

Mergers Acquisitions & Line Conflicts

Optimizing the Integrated Sales Organization

2020 ERA CONFERENCE

Agenda

- Panel Introduction
- Setting the Stage
- Sharing the Experience
- Q&A



What?

My principal has been merged or acquired with or by a company that:

- Does not use Manufacturers Reps
- Has an existing Rep Force
- Is an Equity Capital Company
- Acquired a product or technology that may be a line conflict



Why?

- Survival – Cost Leverage
- Market Share Growth in Served Market
- Expand into new Markets
- Technology acquisition

Sales Team Integration

Options	Benefits	Risks
		
Co-Existence	Easy Choice	Confusion, Rep loyalty
Singular Rep	Easier to Manage	Wrong Rep choice ?
Market/Customer Reps	Skill Retention	Borders?
Hybrid	Balance	Management/Rep loyalty
Direct	Singular Focus	Cost/Coverage/ Continuity

Decision based on business strategy and risk mitigation

Sales Integration Process

- What are the strengths and strategy of the “Combined” organization
- Expedited timing key to optimize channel productivity/loyalty
- Critical to communicate to stakeholders timing and expectations
- Selection is a strategy-based evaluation process
- Assessing / resolving real or perceived Rep Line Conflicts

Sales Rep Evaluation



Process Example

Factor # 1 - Market Focus (25% Weight)

						Rating	Weighted Score
30%	Focus Market Alignment EV's, Consumer, Medical, Industrial	D	C	B	A	8	0.24
25%	Geographic Coverage Range	D	C	B	A	10	0.25
25%	Territory Knowledge	D	C	B	A	10	0.25
20%	Territory Growth Potential	D	C	B	A	7	0.14
100%							0.880
					SCORE	35	
					PERCENTAGE	88%	

Factor # 2 - Line Compatability (20% Weight)

						Rating	Weighted Score
25.00%	No Competitive Lines		Yes	Soft Comp	No	10	0.2500
25.00%	Microcontroller/Embedded Solutions		No		Yes	10	0.2500
25.00%	Connectors/Sensors		No		Yes	10	0.2500
25.00%	Other Passives		No		Yes	7	0.1750
							0.925
					SCORE	37	
					PERCENTAGE	53%	

Factor # 3 - Product Knowledge (15% Weight)

Question Weight	Key Factors	1	4	7	10	Rating	Weighted Score
14.28%	Product (Current)	D	C	B	A	10	0.1428
14.28%	Tech/Applications	D	C	B	A	10	0.1428
14.28%	Customer (Target Accounts)	D	C	B	A	7	0.1000
14.28%	Market	D	C	B	A	7	0.1000
14.28%	Competition	D	C	B	A	7	0.1000
14.28%	Tenure	0-2 yrs	3-5 yrs	6-10 yrs	>10 yrs	10	0.1428
14.28%	Potential Future Expansion	No	Maybe	likely	Yes	7	0.1000
100%							0.8282
					SCORE	58	
					PERCENTAGE	83%	

Factor #4 - Demand Creation Ability (20% Weight)

						Rating	Weighted Score
30%	Digital Marketing	D	C	B	A	7	0.210
40%	Number of Field Sales Personnel	D	C	B	A	10	0.400
10%	Distributor Support	D	C	B	A	10	0.100
20%	Business Re-Investment	D	C	B	A	7	0.140
100%							0.850
					SCORE	34	
					PERCENTAGE	85%	

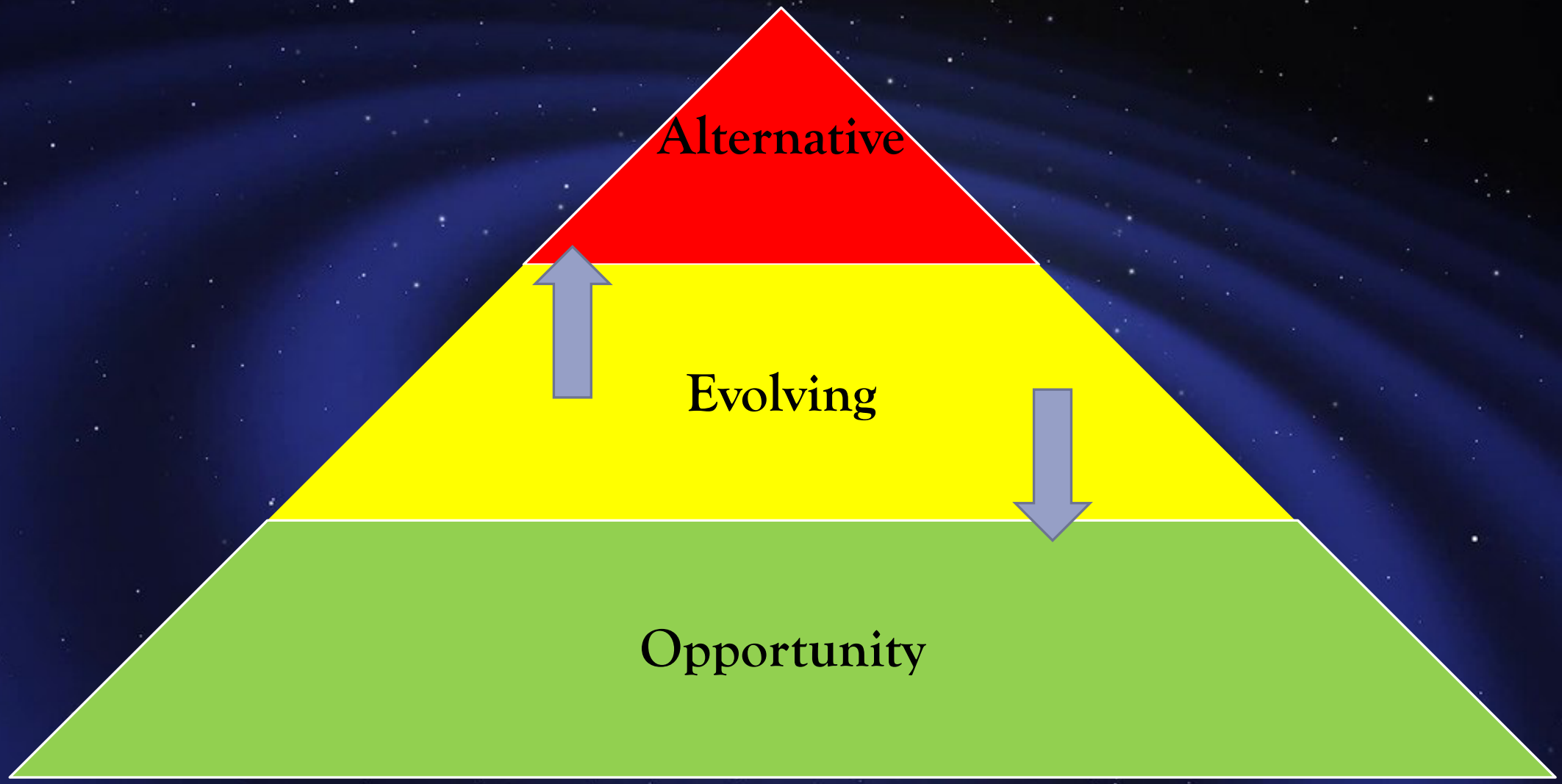
Factor # 5 - Mindshare (20% Weight)

Question Weight	Key Factors	1	4	7	10	Rating	Weighted Score
35%	Value to Rep Firm	Poor	Moderate	Good	Excellent	10	0.350
35%	Strategic Fit (Current)	Poor	Moderate	Good	Excellent	10	0.350
30%	Strategic Fit (Future)	Poor	Moderate	Good	Excellent	7	0.210
100%							0.910
					SCORE	27	
					PERCENTAGE	68%	

	Weight	Total Points	Weighted Score
Factor # 1 - Market Focus (25% Weight)	25%	0.880	22.00
Factor # 2 - Line Compatability (20% Weight)	20%	0.925	18.50
Factor # 3 - Product Knowledge (15% Weight)	15%	0.828	12.42
Factor # 4 - Demand Creation (20% Weight)	20%	0.850	17.00
Factor # 5 - Mindshare (20% Weight)	20%	0.910	18.20
REP TOTAL SCORE			88.12

General Comments:

Classifying Line Conflicts



Conflict Resolution

Classification	Issue	Options	Considerations
Alternative/Evolving Direct Replacement now and future	Can't Co-Exist	Rep Drops Line Termination or **Consider**	Both parties lose • Rep Revenue • Mfg. a seasoned Rep • **Adjust commission to minimize impact** **Expand with adjoining Rep** **- Less costly than hiring training a new Rep.**
Opportunity/Evolving Fills gap in portfolio Or conflicts with product being **exited**	Possible Short -Term issue	Rep Drops Line Rep Drops" conflicting" product from other line. or **Consider**	Not effective for Rep or Manufacturer. • Paralyzes Promotion • Who covers excluded Products? • Communications • **Retain Rep**

Being careful during mergers and acquisitions means moving quickly. Speed is your ally. A rapid integration approach that reflects a strong sense of urgency holds far more promise than a strategy based on caution. ***The mistakes that come from going fast are nothing compared to the problems of going too slow.*** Just imagine the impact of a 20 to 30 percent drop in the effectiveness of a sales organization when the integration process drags on for six months or so. What if the transition lasts 24 months instead of 6? What if the productivity drop is 50 percent instead of 30 ? ***Slow transitions have a significant damaging impact to the bottom line.***

Deloite Merger & Integration Consulting Services



Panel Discussions