs vs. Brewers game on Aug. 18.

A round table discussion was held on Sept. 30 about "The Evolving Customer, Rep and Distributor Relationship." Guest speakers for the event were Bob Finnecy, general manager at Hughes-Peters; Mike Emme, field sales manager at Arrow Electronics; and Mike Lawson, branch manager at Allied Electronics.

The chapter also held a surprise dinner on Sept. 14, thanking Tess Hill for her many years of chapter service.

The chapter continues to update the Chapter Forum Web page, which offers members and industry professionals a place to share articles of interest.

DIXIE

On Aug. 26, the chapter held its first networking breakfast in Huntsville, Ala. It was a very successful event, hosted at the Blue Plate cafe, with 14 attendees.

EMPIRE STATE

The Empire State Chapter hosted its annual Charity Golf and Scholarship Fundraiser at the Ravenwood Golf Club in Victor, N.Y.,

on Aug. 8. For more than 10 years, Empire has facilitated this event to service the electronics industry and greater community that the members live and work in. More than 70 golfers attended.

This year, a scholarship

was awarded to an incoming freshman at the University of Akron who is pursuing a nursing degree. The scholarship recipient is the daughter of one of the distribution DTAM participants

Empire also used registration and sponsorship fees to fund a donation to Coaches vs. Cancer in memory of those affected by cancer, including past Empire State Treasurer Debbie Henry, for whom the tournament is named. Special thanks to all those who donated and volunteered to make this major chapter event successful.

METRO NEW YORK

The ERA Metro New York Chapter held its first charity golf outing on June 20 at St. George's Golf and Country Club in East Setauket, N.Y. The event brought together close to 100 attendees, including reps, principals, distributors, CMs and local OEMs, to help raise money for Long Island Cares - Veterans Services. The event also offered an opportunity to attract additional prospective rep and distributor members, as well as to provide a venue for meaningful industry interchange.

NORTHERN CALIFORNIA

The chapter hosted a bocce ball networking event on Aug. 9. An education class was held on Sept. 15 as well. The annual meeting will be held on Nov. 9.

PACIFIC NORTHWEST CHAPTER

The 2016 SMTA Oregon and ERA Golf Tournament was held on Sept. 17. The event took place at the Chehalem Glenn Golf Course.

ROCKY MOUNTAIN

A networking lunch event with ERA CEO Walter Tobin was held on Oct. 4 in the Denver Tech Center area.

SOUTHERN CALIFORNIA

The ElectroTech OEM Electronics Show was held on Sept. 14 in Goleta/Santa Barbara, Calif. The show for Santa Clarita/Valencia was held on Sept. 15.

The chapter also held its 4th Annual ERA SoCal Charity Golf Tournament on Aug. 8 at the Aliso Viejo Country Club.

SPIRIT OF ST. LOUIS

Spirit of St. Louis had a chapter meeting on Sept. 12. The next meeting is scheduled for Nov. 7.

COLT 2016 slated in October-November

Register for the Chapter Officer Leadership Training (COLT) today! The training will be conducted via a Webinar on FRIDAY, OCT. 21. It will be followed by an in-person workshop in Chicago, scheduled from 3 p.m. on TUESDAY, NOV. 1, through 3 p.m. on WEDNESDAY, NOV. 2.

Contact Tess Hill at thill@era.org for more details.

The SALESWISE ACADEMY is specifically designed for engineers and other technical salespeople. Nicki Weiss offers bi-weekly, 10-minute audio lessons with follow-up calls to help participants feel more confident in working with customers. For a free trial, go to saleswiseacademy.com/era.

EMPOWERING SYSTEMS offers ERA members discounts on its CRM tools for both reps and manufacturers. Online demos are available for both the AccountManager and Account-Reporter programs. For information, visit empoweringsystems.com.

SCHOENBERG, FINKEL, NEWMAN & ROSENBERG, LLC, offers legal Expert Access services to all ERA members. An initial consultation on any commission recovery or other rep-related business matter is available without charge. Visit salesreplegals.com. Or call Gerry Newman or Adam Glazer at 312-648-2300.

UPS is now ERA's member service provider for shipping of all kinds. For discounts of up to 34 percent, call 800-MEMBERS (636-2377).

BUDDE MARKETING SYSTEMS is the industry's leading provider of point-of-sale (POS) reporting. With 15+ years of experience, BMS provides solutions to drive business growth, improve efficiency and maximize profitability. BMS offers a vast selection of standard reports or can customize reports to achieve your business goals. For details, call 708-301-2111, or email sales@buddemarketing.com.

RPMS offers sales analysis, commission reconciliation and sales force data exchange software designed exclusively for manufacturers' reps. For more information about its programs, go to rpms.com.

PERFECTION DATA has partnered with manufacturers since 1988 to provide POS reporting and data management with a package tailored to meet monthly and other informational needs. Reporting and data management services are now also available to rep firms. To learn more, visit perfectiondata.com.

ALL ERA TELEFORUM AUDIO FILES, covering 30+ educational topics for both reps and manufacturers, are now available at no charge to members. To review the teleforum library and download files, go to era.org.

REPCARE is the employee benefits resource for manufacturers' reps. It exists to provide pertinent information and advice about employee benefits and to help rep firms obtain the insurance coverage they need. RepCare offers group life, long-term disability, voluntary life and accident insurance. For details and/or to request a proposal, contact John Doyle or Lisa Gido at Repcare@adcbenefits.com. You can also visit repcare.com or call 888-243-0174.

REMBRANDT ADVANTAGE is ERA's newest member service provider, offering tools for employee selection, development and evaluation. ERA members say they can't do without this company when bringing new people on board or evaluating current personnel. For details, visit rembrandtadvantage.com.

JJM SEARCH is the global executive search firm founded by Carla Mahrt, a 20-year electronics industry veteran. JJM is part of the MRI Network – leaders in the search and recruitment industry for over 40 years. Let Carla connect your company with bright, qualified candidates for your openings. For details on JJM, go to jjmsearch.com. Carla is also one of ERA's Expert Access resources, so members can call her for a free telephone consultation at 402-721-6590.

ERA UNIVERSITY provides members, employees and families with hundreds of online college, business, technology and special interest courses through 1,500 educational institutions. The instructor-led classes offer live interaction and access to lessons 24-7. Most classes run six weeks and include 12 two-hour lessons for \$79. For details and a catalog, go to ed2go.com/era.

JLH CONSULTING advises domestic and foreign manufacturers who want to establish the best sales and distribution networks in North and Latin America. The firm also can provide extensive background checks on potential new hires. For a free consultation, contact Jim Hartranft at jlhconsultinginc@earthlink.net.

EYOND brings you Software as a Service (SaaS), an application that integrates customer relationship management (CRM), sales force automation (SFA), invoice and commission tracking, document management, reporting, data analysis and more. Bring your sales agency together with a single, shared solution to increase productivity and reduce costs. For a demonstration, visit mrsware.com, or call 866-795-8386.

*For a complete list of ERA's
Recognized Resources,
check out the Member Services
page at era.org.
Then link to a service provider's
home page for more
information. Or take
advantage of services from
companies like **Office Products, Avis and Hertz Car Rentals** (which are accessible
ONLY via the
ERA website).*

COMPONENTS

Chuck Tanzola, CPMR

Fusion Sourcing Group
Ithaca, N.Y.
ERA Senior VP/Industry

Growth malais is continuing

As I complete this report, the calendar has changed to September, the last long weekend of the summer is behind us, the East Coast and Hawaii have recovered from a series of weather events, and as a nation, we are preparing to either “Make America Great Again,” or be “Stronger Together.”

Every quarter I try to provide an update on the component market conditions, and not surprisingly, the same general industry growth malaise I covered in last quarter’s components market segment report continues this quarter. A review of the monthly POS Index report, provided to ERA members by Budde Marketing, confirms this as well.

Also, based on the published outlooks and guidance that I’ve read from several public companies for the next quarter — as well as the predictions of manufacturers, distributors and representatives as collected and reported by ECIA in its Quarterly Electronic Components Sales Trends Report — it appears that we can expect this to continue through the end of the year (and maybe beyond).

Merger and acquisition activity, both among manufacturers and distributors, continues. Although it is not necessarily at the record pace of CY 2015, it is still in significant measure, with some notable announcements, including the ADI acquisition of Linear Technology and Avnet’s recent offer to purchase Premier Farnell.

Two trends I am seeing in this area are: 1) private equity/investment fund acquisitions in the electronics industry; and 2) European companies increasingly looking to enter the North American market through acquisition. (This seems like a good time to note ERA’s status as an electronica 2016 partner organization. I would like to extend thanks in advance to John Hutson, CPMR, of The MacInnis Company and ERA CEO Walter Tobin for manning the ERA stand at the trade show in November. Also, I am putting in a shameless plug for participation in the ERA’s electronica 2016 Field Sales Reps Available Directory.)

Finally, one additional interesting observation (at least to me) is that despite continued flat-sales results, which could be inherently disappointing, historical data in the ECIA report I mentioned earlier show that industry predictions of market growth regularly exceed the actual reported results. This attests to our industry’s generally optimistic outlook and belief in the future.

Last quarter I suggested that, “Flat is the new normal.” This quarter I have a corollary statement: “Hope for the best, plan for the worst, prepare to be surprised, and you will never be disappointed.” As always, I welcome your comments and feedback and can be reached by email at ctanzola@fusionsourcing.com.

ELECTRONIC SYSTEMS INTEGRATION

Gary Ponto, CPMR

GP Marketing
Kirkland, Wash.

Shift in sales trends in AV and security markets expected to continue

I have had several conversations with manufacturers regarding the shift in trends of sales in the AV and security markets over the past two years. There has been a shift in buying cycles that was not expected, and factories are wondering if this is a new trend that will continue.

I plotted our sales over the past five years, and 2015 and 2016 are very different from the previous years, regarding trends.

Historically, there has been a sales bump in February and March in the first quarter. The past two years showed a bump in January and a falloff in sales in February with some recovery in March, but not significant. June and July usually experience a boost for the school installation season over the summer break months, but this has not been seen in our industry over the past two years. The third quarter has been flat with a slight bump in the fourth quarter usually triggered by government purchasing in September and October. Business tends to fall off quickly after Thanksgiving, impacting the fourth quarter sales.

So my point is that the big spikes have not been there for the last 24 months, recession aside. So has the industry trend shifted? I believe it has!

There are a lot of new players in these markets. They include IT companies and structured cable companies that are providing installation of these systems, taking them from the traditional channel partners.

With IT and structured cable accounts entering these markets, the new trends also have changed where the product is being purchased. Distribution and the Internet are playing a

larger role in providing products and services than ever before. Because many products are now IP-based, and the cost of IP products has come down over the past few years, new vendors to these markets are much more interested in expanding their offerings to their customers to include AV and security products that are IP-based. It is just another IP appliance on the network to them, and they understand networks better than many traditional AV and security integrators.

So my point is that the markets are evolving and so is the customer base that we need to be working with. If you are still of the mindset that electrical contractors and IT providers are not the customers you want to work with, you are missing where the market is shifting to.

Good selling!

“But we have always done it that way ...”

Sandy Vasser, a senior advisor at ExxonMobil Production Company, described starting every project by asking, “Do we have to do it that way?”

Albert Einstein once said, “We cannot solve our problems with the same thinking we used when we created them.”

Einstein also said, “The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking.”

Another great contributor in our growth, Thomas A. Edison, said, “Five percent of the people think, 10 percent of the people think they think, and the other 85 percent would rather die than think.”

And one more — and this is one of my favorites. Henry Ford said, “Whether you think you can, or you think you can’t — you’re right.”

Conventional thought focuses on “improving” or “perfecting” the process. Some of that is necessary and good. But, to use the old cliché: “thinking outside the box,” we need to ask: “Is there a better way to do it?”

Some feel that following the first industrial revolution of steam and mechanical equipment, the second of electricity and mass production, and today’s current revolution of electronics and automation, we will see “Industry 4.0.” A full manufacturing process without human intervention, Industry 4.0 will be making significant design decisions throughout the manufacturing process with robots and artificial intelligence taking over all or most of the process, making it not only more efficient but more accurate.

Now, to the point. The U.S., with its technology, is poised to again be the most competitive nation in manufacturing, in part because of a shift toward advanced manufacturing technologies.

Currently, Deloitte Touche in its Global Manufacturing Competitiveness Index, ranks the U.S. number two, up from number four in 2010. The index predicts that China will fall from its number one ranking to number two in the next four years. Germany and Japan will likely remain number three and four accordingly. India is expected to climb to number five, and Mexico will likely move from number eight to number seven.

An example of change, and from the “we have always done it that way” thinking, is the move HP started in October 2014 when it announced in May that production would start on its Multi Jet Fusion 3D printer. One of the really significant things here is that HP, which traditionally tied its printers to HP ink (the “razor and blade” concept), will conform to the 3MF file format using open materials from major manufacturers. This is a very significant change for HP and the kind of change that must take place.

Another headline I noted said, “U.S. Manufacturing Expands But Jobs plunge.” This is certainly a fallout of the above mentioned scenario. Manufacturing is going to require more highly skilled talent which will pay higher salaries, but there likely will be fewer jobs in that highly technical sector.

I think that we must be flexible and willing to adapt to change. There will be jobs. We just have to recognize where the changes will take us and adapt quickly to train and be trained for a very fast-moving Industry 4.0.

MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

Troy Gunnin

Sun Rep
Tampa, Fla.

**Advanced manufacturing
technologies expected to
gain momentum**

FEATURE ARTICLE: Building the bridges

(continued from page 8)

Manufacturer sales firms (reps) bridge to manufacturers in four steps:

- **Identify** the components of line profitability for your firm. Where are you spending your time, and what are the measurable results based on the anticipated sales cycle? (ROTI: return on time invested.) Time = Money!
- **Consider** what actions are being asked of you beyond writing up a sale and earning a standard commission? Are there areas, tasks, reports and meetings that are being expected and not rewarded?
- **Communicate** to motivate. How often in your manufacturer or territory meetings do you revisit your contract, revisit your deliverables, and revisit the subject of motivating and incentivizing to promote line focus?
- **Value** those actions that increase the worth of your firm. Is this a line that recognizes you as a partner, understands your culture and contributes deliberately to your business success?

Manufacturer sales firms bridge to their salespeople in four steps:

- **Identify** the talent, skills and corresponding actions that provide reliable and consistent sales success. Then go hire based on that list!
- **Link** the actions and reward factors that motivate the individual. "Incentivization" is not a one-size-fits-all proposition.
- **Develop** their sales skills through deliberate and consistent on-the-job training, formal online or live training, committed supportive mentoring, industry association participation and professional sales certification (CSP).
- **Support** relationship building, "emotional favorite" status, SME (subject matter expert) expansion and individual business growth for the salesperson.

Relationships are built with bridges — lots of them — visible, strong, consistent and easy to maneuver. Regardless of your role as manufacturer, distributor, rep firm executive or salesperson, you are in the business of increasing revenue and decreasing cost. Period.

Invest with MRERF. Our job as YOUR Manufacturers' Representative Educational Research Foundation is to ensure that you have the resources and training to realize your goals, build those bridges and celebrate success. Our job is to offer ONLY those programs that address the manufacturers' rep business model. You are in it. Partner with those who understand your needs, your challenges and your rewards.

Contact MRERF at www.mrerf.org and join us at our next CPMR, CSP or MBP class. We hear you, we understand, and we are ready to help you build that next bridge! ■

SALESWISE: Hiring A-players

(continued from page 23)

worked with on an A, B, C scale? How would you rate the team when you left it on an A, B, C scale? When we speak with members of your team, what will they say were your biggest strengths and weaknesses as a manager?

Once again, these questions show that candidates better tell the truth because you will be following up with their former team members. Get curious about details, and don't accept vague answers.

5. Why did you leave that job?

Dig deeper if you hear general answers such as, "My boss and I didn't connect." Or "I was struggling working on my own." Find out why, and keep plugging until you have a clear picture of what actually happened.

You need to know if someone left after being successful (A-player clue) or if they were pushed out (B or C clue). You never know what you might hear as the picture fills in and the person's true identity is revealed.

You will still have to pursue further conversations with promising candidates and their references, but these five questions will get you off to a good start.

Talk back: I would love to hear back from you. Let me know your most successful interviewing techniques or your worst hiring blooper.

Business video recommendation: What is the most important factor for success? Dr. Joachim de Posada, an adjunct professor at the University of Miami and a motivational speaker and author of "Don't Eat the Marshmallow Yet: The sweet secret to success in work and life." Visit <http://www.youtube.com/watch?v=M0yhHKWUa0g> and watch him describe why people succeed ... or don't. ■

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- Line Portfolio Evaluation
- Outsourced Field Sales: Adding Value for the Customer (CD)
- Outsourcing Field Sales (Fortune Magazine Reprint)
- The Value of Outsourced Field Sales (EBN Reprint)
- Selling Through Manufacturers' Representatives
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ERA Meetings & Programs

- Board of Directors Meeting - Oct. 28, 2016
- ERA COLT Program - Nov. 1-2, 2016

A book review and recommendation by Dan Beaulieu

Sales Manager Survival Guide: Lessons from Sales' Front Lines

by David Brock

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Price: \$14.95 Kindle edition

The perfect handbook for a sales manager!

This is a perfect book for a new sales manager. It is also important for those of us who have been in sales for many years. The reason? It has everything you need to become a great sales manager. If truth be known, it is the most comprehensive book on sales management I have ever read. This book is not filled with tips, but rather with actual guidelines on how to do things. It is more of an instructional book than a guide book.

Do you want to know how to find and hire the perfect sales person? The answer is in this book. Do you want to work on performance improvement with someone on your team who is not performing up to snuff? The way to do it is in this book. Do you want to set fair and equitable compensation packages? This is the book to use. Do you want to know how to coach a team? The instructions are right here!

How about firing someone? Do you want to learn how to manage your manager, or how to gain listening skills? Do you want to know how to do a successful ride-along with your salesperson? What about learning how to successfully deliver effective performance reviews, how to develop sales tactics, measure your sales team's performance, or plan your future in sales management? This book shows you how to do all of these things and more.

For instance, it teaches you how to manage the top performers, which is not an easy task. You can find the answers to all of these questions in this interesting, provocative and easy-to-understand-and-follow book.



I especially like the author's approach to tough subjects like talking to your salespeople about increasing their sales efficiency and helping them with time management.

This guy gets it, and he is very good at helping us understand it as well. For example, he points out what a good CRM tool is for salespeople to help them be more effective and efficient. It is not just a tool that salespeople can use to let their manager know what they are doing. He also explains how to make sure that the CRM works well with your salespeople's ways of doing things, so that it is indeed a great tool rather than a time-wasting hindrance.

As a consultant whose job is to help sales managers become great sales managers, this is the most important tool I have come across in a long time. I have recommended this book to all of my clients and will continue to do so in the future. If you are in sales management, I urge you to read this book. In fact, if you are a salesperson and are serious about your career path, I forbid you to go another day without reading this book.

Dan Beaulieu is the president and founder of D.B. Management, LLC, a consulting firm specializing in all aspects of sales, marketing and branding with a focus on rep-principal relationships. His latest book is The PCB 101 Handbook which can be purchased online by emailing danbeaulieu@aol.com. Dan is also the author of "It's Only Common Sense," a weekly sales column appearing at pcb007.com. Dan can be reached at 207-649-0879.

FROM THE TOP: Consultative partnerships

(continued from page 13)

(i.e.: **SalesForce.com** and others) did not exist. Today, despite the fact that many or most manufacturers' representatives' commissions have been cut (see above), many manufacturers rely on their representatives to add a great deal of time in the "gathering" mode to their growing repertoire of responsibilities. Gathering and inputting data into their databases, called CRMs, are now the norm, taking very precious time away from representatives' original responsibility to create demand.

MY PERSPECTIVE: Many of the newer demands by manufacturers stem from the impact that MBAs, most of whom have finance backgrounds versus any experience in sales, have had as their influence in management has increased over the years. These MBAs think of rep commissions as an expendable expense versus an investment in their sales forces.

In a recent blog post by Time Magazine economist Rana Froohar, she states that the negative impact that MBAs have had on business is extraordinary. Following are a few of her comments.

- "One of the scariest trends in business these days is the increased movement of MBAs and finance types into the technology industry. They now are bringing their focus on financial engineering and balance sheet manipulation to firms such as Google, Apple, Facebook, Yahoo and Snapchat — a shift that, if history is any indicator, doesn't bode well for the future of such firms."
- "MBA programs don't churn out

innovators well prepared to cope with a fast-changing world, or leaders who can stand up to the Street and put the long-term health of their company (not to mention their customers) first; they churn out followers who learn how to run firms by the numbers."

- As Harvard Dean Nitin Nohria stated, "The bigger challenge is to teach America's future business leaders how to be curious, humane and moral; how to think outside the box about problems like funding the research for a new blockbuster drug; and how to be strong enough to stand up to Wall Street when it demands the opposite."

MY PERSPECTIVE: The "China Syndrome," as described above, has had a very strong impact on our business leaders today, and I believe the conversation in our industry needs to return to a laser-like focus on the integrity that should be the foundation of rep-manufacturer-distributor partnerships and on our dealings with customers.

The time has come for ERA to force this conversation to a higher level. If we fail to do so, the consequences will be more of the same, and the "commoditization" of all electronic components will be pervasive.

Yours truly,
Mark Conley

Mark Conley is ERA's former president and chairman of the board.

You can contact Mark by email at mconley@odonnell.com.

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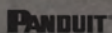
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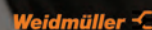
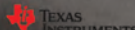
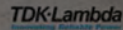
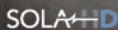


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