

The **Representor**

THE VOICE OF MULTIPLE-LINE SELLING IN THE ELECTRONICS INDUSTRY



Electronics Representatives Association

SUMMER 2022



MOTIVATIONAL COMPENSATION PLANS FOR AN OUTSIDE SALESFORCE

Attract, motivate and retain
your best salespeople

INSIDE:

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XCOM Digest, p. 16



The Representor

ELECTRONICS REPRESENTATIVES ASSOCIATION

Advancing and supporting the professional field sales function in the global electronics marketplace through programs and activities that educate, inform and advocate for manufacturers' representatives, distributors and their principals



Founded 1935

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SUMMER 2022



COVER STORY

One of the most essential elements of running a successful sales team is to have an extremely motivating, equitable and clear compensation plan for outside salespeople, right next to creating and sustaining relationships with principals, distributors and customers.

“Pay (compensation) is rewarded for the sole intent of shaping a salesperson’s behavior.” This sounds somewhat sales-psycho voodoo and I hope that if you disagree you will let me know. Leaders “pay” salespeople to do the right thing, which is hopefully to focus on the highest-dollar new business opportunities with the highest confidence of closing. Simply stated, mostly a compensation plan either stymies or stimulates motivation for sales growth. Remember that the very best salespeople are coin-operated—you put coins in, and they do what you want.

Compensation for outside salespeople is so very critical for attracting, motivating and keeping the best players. Rep companies should only hire ‘A’ players and it could be argued that a sales team will be marginalized if they don’t. The reality is if rep companies do have ‘A,’ ‘B’ and ‘C’ players—let go of the ‘C’ players and spend your time with the ‘B’ players to make them ‘A’ players. ‘A’ players should mostly be on autopilot, and they are in it to be great salespeople.

Draft a mission statement

Compensation plans are so important to everyone’s success; rep companies are encouraged to write a short Mission Statement for their compensation plan. What is the mission of your compensation plan? Start with, “We want our compensation plan to _____” and list some bullet points, using verbs like “motivate,” “retain,” and “grow/stretch.” Use even more specific details that make sense for your situation, your sales team and your company. A good mission statement for comp plans that I saw many years ago was: “We want our compensation for outside sales to motivate and compensate our salespeople to proactively and very actively focus on income-generating activities while maximizing the face-to-face meetings with the highest-dollar existing and new business opportunities where we have the highest confidence of closing.” We all do things that are nice, but do we focus on

what is necessary? Nice versus necessary...Do the necessary things first. (But I am not telling you to not be nice!)

Once companies completely understand their compensation plan mission, make sure that it is accurately and clearly over-communicated to the outside sales team. Many times, poor job performance is due to poorly communicated expectations by the sales leadership. Be certain to create a plan that is easy to understand and administer and then measure the plan to see if it is doing what was intended.

Types of compensation plans

There are five platforms for outside sales compensation (and probably 5,000 variations):

Straight salary. This is clear and easy to administer but greatly limits motivation to do more.

On a straight salary, ask yourself, “If I make two more sales calls next week, will my paycheck change?” Then ask, “If I made four less sales calls next week, would my paycheck change?” No, to both. With straight salary, there is usually a small year-end holiday bonus.

Salary plus bonus. Fixed salary that doesn’t need to change, and a bonus payment periodically (quarterly or every six months). Salary is usually 70-75 percent of total W-2

earnings and bonus payments are usually 25-30 percent of total W-2 earnings. This plan helps with cash flow for sales leaders and provides a mostly secure income for the salespeople, but be sure to have very clear objectives for “how” they achieve bonus payments.

Salary plus commission. Fixed salary (guaranteed) which is usually 40-60 percent of total W-2 earnings and the commission totals 40-60 percent of the total W-2 earnings. Commissions are tracked and paid for the specific accounts handled by the outside salesperson. Commissions are typically paid monthly or quarterly. With this plan, there is good incentive and motivation to grow accounts and find new business opportunities. A loss of a major account or major principal can cause problems (for all plans!).

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By Bryan Shirley

COVER STORY: Motivational compensation for an outside salesforce

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Straight commission. There is no salary, no guarantee and this plan is not for the risk-adverse and not for the non-performers. This is total pay for performance for the accounts and new business opportunities of the salesperson. This plan can create some big paychecks, but the same caution applies to the loss of a major account or principal. Sales superstars may flourish but there is not much of a team selling environment and sometimes the superstars will neglect some of the principals on the line card. Outside salespeople who are 1099 independent contractors should be noted here too, as they are usually paid straight commission.

Pool plan. This is a newer type of plan where you put a percentage of the firm's total commission each month into a "pool" and then each of the outside salespeople gets a percentage of the pool dollars at differing percentages based upon objective and subjective parameters: commission generated, tenure, experience, new business closure rates, reporting, etc. Deciding the percentages can be a challenge. The pool plan works great for team selling and peer management. The pool plan is used in other more transactional industries, such as plumbing, HVAC and petroleum, where it's more difficult to track commission by accounts/distributors. Successful pool plans have been carried out by ERA members.

The recommendation would be either pool plan, straight commission or salary plus commission. All of these allow for an unlimited upper end of earnings for salespeople and are the most motivating. Ultimately the plan needs to work for your team.

Performance objectives

With any plan and pretty much any job position, performance objectives need to be established. Outside salespeople could create their own performance objectives and you can work together to refine them and focus on what really matters to grow business and create long-term customer and distributor relationships. Stick to performance objectives that really matter for sales growth.

The performance objectives should be measured monthly to stay on track and ultimately, should be used as metrics for compensation in just about any pay plan. Measure what matters and it will get done.

If you want to hear a pin drop, say this at your next team meeting: "We're going to change your compensation plan." When outside sales reps hear this, 98 percent of them will think they are going to earn less money. It is an emotionally-charged conversation, so try to involve your team early. Ask other companies what they do. Look at ERA surveys on compensation plans. Remember that if you look to change your plan you can run it backwards—take sales/commission from 2021, 2020 and maybe even 2019 and run the new plan backwards and see how it looks.

Review your current plan and decide the changes you want to make, if any.

Stick to performance objectives that really matter for sales growth. The performance objectives should be measured monthly to stay on track and ultimately, should be used as metrics for compensation in just about any pay plan.

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(continued from previous page)

Make sure that the new plan is very rewarding with lots of earnings growth potential that allows your salespeople to stretch and grow. Be sure to devote the appropriate amount of time to constructing a new plan so you can commit to the new structure and only change it if absolutely necessary. Make it easy to understand and administer. A really good reporting system (CRM) makes this work.

Compensation plans are the number one thing that's most important to salespeople, but creating a fair and acceptable plan is the number one challenge for company owners. It is, however, the number one thing that keeps your best salespeople.

Good luck to you and good selling! ■

About the author

Bryan C. Shirley, CPMR, is a consultant and owner of Bryan Shirley Consulting and a regular presenter to various associations, sales organizations, manufacturers and manufacturers' trade associations. Shirley is a graduate of Virginia Tech and a visiting professor at the University of Texas-Austin, teaching a four-hour course on Motivational Compensation for Outside Sales for CPMR and teaches the Manufacturers' Best Practices course for MRERF. He is published in various industries' sales and trade journals. He can be reached at bryan@bryanshirley.com.



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RIISING STARS

Texas Aggie taps into wealth of industry knowledge to grow as a rep

Please tell us a little bit about yourself (personally and professionally).

I'm from the small town of Orange, Texas, and am a proud Texas A&M Aggie. After graduating in 2014, I moved to Dallas, Texas to begin my journey in this industry. I spent my first couple of years at another rep company before joining Fralia Co. & Associates and moving to the great city of Fort Worth, Texas. I am currently our company's distribution sales manager and I also cover a sales territory. Outside of work I enjoy hunting, fishing, two-stepping and volunteering at my local church.

How long have you worked in the electronics industry?

I guess you could say I began in the summer of 2013 with my first internship at AWC Inc., an electrical distributor, but I've been a manufacturer's representative for more than seven years now.

What made you choose this industry as your current career path?

I owe a lot of it to the industrial distribution program at Texas A&M University. This industry is one of several that gets a lot of focus from them. Through that program I interned at a couple of electrical/ industrial distributors which was what truly introduced me to the industry. I pursued this industry though because I love getting to see and be a part of the development of new technologies and I thoroughly enjoy the people and the spirit of our industry.

What are some of the main challenges you encountered as you embarked on your career journey?

There is generally a significant age gap between me and the average person in this industry which was a little overwhelming at

first. I felt that I had a long way to go and a lot to prove to earn the respect of those who have so much more experience than I did. But I've come to see it as more of an opportunity than a drawback. There is a wealth of knowledge for me to tap into and many who are willing and happy to teach. That goes for both co-workers, industry peers and customers.

What steps have you taken to overcome these challenges and ensure that you can establish and nurture a successful career?

[Our job is] to add value for the principals we represent, be innovative in our marketing approach and have strong relationships with our customers at the decision-making level.

Seeking out mentorship and forming good habits to establish credibility; having good follow-up with customers, never promising something I can't deliver on, and being willing to be up front if I don't know something, then following up later with the answer.

But mostly I swallowed my pride and asked a lot of questions! Luckily, I've had some really great teachers and mentors

along the way.

What were some training tools or networking/industry events that you found beneficial to your professional growth?

I would say the ERA Conference, EDS and annual visits to principals have aided a lot in my development as a professional. Getting to visit the manufacturing floors of the companies I represent help paint a better picture of what I can offer at the customer level, and the ERA and EDS conferences are both great for industry networking and for understanding the dynamics of the three levels of our industry.

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Chris Hodge
Fralia Co. & Associates

To gain better insight into how young professionals in the electronics industry have survived and thrived, The Representor interviewed Chris Hodge, distribution manager and sales engineer at Fralia Co. & Associates.

Hodge shared how having great teachers and mentors along his journey has helped him develop as a professional.



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 - Chapter Officer Leadership Training (COLT), Nov. 2-4, 2022
 - ERA Annual Conference, Feb. 26-28, 2023

RIISING STARS: Chris Hodge

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Do you think that there is enough new talent entering the electronics industry and what could make this field more attractive to young professionals?

I'd like to see more, but I think things are starting to head in the right direction. Perhaps our industry could be more active at the college recruitment level. I also feel like companies should try to bring their newer employees to events like EDS and ERA which have really helped me form a bond with our industry.

Where do you see your profession and the industry 10 to 20 years from now?

I believe that the types of products may change or traditional territory border lines may get blurred, but the core of our profession will stay the same – which is to add value for the principals we represent, be innovative in our marketing approach and have strong relationships with our customers at the decision-making level.

Professionally, what keeps you up at night?

Mostly mergers and acquisitions that cause manufacturers to decide to consolidate their rep network. Also, as companies acquire more and more product lines, it increases the chances of causing a conflict on a rep's line card. ■

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Caroline Wells
Senior Distribution Sales Manager
Omron Electrical Components-Americas

With so many ERA members, it is not easy to get to know every rep, manufacturer and distributor 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 Caroline Wells, senior distribution sales manager for Omron Electrical Components - Americas.

The Representor asked Wells a few questions about her time in the electronics components manufacturing industry and her experiences with ERA. Here is what she had to say.

Tell us a little bit about yourself.

Thanks for the opportunity to share a bit about myself for *The Representor*! I am the senior distribution sales manager for Omron Electronic Components-Americas. The distribution sales team is responsible for our overall channel program, corporate activities and initiatives with our 12 authorized channel partners, along with one master distributor. I have managed the channel for the past seven years, and in total have been at Omron for nearly 20 years. Prior to managing the distribution sales channel, I managed our E-Catalog distributor partners. I love the exposure that this position offers to interact with many departments throughout Omron, with our valued distribution partners and with industry peers.

How long have you been in the manufacturing business?

I have been on the manufacturing side of the business for nearly 20 years. Before that, I spent the first year of my career in the industry as a supplier program manager for Arrow Electronics in Denver.

How did you become interested in the electronics industry?

I found this industry by chance, actually. After finishing my Master’s degree and moving to Denver, I attended a job fair. I was drawn to the technology and the people at the Arrow booth, and enjoyed talking with the team. The company and industry as a whole were in a high growth mode, and there were so many opportunities available. Things happened quickly after that. I did not know much about the electronic components industry before I found myself deeply immersed in it!

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

Within the electronic components industry, I have met and worked with people from our distributor partners, manufacturers’ representatives and peer manufacturer companies with whom I have developed close working partnerships, and in many cases, personal friendships.

I appreciate that I have found a company that aligns closely with my personal values, and is focused on creating a better society through our business. In addition, since Omron is a global company, I get to interact

quite frequently with colleagues from around the world.

Please briefly describe your organization.

Omron Electronic Components is the Americas subsidiary of the Device & Module Solutions Co., one of the four major business companies that comprise Omron Corp., based in Kyoto, Japan. We manufacture components including relays, switches, connectors and sensors, and offer advanced devices and module solutions to our customers using leading technology and production capabilities.

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

Since we just finished EDS, I will share a best practice of which I’m particularly proud - the Omron Distributor of the Year program. We have a detailed program that includes various objective growth metrics, as well as a marketing component and a sales engagement score based on input from the Omron rep companies and territory managers. The criteria and the points awarded for each are clearly shared at the outset of each fiscal year, so our distributors know how they are being measured for this program. The two top performing partners – one each from among our electronic and e-catalog distributors – are recognized at EDS, and Omron then makes a financial donation to their non-profit organization of choice. This meaningful acknowledgment of the distributors’ performance embodies the Omron corporate mission statement of improving lives and contributing to a better society.

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

Omron goes to market with a hybrid sales force (both direct territory managers and manufacturers’ representatives); we now have nine rep companies throughout the Americas. By attending my first ERA conference this past February, I learned more about the rep model and key topics relevant to the rep side of the business. This helps me better understand how to fine tune the Omron Electronic Components’ distribution channel, policies and programs to support our

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So, what's next, coach?

So here we are, in the middle of summer, back from the excitement of EDS. Our business cards filed, action items done and followed up on, perhaps more than once. We reconnected with old friends on follow up emails and we’re sorting out our plans for the second half of 2022.

So, what’s next, coach?

Are you experiencing a bit of EDS withdrawal? Now that both the ERA Conference and the EDS Summit are over, it is back to the reality of our business – where expedites are still coming, product is still tight and COVID-19 is still here.

But what is different? Lots! We made it through 2020 and 2021 and now that 1H 2022 is in our rearview mirrors, we find ourselves as better salespeople and better managers. We are more organized and we’re getting really good at video conferencing. We got this!

So, is this it? Are we now in our “new normal,” “new abnormal” or whatever you want to call it? Like that old song said: “Is that all there is?”

We have been so focused on getting ready for the new times, pivoting, skating where the puck is going, learning new ways of doing things, etc. – is it now time to just do our jobs and do what we are good at? Which is, opening new accounts, visiting our customers and distributor branch offices, getting on airplanes and getting back to normal times, even if they are still a bit unsettled.

We are all back together and looking forward to summer vacations, even if airfares are up, the cost of gas is up, hotel rates are up. It’s time to just get back to our normal cadence: work, sleep, vacation and repeat as needed.

Is all right with our world? Not yet, but we are getting close. We all need to try and focus on the things that are right and capitalize on them and try to deal with the remaining issues as “one-offs” as best we can.

We will have some setbacks for sure – folks will still get COVID-19 or some latest version, but hopefully vaccines and treatments will prevent death. We will quarantine for the appropriate period of time, and

then get back out there carefully and take good care of ourselves and others – but get back out there nonetheless.

How we handle ourselves and our “book of business” will determine the results for 2H 2022 and 2023. There will be lots of eyes on you as you set the tone for yourself and your company. Your team members will be looking to you for guidance and leadership. Your customers will also be challenging you for support in new design help and supply chain guidance. They, too, will be trying to get back to some normalcy and will be seeing who they can rely on to deliver the levels of support that they were used to prior to COVID...or perhaps even more now! By being totally transparent and supportive, you may be able to gain ground on your competition who may be taking a more cautious approach.

Your manufacturers seem to be getting many of the supply chain challenges behind them. They are now looking to you to gain new sockets and manage the open backlog; to execute and deliver regardless of any issues.

Let’s all focus on looking out the windshield of our industry versus the rear-view mirror. What is past is past – we have learned a lot in the past two years. Let’s not focus any more energy on trying to get good at virtual selling, Zoom calls or hiring, onboarding and managing remote/work-from-home employees. Those who have not gotten all of this down pat by now probably never will. If these folks are your competition, make hay while the sun shines.

Let’s not focus on our past woes and issues. What other industry would you rather be in? There is no other industry that offers more excitement and opportunity along with its many challenges. This is why you are here – manage the challenges!

The demand for electronic components is exploding! Dust off your business costumes, fill up your car with \$6-per-gallon gas, drive to your customer, fly to meetings and get at it! It is time to look ahead – fearlessly, but with good judgement!

This is what your coach is telling you: Tighten your belts and continue to march. ■



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Can you teach a new dog old tricks?



by **Chuck Tanzola, CPMR**
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Since my last column, I can report that I have successfully traveled to and returned from the EDS Summit in Las Vegas without the burden of any further “lost my wedding ring” incidents; and am able to reflect unencumbered on the energizing experience of having been “Back to the Summit.” I’ve indeed come full circle!

We live in a world of trade-offs that exist in tension – for each side of the equation, there is a corresponding other side pulling in the opposite direction. Some examples include: leisure or work; guns or butter (for all my economist colleagues); heads or tails – the game could depend on it (that’s for you Buffalo Bills fans); old “tried and true” methods or new ways; work smarter or work harder – the choosing of one seemingly precluding the other.

In the months leading to EDS, and in fact, for seemingly much of the last two years, there has been major emphasis on the specter of a new “normal” in our industry, and the associated tensions that implies. How will we deal with work from home versus work in the office – internally and externally? How will we reconcile just in time with just in case? How do we marry advanced analytics, AI and digital marketing techniques and technologies with analog baby boomers? With reportedly low unemployment rates, record job openings and the Great Resignation, how will we find new people to replace an aging demographic? What is the best platform for customer interaction – Teams, Zoom or visitor logs? (No, that’s not the name of a new software platform as far as I know).

It has been said, “You can’t teach an old dog new tricks.” So, as I traveled west for EDS, I found myself earnestly hoping two things: 1) That this “old dog” would come away from the summit with a new bag of tricks – new strategies and tactics for the challenges I described above to thrive in a changing, post-pandemic world; and 2) That my plane would land without incident in the 40-50 mile per hour winds reported by the pilot on our way to Las Vegas. Much to the pleasure of the 150 or so people on the plane, our pilot did well in exceeding my expectations on the second objective; but a funny thing happened during my time at EDS on the search for new strategies.

Expecting to experience a concentration on “new” things, I was surprised by the strength of the pull-back to the familiar I felt during the

week. I found myself asking the question, “If you can’t teach an old dog new tricks, can you teach a new dog old tricks?”

Shortly before EDS, I was privileged to be a part of a panel speaking with the members of ERA’s NEXGEN special interest group – comprised of young members of ERA. During our conversations, I was impressed by their questions and am confident they will move forward to impact our industry with many new ideas, methods and approaches. However, based on my experiences at EDS, I would remind them (and all of us) that while they look ahead, they should also remember that “Those who ignore history are doomed to repeat it.” On the plane, I was reading “Free, Perfect, and Now,” Rob Rodin’s story of Marshall Industries’ digital transformation in the face of turbulent and unpredictable times. While the book was written a number of years ago, besides finding the history interesting (perhaps more so because I remember much of it), I also found many parallels – albeit under different circumstances – with what is happening today, reinforcing the value of learning from history.

Over the years, the focus on relationships, person-to-person contact (belly-to-belly as contrasted with business-to-business) and local presence has been consistently acknowledged. As we move forward, the tension to juggle that with the efficiency of virtual communications methodologies will continue; and there is value in both. For me though, the importance of one-on-one, in-person, face-to-face business was reinforced and is the prime takeaway of EDS. (Speaking of juggling, did you catch the juggling act at the Digi-Key breakfast? I thoroughly enjoyed that!)

Finally, with an emphasis on relationships, I close this article with a special, personal tribute to one of the “old dogs” of this industry. Congratulations on your approaching retirement Dick Neumann of Grayhill – I’m honored to have been among the many young pups you’ve influenced along the way!

As always, I can be reached at ctanzola@fusionsourcing.com and welcome your comments. How was your EDS experience? ■

Communication is key

As I was sitting in a colleague’s office, I read a small plaque on his windowsill for the thousandth time. It reads, “Poor performance doesn’t lose lines, lack of communication does.” I left his office and went on about my day, but something in the back of my mind kept bringing this thought forward. Later that day I got in the car to take an hour-long ride to visit a customer. I find that alone time in the car is when I get some of my best thinking done and then it hit me. In today’s world, how do we really define communication?

We are bombarded with communication from so many sources every hour of every day, including emails that we send and receive. It’s strange, but I’ve had to actually start using my out-of-office message more regularly. When we were all working remotely at our desks all day, we were able to get answers to people quickly. Now, with customers opening up to see visitors more, those responses are delayed and people are not used to that delay. So, to help set the expectations for my responses, I will say in my outgoing message: “I am on the road visiting customers today, so my responses will be delayed.” While I may not be communicating an answer, at least I am communicating the expectation of when I can provide one. Then there are all of the other communications, text messages, LinkedIn posts, social media, as well as this article. The key to good communication is to be both efficient and effective.

Just as no two people like the same toppings on their pizza, no two people have the same communications method. I find it fascinating to learn how each individual prefers to communicate. Sure, many of us follow the same routine: send an email, send a follow-up email, then send a third request. And let’s face it – we’ve all fallen into the email trap of “Well, I sent an email, but I haven’t heard back.” But the true art of communicating is going beyond

I propose: Before you start presenting the latest and greatest, ask some questions. Listen to their responses so you can tailor your discussion to their individual needs.

what you’re comfortable with and seeking results with different methods. Maybe you can follow up the email with a phone call. Maybe you send a text to see if someone is available, prior to a phone call. Maybe you send an InMessage through LinkedIn to schedule a time to make the phone call. Or, maybe you word your email as a call to action by explaining why it’s important to them to get back to you. When I am working with new colleagues, I like to challenge them to get out of their communication comfort zone and try something different. You’d be amazed at the response you get when you try different things.

We are all facing the same challenges in our industry today. Long lead times, supply chain constraints, rising raw material costs and product allocation are just a few. How many of us sit on calls with our partners (reps, manufacturers and distributors) and our customers, talking about these issues and hearing how they are negatively affecting the customers? As salespeople, it is in our nature to want to help, if for no other reason than it’s our job to sell them products and we all want to be good at our jobs. Another colleague of mine is fond of saying, “In these tough times, we need to overcommunicate. We need to keep reminding customers of the lead time issues. We need to communicate when parts get recommitted or when shipments don’t happen as scheduled. The more we can communicate with our customers, the better chance of them continuing to be our customers.” Her statement couldn’t be more true. Communicating bad news is the hardest thing to do, but if we deliver it quickly and effectively, customers appreciate it. They may not like the news, but at least they can make the necessary plans based on it.

To be a good communicator, you need



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(continued on page 28)

REP UPDATE

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Are you good to go?



As a pilot, I am impressed with the FAA air traffic control system and the controllers I interface with en route to my destinations. Every instrument flight starts with a plan. I contact air traffic control (ATC) and they respond with: “I have your clearance, are you ready to copy?” In this process, I am issued a clearance to my destination, en route details and instructions, and specific instructions for departure, enroute and arrival – a lot to unpack over a radio transmission.

And I would also add – here is the critical part: I read it back, and ATC responds with: “Readback correct” or “Clarification” about any potential errors I made.

In flight safety, separation from commercial airlines, en route separation from other traffic and above all, clarity, is paramount. In both flight planning and the communication en route, the stakes are high to keep civil aircraft away from other aircraft and commercial transportation.

Although a sales activity is not necessarily mission-critical, and no lives are on the line, the resources being expended are often undervalued. For example, in a study in the 1980s by Jack Berman, a successful manufacturer’s representative and the founder of Synergistic Selling, Berman pointed out that each sales call cost his rep firm an estimated \$350. A bit subjective; however, when you break down the number of sales calls, virtual or in-person, spread over the cost to a manufacturer’s representative, the costs, even in 1980 standards, are impressive.

Is it worthwhile to form a plan for your work? As a representative firm owner, the answer is a definitive YES! For career salespeople, we often “fly by the seat of our pants” – to continue the analogy. Why is this dangerous? First, if you don’t prioritize (hopefully around what the customer is interested in), you risk wasting time for all parties involved. You may be operating at extreme levels of opportunity lost due to a lack of preparation for what would have the greatest impact and ROI for that call.

As representatives, what do you do to prepare for engaging the market on behalf of your suppliers? The following is a list of best practices for field sales that I have observed over the course of my career:

- Start every meeting with a recognition of your client’s time, simply by stating: “In preparation for this meeting, I have the following objectives or items I want to cover during our time together. Will this work with your time budget this morning?”
- Research the company and its technology. Compare and contrast the two following statements: 1.) “I was in the area and I thought I would drop in and see what you are up to.” 2.) “After researching your product technology and roadmap, I am seeing great success with the following technology that we have introduced into the XYZ technology platforms.”
- Communicate with “mirroring” techniques. Basically, this is a couples therapy strategy to ensure your spouse knows you’re listening. You read back the information they have given to you to confirm you understood and heard correctly. The FAA uses this strategy for safe communication and it works in business settings as well.
- Leave the meeting by reviewing the action items and confirm the person who will be in charge of the action.
- Forward to all interested parties an “action report.” We don’t embrace call reports, because we are paid for sales, not information. An action report is oriented toward moving the deal flow forward and promoting business, not simply informing the supplier or contact what was discussed. The emphasis is on assigning actionable tasks.
- Follow up and do what you say you are going to do. This will differentiate you from the majority of salespeople.

Professionalism is the cornerstone of success in an industry that demands unprecedented levels of responsiveness. There are areas of our business climate we cannot control, including supply chain issues, global volatility, wars and inflation. What we can control: professionalism and productivity in the sales process. ■

In a departure from my regular articles addressing current industry trends and, lately, the White Pin Internship program, I thought I would introduce you to a woman who has been working as a manufacturer’s representative for over 40 years. In this interview, I speak to Noreen Brinn, Control Sales account manager extraordinaire and industry veteran. Here, she shares her perspective as the only woman in the room, the best advice she ever received and what helps her unplug from work.

When you began your career many years ago, did you imagine that you would become an account manager in the electronics industry?

In my first role, I worked part-time putting together seminars on stepping motors for Control Sales. We would bring in engineers from our principals to present to our local customers. As I attended the seminars, I learned about stepping motors, but more importantly my eyes were opened to the different types of sales. Stepping motors turned out to be my stepping stone into sales! Soon after, Control Sales made me an offer that would jumpstart my career. If I agreed to go back to school for engineering classes, paid for by Control Sales, I could work in outside sales. Overall, I think I was successful because I have a genuine interest knowing what the customer is doing with the product we sell.



Noreen Brinn, Control Sales

What motivated you to step up and become an account manager at a time when the role in our industry was almost exclusively male?

I had a mentor whose name was Fred Walters. He was a paraplegic who worked in lead qualification for Control Sales. I was his driver at the time. He was a very smart man but due to an accident could not work at Steiner Electric anymore. He encouraged me to go into outside sales and go back to school to take engineering classes at night.

How did you navigate male power structures early in your career? Did you experience resistance when working with men? How did you deal with it?

Well, I guess I did not know any better. My mindset has always been that when meeting someone new, I have 30 seconds to make an impression. I quickly learned that if I knew what I was talking about and was able to help, the fact that I was a woman was not a problem. In some regard I had an advantage in the early years because I was an oddity and people were curious. For the most part, engineers are great to work with because they are straightforward, specific about their requirements and just want solutions for their design challenges. If I met resistance, the only answer was to work harder to meet expectations or find someone else who can help. What I learned from overcoming obstacles was incorporated into my everyday sales process.

How would you calculate the positive impacts of now having women in multiple roles across the industry?

Women fill all the spokes in the wheel – Intelligence, sensitivity, compassion, alternate perspectives, organization.

What has changed most dramatically about your role since you started working?

Technology has fundamentally changed our role. When I started there was only one computer at the office, and it was dedicated to commissions accounting. There were no cell phones, and we used payphones in the field. All orders were sent by U.S. mail since we didn’t even use fax machines yet. Customers had to see us to get samples, drawings, quotes and to collaborate on technical issues. Yes, it sounds like the dark ages, but the in-person sales experience was interesting and rewarding.

INDUSTRY UPDATE

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Perspective from a manufacturers' rep industry veteran



(continued on page 23)

MANUFACTURING
UPDATE

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EDS: Worth the risk?!



After three very long years of isolation and in-person restrictions due to COVID-19, we finally all gathered at EDS in Las Vegas. For many it was bittersweet. While the meetings and the action items proved to be very productive, unfortunately the COVID-19 virus was passed among many of us upon our return to our reality. This proved very unfortunate for many who also infected their families and friends. But in the end, we all managed to cope with the difficulties of the symptoms and survived to continue to grow our businesses.

One of the key takeaways from the live meetings was the fact that we had the chance to socialize and really enjoy each other's company once again. There were many actions set in motion once again and the meetings with distributors and reps proved to be very important in establishing our continuing partnerships together.

In many cases we met new colleagues and friends who will become long lasting partners in our businesses together. This will be important as we all move forward with understanding how to better build the electronics industry. EDS is a valuable vehicle for many of us to have the opportunity to gather socially and professionally and I will look forward to many more in the future.

On the business end of the spectrum, many manufacturers are still struggling to meet deadlines with key customers throughout the marketplace. This slowdown has affected many of us and our ability to ship product to our customers in a timely manner. The lockdowns in China due to COVID-19 have proven to be crippling, and only very recently have the factories been allowed to open again for production. This will help supply much-needed products to some very important and emerging markets. We hope these trends continue to move in a positive direction and restrictions continue to ease so we may resume business again in the electronics industry.

Also, one of the highlights of our live meetings in Las Vegas was the ability to recognize many of our partners who did

an outstanding job of managing their business and growing Schaffner globally. First, congratulations to Digi-Key Electronics, who was once again named Schaffner's "North America Distributor of the Year." They constantly lead the pack and have reached new heights in sales this past year. Also, we would like to recognize Mouser Electronics for their global support and their ability to increase sales on a global level bringing new customers and markets to Schaffner subsidiaries all over the world.

And as far as rep organizations, I would like to recognize Conquest Technical Sales and Bill Herold's team for their outstanding growth in the Southern California region. Their ability to capitalize on many of the larger EV charger companies in the region have pushed them to new levels of growth.

I also want to take this opportunity to thank Master Electronics and their President Riad Nizam for granting me the Team Master Award 2022 at their Allegiant Stadium event at EDS. It is certainly a pleasure and an honor to work with such a great team of people at Master Electronics. Thank you for the recognition!

Congratulations to all of our award winners! It was a pleasure to see you all together and to also share the good news of our new brand of Schaffner filters...bringing "more power to you!"

Please feel free to reach out to me anytime (ken.bellero@schaffner.com) if you have any questions or concerns about your involvement with this great organization.

My door, phone and email are always open! ■

Summer is here and school is out and interns are everywhere – including working alongside reps with the ERA White Pin Internship. ERA and White Pin are teaching reps where to find and how to train interns and sharing the successes! We have two interns working in rep firms this summer, respectively at Aurora Group in the Carolinas Chapter and English Technical Sales in the Southern California Chapter. The interns are students at local universities that found these reps through job fairs and career center postings. Your favorite university or college is begging for companies to hire their students as interns. A quick look for the email or phone number for the career center at your nearby university can get you started. In-person job fairs are coming back. This gives you the face-to-face conversation where you can really learn the goals and skills of the potential intern. Other reps have interns and they have found them through word-of-mouth, relatives and friends of friends. There might be a good future co-worker right in front of you.

As they start working in your office, there is a lot of collateral on the ERA website to help you map out the job for the summer. All employees should spend time with the intern and share their explanation of what they do and what the rep firm does. The intern should sit in meetings with everyone and learn the different cultures of the principals you represent and travel to customers and see the rep "in action." As they research a market for your products or dig into LinkedIn and ZoomInfo to find new contacts, they are providing a fresh approach to each of these projects and meetings. Creativity with the new skill set is invaluable and motivating. A rep will gain insight and energy that is priceless. ERA continues to bring you more tools to find the interns and explain the role of a rep. There is now a video on the ERA YouTube channel produced by ERA NEXGEN members explaining what a manufacturer's rep is to college students in three minutes. ERA has the next group for your new hire – when the intern becomes a full-time employee – NEXGEN, or the ERA Next

Generation special interest group. This group meets quarterly and learns about a subject of interest, such as – What is ERA and how can I get involved? How can I best prepare for a principal meeting? How can I work best with my distributors, etc.? – from a newbie perspective. Questions are welcome and the group is further broken into small groups that rotate and meet monthly to discuss what is on their mind at the moment. Each day brings a new challenge and networking with peers in a similar level of their career brings comfort knowing that they are not alone. The registration form to apply to join ERA NEXGEN is on the ERA website under About ERA → NEXGEN, along with the ERA White Pin Internship application and information.

Planning mode is where the ERA Education team spends its time now. We are in discussions to plan the ERA Virtual Sales Training sessions approaching in early October and any input is welcome. Professionals and peers will present relative topics to all reps that are in the trenches and need to sharpen skills – skills like listening, relationship-building, Excel, best practices for disty or customer or principal meetings as the world changes. Also in planning stages is the 2023 ERA Annual Conference under the expert guidance of Chair Lori Bruno and Vice Chair Adam Anderson. ERA Water Cooler sessions and podcasts continue with relevant topics you can replay in your car as you drive to your next in-person meeting! ■

EDUCATION UPDATE

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Opportunities for the
rep industry's next
generation



DISTRIBUTION UPDATE

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Business as *Unusual*



Summer of 2022 may signal the beginning of a business-as-usual cycle of activity for the electronic industry’s customers, distributors, manufacturers and their representatives. However, when I think back over the past 18 months, I see a condition that I will call “business as unusual!”

OEM and CEM customers may have been slow to adjust to the trends that have developed over the last two years. Distributors and manufacturers moved a little quicker by adjusting their methods employed to conduct business. Many of the manufacturer’s representatives were among the quickest to change in order to support their principals and their customers. However, no matter how much we have adjusted, we must realize that we have seen some unusual activities, actions and all-around “craziness” associated with our businesses.

Cost increases. In early to mid-2021, component suppliers started to experience all types of cost increases from all types of raw material suppliers. As a result, distributors and customers started to see a never-experienced-before approach to pricing. Instant price changes, without the usual 30-day notification period, started to occur, placing a lot of pressure on the market. The idea of creating a surcharge or adder was also considered by component manufacturers, but quickly rejected due to its impractical outcome. In addition, a few component manufacturers turned to adjusting distributor and customer backlog as a method to shorten the cost increase cycle, which was very unpopular with OEM and CEM customers. In the end all of this was very much business as unusual.

Freight. Transportation issues have had a serious impact on delays and cost. Delays that occurred in all major U.S. ports and in China ports led to significant cost increases in ocean freight. Air cargo rates have

skyrocketed and air cargo availability has plummeted. Even as airlines are starting to see increased passenger traffic – guess what? There is a shortage of pilots.

In the Summer 2021 edition of *The Representor*, I reported that by July the average rate for an ocean container from Shanghai to Los Angeles would exceed \$10,000, up from \$1,800 as recently as Q1 2020. As of September 2021, that same 40-foot container cost \$20,000.

The ports that were seriously overloaded

such as New York, Los Angeles, Long Beach and others, have seen some improvement in Q2 2022. However, the COVID-19 shutdown mandated by China has led to delays on the China side of the ocean shipments. I see all of this as “business as unusual!”

Labor. What a conundrum! Hourly pay

rates are increasing, yet more people have resigned from their job, resulting in what is known as The Great Resignation. People are leaving the work force for myriad reasons: seeking a change; quality of life; do not want to travel to the office; dislike the 9-to-5; want to spend more time with family, etc. Yet here we are with a U.S. unemployment rate of 3.6 percent in May 2022, which is similar to levels prior to the pandemic. It means about 5.9 million people are unemployed. For those seeking a job, currently there are about two available jobs for each unemployed person. Is there a company in any industry not seeking new employees? Sounds like “business as unusual” to me.

Customer & supplier meetings. Distributors are seeking to engage with customers, manufacturers’ reps and suppliers. For the past 18 months, virtual has been the meeting method of choice – there was no choice, it was the only way to meet. Now we are seeing in-person meetings happening again. Major industry events such as the 2022

The past 18 months have shown much "business as unusual" in the electronics industry, whether it pertains to lead times, labor, material shortages or transportation.

ERA Conference and the 2022 EDS Summit had very good participation as in-person events. Individual one-on-one supplier, rep and customer meetings are happening more so now than in the past 18 months. All of these are critical to overcoming business as unusual.

Travel. We all think that travel via air is back, hotels are operational, rental cars and Uber are available. Not necessarily. Flight costs are extremely high, and flight cancellations are rampant. Citing weather impact, air traffic control and labor shortages, U.S. airlines canceled more than 2,500 flights over a four-day period during Memorial Day weekend. Hotels may be operational, but many are not fully staffed, which is forcing some hotel guests to decide if they need their room cleaned on a daily basis. Rental car companies are still managing the effects of the sell-off of their fleets when business plummeted in 2020, and the subsequent delay in replenishing their fleet due to the “chip shortage” is affecting new vehicle manufacturing. Can you believe this is actually happening? Business as unusual!

Procurement. What a challenging job! The electronics industry’s purchasing professionals are facing the biggest challenges: production delays and unplanned lead time lengthening; cost increases; product obsolescence; meeting customers’ and management’s expectations; skyrocketing freight costs and transit time measured in months versus days. Throw out the book on procurement. Business as unusual!

Resin. This catastrophe deserves a place in the raw material Hall of Fame, if there is one. Texas is one of the largest exporters of resin, plastics and other petrochemical products. During the February 2021 snow and ice storm in Texas, production of 75 percent of polyethylene (PE), 62 percent of polypropylene (PP), and 57 percent of PVC was forced to shut down. The one-week shutdown resulted in 230 million tons of PE and 180 million tons of PP to be lost. Snow and ice in Texas? Collectively 410 million tons (really?) of PP and PE were lost? This can only be business as unusual!

Force majeure. When critical suppliers first invoked this contract clause, many of us quickly Googled “force majeure” to understand this often overlooked and rarely used, but important, clause in every contract. We learned that invoking this clause essentially absolves blame, when the situation is not in one party’s control. Who really understands this? The lawyers and maybe the other people like me that see this as business as unusual!

Lead time. Component manufacturing lead time has always been a moving target. Throughout history, certain material shortages, such as tantalum and some rare precious metals, or other environmental catastrophes such as earthquakes, fires and tsunamis have affected individual suppliers or certain product types. However, who can recall a time when so many aspects of the supply chain came together to impact our collective industry? In addition to the topics mentioned here there are several additional aspects that have created the condition. I see as business as unusual!

I will end this compendium with the following:

Dick Neumann of Grayhill. To even speak those words creates such a feeling of respect, admiration, passion and happiness. Dick Neumann has worked at Grayhill for 47 years. Of all of his qualities, Dick is loyal. He is loyal to his family, especially his wife who accompanied him at EDS for many years. He is loyal to Grayhill, a company where the term mutual respect is in strong supply. He is loyal to the Grayhill reps who he threatened to fire at least once a year (once a month?), yet never did. Those threats were strictly motivational and rarely, if ever, intended. He was very loyal to Sager Electronics and to me personally. I want to use this space to thank Dick Neumann of Grayhill for the many years of friendship, support, debating and certainly great success. Dick, I wish you all the best now and in the future. ■

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 **Avis and Hertz Car Rentals** (which are accessible ONLY via the ERA website).

CALCUQUOTE provides quoting and supply chain software for the EMS industry. With a focus on the future, CalcuQuote improves the speed, accuracy and efficiency of the quoting and supply chain process by optimizing operations and implementing sustainable digital solutions. CalcuQuote currently serves over 200 EMS companies and is based in Dallas, Texas. Visit calcuquote.com.

SCHOENBERG FINKEL BEEDERMAN BELL & GLAZER 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 sfbg.com or call Adam Glazer at 312-648-2300.

REPFABRIC is a mobile efficiency tool that speeds up the entire workflow of business including email, opportunity tracking, commission reconciliation and principal reporting. Contact Repfabric at info@repfabric.com, or call 844-737-7253, x225, to schedule a consultation.

SPYRE GROUP offers resources that help sales rep firms provide value to the manufacturers they represent and increase efficiencies for their sales teams. It provides web, print and presentation development services, along with packaged solutions. Contact Patrick Knoelke at 913-499-6014 or visit spyregroup.com/rep.

EMPOWERING SYSTEMS, an ERA Recognized Resource for over 20 years, helps electronic manufacturers' representatives grow their business. The company's cloud solutions are designed for reps and how reps work. Account-Manager, SalesAnalysis, Analytics, Mobile and Microsoft 365 integration keep reps in front of their customer and away from administrative work. Ask about the ERA member special discount. Contact Carroll Boysen at 888-297-2750 x709 or visit empoweringsystems.com.

BUDDE MARKETING SYSTEMS is a 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. 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. Visit rpms.com.

LECTRIX is a results-driven marketing company that serves electronics manufacturers, suppliers and representatives. The company specializes in brand awareness, content creation, online event creation and lead generation. Visit lectrixgroup.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. Visit jjmsearch.com.

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

MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

Troy Gunnin - Sun Rep Inc. - Tampa, Fla.

Be prepared

I remember as a Boy Scout the motto, "Be Prepared." That is certainly true today. It seems that we have no idea what is coming at us next and when. It seems that COVID-19 just keeps re-inventing itself and refuses to go away. Then comes "monkey pox" and a spike in the regular old flu. And—as I write this the first tropical disturbance is threatening South Florida. Just a couple of days ago a very rare tornado touched down in our neighborhood. What next? Be prepared.

In the economic world, gas prices are at an all-time high (reminiscent of the gas lines of the 1970s.) Housing costs are insane. There are many unfilled job openings. Baby formula (and other) shortages. Wages rising rapidly, but not able to keep up with inflation. Add to that the Russian invasion of Ukraine that has caused unprecedented hardships and shortages around the world. Interest rates are going up and there is the very real possibility of a recession. What next? Be prepared.

In our world, we have experienced long deliveries, supply chain issues and transportation costs that don't seem to have a top limit. Fuel costs will probably keep these issues in the forefront. Chip shortages have caused disruptions in manufacturing from autos to everyday items. There seems to be uncertainty about when it will end. I just read an article that suggest that there would be a surplus of chips by the end of this year, while another suggests that it will extend into late 2023. Who knows? Be prepared.

We survived the gas lines of the '70s. We now look at the very real costs of travel. As we do, we must plan well in our travel and use all means at our disposal to continue to perform efficiently. We will survive this one also. Who knows from where the next curve ball will come? So as best we can, like good Boy Scouts, let's be prepared. ■

XCOM Industry Update: An industry veteran

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What's the best work-related advice you've ever received?

All the companies you represent are important. They should be treated that way. They all help pay the bills.

What energizes you about work?

Working on new designs and solving problems, of course!

How do you unplug from work?

Multiple things, with the first being family. My husband and I will be blessed with a fifth grandchild this fall. Our older grandchildren are busy with softball and baseball, and we try to watch the games and cheer them on. We like to take the dogs camping in the summer. I also like to garden and have been known to make a craft or two. ■

Electronics Representatives Association



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Creative retirement designs for small business owners



by Bruce E. Bell, CPA/Attorney

Bruce E. Bell is a CPA/Attorney practicing at the Chicago law firm of Schoenberg Finkel Beederman Bell Glazer LLC. A founding member of the firm, Bruce chairs the firm's transactional and tax practices. He concentrates on federal tax, estate planning and general business matters. Bruce can be reached at 312-648-2300 or bruce.bell@sfbbg.com.

For many small business owners, the key retirement plan decision is not what type of plan to adopt, but where the 401(k) plan funds should be invested. While 401(k) plans are the overwhelmingly popular plan of choice for employers, consider that alternative plan design options are available to maximize benefits for company owners with both 401(k) plans and other types of qualified retirement plans. Some employers simply shun plan adoption when there is insufficient interest in contributing to the plans by non-highly compensated employees (“NHCEs”). Statutory non-discrimination tests limit the amounts that each highly compensated employee (“HCE”) can contribute to a 401(k) plan based on the contributions made by the NHCEs. These non-discrimination requirements can be easily circumvented through the use of statutory safe harbors. Safe harbor 401(k) plans involve an employer contributing a specified amount to the plan to enable the owners and other company employees falling into the HCE classification to contribute as much as they choose to the plan. These contributions are, however, subject to the statutory limits on annual 401(k)

contributions to the plan – currently \$20,500 plus an additional \$6,500 for employees who have attained age 50. For small companies with NHCEs collectively making insignificant elective deferrals or 401(k) contributions which thereby limit the plan contributions HCEs can make, the most effective safe harbor is an employer nonelective contribution of 3 percent of compensation. An employer who makes a fully vested contribution to the plan of 3 percent of compensation for each NHCE frees the plan of the 401(k) statutory nondiscrimination test and permits HCEs to maximize their elective deferrals. The benefits do not stop there. Once the 3 percent contribution is made for the NHCEs, the plan will be deemed to have satisfied another statutory test, the plan top heavy test, which generally requires contributions to be made to the plan for NHCEs where a significant portion of the plan benefits are held in the accounts of the HCEs. That same 3 percent safe harbor contribution can also be treated as a profit-sharing contribution, allowing an employer to make discretionary profit-sharing contributions to the plan. While many employers are not anxious to contribute

The fact that a plan is already in existence need not be an obstacle to creating a new plan arrangement, as retirement plans can be readily amended and redesigned.

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funds to plans for the benefit of their employees, a properly designed plan will permit the additional profit-sharing contributions to inure largely to the benefit of the ownership group. A good rule of thumb is to compare the aggregate contribution which an employer makes to the plan for non-owner employees to what the employer would pay in taxes without making the contribution. Assume, for example, an employer contributes \$100,000 to a plan of which \$40,000 is allocated to the accounts of the non-owner employees. For an employer in a 40 percent combined federal and state income tax bracket, the employer who does not contribute to the plan will retain \$60,000 after taxes. Most employers facing the choice of paying \$40,000 to the government in taxes or \$40,000 to their employees will likely choose to make the \$100,000 plan contribution so that the \$40,000 out-of-pocket expenditure inures to the benefit of the employees. An employer that provides these benefits to employees may be able to leverage that benefit by limiting employee salary increases and bonuses and other company benefits, not to mention the intangible benefits of providing a generous overall compensation package which may limit employee turnover and dissatisfaction. In this case, the 60 percent so-called “break-even point” is just a start. With a properly designed plan, business owners can often receive well in excess of 60 percent of the employer’s total plan contributions and sometimes 80 or even 90 percent of the total plan contributions. The very basic 3 percent safe harbor contribution opens a world of opportunity for plan designs. Utilizing 401(k) plans may, for some small employers, be just the tip of the iceberg. The maximum aggregate contribution that can be allocated to a business owner in a profit sharing/401(k) plan for 2022 is \$67,500. Depending on the age and compensation amounts for a company’s workforce, a properly designed pension plan can permit a business owner to make larger contributions with a disproportionate share of the plan benefits accruing for the benefit of the company owners. These plans work particularly well for business owners who are nearing retirement age and own businesses with a younger workforce. Company owners have a number of available options when it comes to retirement plan design and implementation. The fact that a plan is already in existence need not be an obstacle to creating a new plan arrangement as retirement plans can readily be amended and redesigned. A small business owner who has the necessary cash flow to increase retirement plan funding should take a close look at the company’s existing benefit plan structure and consider alternative designs. ■

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‘Scorched earth’ tactics burn both the manufacturer and its legal counsel



By Adam J. Glazer
ERA General Counsel

Adam J. Glazer is a partner in the law firm of Schoenberg Finkel Beeder-man Bell and Glazer LLC, and serves as general counsel to ERA. He is also a regular contributor to The Representor, and participates in Expert Access, the program that offers telephone consultations to ERA members.

You may contact Adam Glazer at 312-648-2300 or send him an email at adam.glazer@sfbbg.com.

“Effective sales reps are the lifeblood of this market.”

U.S. District Judge R. Brooks Jackson was describing how medical implants manufacturers deploy sales reps with not only the character traits to develop relationships with surgeons, but also the medical knowledge necessary to help the surgeons use their products in the operating room.

While the judge’s words may prove equally descriptive of the role most effective sales reps play, few reps facing termination are offered \$13.8 million deals from their principals.

And equally few are forced to engage in such volatile litigation, “characterized by vigorous advocacy, to say the least,” featuring discovery disputes of such “volume and antagonistic nature,” that a court must appoint a “special master to assist in managing the discovery process.”

The start of the relationship

Howmedica Osteonics Corp. is the implants manufacturer that hired independent rep ORP Surgical, LLP. The parties entered into two exclusive sales rep agreements: one for joints products used in joint replacement surgeries (“joint contract”) and one for trauma products used in emergency surgeries (“trauma contract”).

The contracts permitted either party to terminate with certain post-termination restrictions. Specifically, ORP could not sell competitive products for one year after a termination, but Howmedica was required to pay monthly “restriction payments” during this time equal to commissions earned in the preceding twelve months. Each party was also barred from hiring the other’s employees for one year.

For years, the parties worked together closely. Howmedica often helped train the ORP reps, and some ORP officials were Howmedica alumni. ORP devoted more attention to selling Howmedica products than to any other line, and both sides reaped substantial rewards.

Then, in a familiar harbinger of change, Howmedica hired a new area vice president.

The end of the relationship

Less than six months later, the new area vice president informed ORP he was terminating the joint contract “for cause.” Under the terms of the joint contract, if Howmedica terminated for cause, ORP had to remain on the sidelines for twelve months without compensation.

Both contracts also included one-year non-solicitation and non-divert provisions. At the time of termination, Howmedica offered to pay the restriction payments in exchange for ORP waiving the non-solicitation and non-divert provisions so it could hire a key ORP salesman. ORP declined, and a few months later, Howmedica still hired him.

Almost immediately after starting with Howmedica, the new area vice president sought to negotiate an end to the trauma contract. The parties discussed a \$13.6 million buyout price, but the price was tied to Howmedica hiring all 14 of the ORP reps it sought – a condition ORP rejected.

ORP claimed Howmedica threatened to terminate the trauma contract “for cause” if it didn’t accept Howmedica’s terms, a threat it took seriously in light of the recent “for cause” termination of the joint contract. Howmedica denied making this threat. It is undisputed that ORP then decided to terminate the trauma contract itself.

Within two hours of the termination, Howmedica offered to hire at least 11 ORP reps, never mind the non-solicitation and non-divert provisions. Within 48 hours, it had managed to hire away 12.

The relationship ends up in court

ORP responded by filing suit in the Denver federal court, including for breach of contract by failing to make the restriction payments, and for soliciting and diverting its sales reps.

Naturally, Howmedica attempted to devise a “for cause” basis for its termination of the joint contract to defend its failure to make the restriction payments. Actually, it asserted a laundry list of bases.

The case proceeded to a bench trial before Judge Jackson, who, in a detailed and lengthy opinion, shot down each of Howmedica’s five

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different “causes” for termination. The court shot down each of its excuses for a “for cause” termination, finding them “flimsy and lacking in credibility.” Some did not even get considered at the time of termination and were only contrived when Howmedica “went digging for post-hoc legal justifications.”

In short order, the court rejected claims that ORP: (1) sold competitive products; (2) willfully held back invoices or “sandbagged” Howmedica; (3) improperly moved material between hospitals; (4) deployed a sales rep suspended from calling upon a hospital without Howmedica’s knowledge and consent; and (5) was “insubordinate.” Instead, “when ORP refused to play ball, Howmedica manufactured reasons to justify a for-cause termination.”

Witnesses called to testify for Howmedica “equivocated, spun far-fetched stories, and even made flat-out misrepresentations.” The testimony of the main culprit, Howmedica’s new area vice president, was viewed as “incredible,” and contradicted by much more reliable evidence.

The trauma contract contained similar provisions, and the parties did not dispute that absent a breach by ORP, it was entitled to the restriction payments following termination. As with the joint contract, Howmedica’s allegations of breach involved conduct it “had no qualms with until they needed a legal argument,” enabling Judge Jackson to quickly conclude that ORP “was not in breach of the trauma contract.”

Howmedica’s breaches resulted in awards of \$1,018,896 under the joint contract, and an additional \$3,731,791.47 under the trauma contract, plus interest. The two contracts also entitled ORP to recover its costs and attorney’s fees.

Perhaps tossing Howmedica a proverbial bone after entering a total judgment of over \$5 million against it on the contract claim, Judge Jackson ruled that even though the evidence at trial showed it had solicited and diverted ORP sales reps in violation of the trauma contract, inadequate evidence of damages from this conduct was shown, and so awarded only \$1 in nominal damages on this claim.

The court found “there was insufficient evidence that Howmedica’s solicitation and diversion tactics caused any sales reps to leave ORP for Howmedica.” Instead, following termination of ORP, Judge Jackson determined that “the reps likely, almost certainly, would have accepted offers of employment at Howmedica without any solicitation or diversion at all.”

The relationship’s bad blood infects the discovery process

The unusual level of contentiousness during the discovery process led Judge Jackson to take the rare step of appointing a “special master” to oversee the parties’ production of documents and taking of depositions. The special master selected was a retired Colorado state court judge who was recommended by both parties, who were to split his fees.

Unlike judges, a special master has no authority to impose any punishment for a party failing to comply with its discovery obligations, but he can issue a report to the court recommending sanctions. Upon considering the many problematic moves of Howmedica, the special master did so repeatedly.

One report noted Howmedica’s failure to preserve relevant text messages among two of its employees, leading the special master to recommend severe sanctions. When the missing text messages were reportedly found shortly after the recommendation issued, Judge Jackson chose not to sanction Howmedica at that time.

In another report, the special master recommended sanctions against both Howmedica and its big firm attorneys following a deposition where the attorney defending a Howmedica witness “behaved inappropriately, disruptively, uncivilly, and unprofessionally.” This was in addition to improperly coaching witnesses, including by encouraging them to “stonewall” the ORP attorney taking the depositions.

When he received these reports, Judge Jackson was “appalled at the Howmedica team playing fast and loose with discovery obligations,” including by falsely assuring the court that the missing text messages were located and produced when it turned out they were not. He agreed with the special master’s finding that Howmedica’s counsel improperly coached witnesses, “abusively defended” a key deposition and delayed discovery. The judge commented the lawyer was “rude, unprofessional, and inappropriate.”

Judge Jackson next sought to find suitable sanctions “with teeth.” While the special master had recommended Howmedica reimburse ORP for two-thirds of his fees, the court ordered Howmedica to fully reimburse ORP for the cost of the special master. The real sting of the order came when he directed half this amount to be paid by the attorneys, an exceptionally rare move with lasting consequences beyond the dollars involved for any attorney so sanctioned.

Perhaps the inclination of a principal who withholds millions in commissions clearly due to engage in litigation tactics outside the rules should come as no surprise, but for big firm attorneys to join their client down that low road proves highly disappointing, at least to this former big firm attorney. ■

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SOMEONE YOU SHOULD KNOW: Caroline Wells

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reps and our mutual distribution business.

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

I keep abreast of industry happenings via LinkedIn, and I subscribe to ERA publications and email updates. I’ve really enjoyed some of the Water Cooler sessions. They are interesting and many relevant topics within our industry are discussed.

What are some things you enjoy outside of the workplace?

Outside of work, I am busy with my family that includes my husband and my two kids, a 13-year old son and a 12-year old daughter. Additionally, I like to stay active in my community. I have served for the past couple of years as a parent rep on the local middle school decision-making council and for the past six years on the Board of Trustees for my family’s religious congregation. In addition, I try to squeeze in time for my two workout passions: CrossFit and yoga.

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

My parents both were career U.S. Army physicians, so we moved around a lot during my childhood. I spent over ten years living in Germany; actually, for my first four years of formal schooling (K–3rd grade), I attended a local public school in Frankfurt, Germany. I specifically remember on my first day of Kindergarten not speaking a word of German! My experiences living and travelling overseas throughout my childhood and in college helped me learn how to be comfortable in all sorts of new situations, including in our ever-changing electronic components industry. ■

FROM THE TOP: Communication is key

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to be a good listener. Ask people around me – one of my favorite sayings is, “God gave you two ears and one mouth for a reason, you should listen twice as much as you speak.” For us salespeople, that’s very difficult. We’re trained weekly on webinars where we learn all about our manufacturer’s latest parts. Then we want to go out and expound that knowledge on our customer base. We load up with data sheets, PowerPoints and samples to head out to find that next big opportunity. In our minds, we know why we think this particular part would be perfect for our customers. I propose that before you start presenting the latest and greatest, ask some questions. Ask the customer if they are having a problem. Ask the customer if they’ve found a solution. Ask them if they would be willing to consider an alternate solution. Anything you have to do to get them talking – then listen. Listen to their responses so you can tailor your discussion to their individual needs.

Finally, we need to make sure we are communicating well with all of our partners. Manufacturers’ reps, our principals and our distribution partners are all stakeholders in the success of our customers. The lines of communication need to be open and clear amongst all of us so that we’re all working towards the combined goal of closing opportunities and growing revenue. ■

NEWS BEAT

ERA HIRES SUSAN BANNWART AND JANINE SPEDIACCI

ERA is pleased to announce the hiring of Susan Bannwart as its new Finance Director and Janine Spediacci as its new Events Coordinator. Susan will prepare monthly financial statements, perform bank reconciliations, update cash receipts and issue checks. Janine will provide administrative support and oversight for the growing number of ERA events. Both Susan and Janine's years of experience and knowledge will help ERA to keep growing and serving its members.

ERA ANNOUNCES RECIPIENTS OF 2022 MARK MOTSINGER WHITE PIN INTERNSHIP

The recipients of the 2022 Mark Motsinger White Pin internships are: Nelysa Rosario, a student at Wake Technical Community College, Raleigh, N.C., interning at Aurora Technical Group/Southeast and Gustavo Ruiz, a student at California State University, Fullerton, Calif., who will intern at English Technical Sales. We wish the interns and their respective companies a successful and productive summer! (Visit era.org -> Online Tools -> ERA Podcast to listen to a new podcast about the White Pin internships.)

ERA DEBUTS NEW ERA HOVERMAP

ERA is proud to debut the new ERA HoverMap, an online tool that allows ERA members to view generally outlined marketing territories, associated zip codes, ERA rep chapters and company lists and DTAM information. Access the map today at: era.org/map. You may use your usual ERA member log-in credentials to access the HoverMap.

ERA ANNOUNCES THEME & PLANNING COMMITTEE FOR 2023 ANNUAL CONFERENCE

ERA is excited to share that the theme of the 2023 ERA Annual Conference in Austin, Texas, will be “Moving On, Moving Beyond.” This theme represents the resiliency of the electronics industry and eagerness to move forward into the future of the business. The planning committee for the conference will be Lori Bruno - Chair, Adam Anderson - Vice Chair, John Guetens, Joe Braun, Amy Rooney, Ellen Coan, Maryellen Stack, Jeff May, Tom Wichert, Gary Smith and Dave Winner. This planning committee will be supported by 55 Conference committee volunteers who will help guide the planning process and put together useful content for another not-to-be-missed event.

SAVE THE DATE FOR ERA FALL EVENTS

Save the date for important ERA events taking place this fall! ERA Virtual Sales Training will take place Oct. 4-6, 2022 and Chapter Officer Leader Training (COLT) will take place virtually Nov. 2-4, 2022. Stay tuned for more details and registration information to come.

DICK NEUMANN SET TO RETIRE

Grayhill, Inc. announced that after 47 years, Dick Neumann – an industry veteran who was a huge supporter of sales reps and ERA – is set to retire in August 2022. The company said in a statement: “In our company’s 78-year history, few have had as much of an impact on our success as Dick Neumann. His presence will be missed by our customers, sales reps and most of all by those of us who have had the good fortune of working with him over the years.” Read more about his distinguished career at era.org.

ERA MOURNS HARRY PASTON

Harry Paston, 95, formerly of Fayetteville, N.Y., passed away June 2, 2022 in Las Vegas, N.V. He was an infantry veteran of World War II and a graduate of the University of Wisconsin. He was CEO of Paston-Hunter Co., a consumer electronics marketing firm in Syracuse, N.Y. Harry served as trustee and chairman of ERA's Insurance Trust from 1966 to 1991. He was inducted into ERA's White Pin group in 1964, was a Life Member, and received ERA's highest honor to the Hall of Fame in 1979. Predeceased by his wife, Mary Rose in 2018, he is survived by his son, Jeff Paston of Manlius, N.Y.; daughters, Stephanie Knight of Jacksonville, Fla., and Kathleen Swanker and Michele Colaianne, of Las Vegas, N.V., and a grandson. ■



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.

COLT 2022

ERA has confirmed the Chapter Officers Leadership Training (COLT) program will once again be held virtually this year. The dates for this dynamic, hands-on educational training will be November 4–6. Visit era.org for more information and to register.

ARIZONA

The chapter hosted a successful golf tournament in mid-May. What a great time everyone had connecting with so many people in the Arizona electronics industry! There were 46 people in attendance, with customers, OEM suppliers, distributors and reps participating in the event. The weather cooperated, staying under 100°, and Dove Valley Ranch was both beautiful and challenging.

The chapter would like to extend their deepest thanks to the following sponsors for supporting the event: ERA National; English Technical Sales; Kruvand-FTS; Techni-Source; Spectrum Marketing; Thom Luke Sales; D&L Technical Sales, Inc.; TTI, Inc.; Mouser Electronics; Master Electronics; and RS Components.

The players ranged from “first timers” to highly skilled golfers, and the scorecards showed it pretty clearly. The group, sponsored by Master Electronics, had the winning score of 60 (11 under). Each one in that group walked away with a \$200 gift card to Dick’s Sporting Goods. The men’s longest drive was from Drew Vojslavek (TTI) who took home a new \$300 Calloway Mavrik Driver. The women’s winner was Lori Brands (Thom Luke Sales) who walked away with \$150 in gift cards to Dick’s Sporting Goods. Justin Hayes won a \$200 Tommy Armour Impact Putter for closest to the pin.

The four-minute drive to Fat Willy’s for lunch was well worth it; the food and service were great, and the camaraderie was fantastic. The success and feedback certainly seem to support making it an annual event.

CAROLINAS

Carolinas Chapter continues to host their monthly virtual networking events focusing on various industry topics of discussion for each session. The chapter held a virtual breakfast on June 13, hosted by Penny Langdon, sales and distribution manager at AEM Group, and featured a presentation from Aparna Sproelich BSME, CPMR, vice president at Aurora Group, who spoke on the topic of digital marketing.

It is with great honor the Carolinas chapter presented revered colleague Bruce Scoggin with ERA’s Life Membership Award. Bruce has set the gold standard in service, from serving as Board vice president to serving 12 years as a national delegate. Previous winner of the Key Award, Bruce has a lifetime of accomplishments in the electronics industry, being a second-generation representative. His father began a rep firm in 1959. The chapter wishes many congratulations to Bruce on this well-deserved award!



Bruce Scoggin receives the Life Membership Award from ERA.

CHICAGOLAND-WISCONSIN

Chicagoland-Wisconsin ERA hosted a gathering at Summerfest in late June. This fun-filled networking event was open to reps, manufacturers, distributors and customers. The chapter also plans to hold another in-person event at the end of August featuring an economic-focused speaker.

INDIANA-KENTUCKY

The IN-KY chapter was delighted to have Dennis Reed from Edgewater present his trendspotting data analysis for the electronics industry. Approximately 20 reps, distributors and customers attended and were very enlightened with his realtime data analysis that included the most recent industry disruption.



Dennis Reed of Edgewater Research speaks to the IN-KY chapter.

EMPIRE

Empire Chapter is excited to host its 2nd Annual Julie Baker Golf Tournament on August 1 at Ravenwood Golf Club. Based on last year’s very successful event, the chapter looks forward to another great turn-out this year. For more details, and to sign up as a sponsor and register online, visit <http://empireera.org/events/>.

This tournament is hosted to generate funds for a donation to the Willow Domestic

Violence Center in honor of long-time Empire Chapter Board member Julie Baker. Julie was tragically taken from us in a senseless act of domestic violence in January 2020.

METRO NEW YORK

The chapter was excited to host the Steve Alford Memorial ERA Metro NY Golf Outing on June 27. The event honors Steve Alford who passed away suddenly last November.

MICHIGAN

The chapter is pleased to welcome Michigan-based distributor Galco as a new ERA and chapter member! The chapter met with several Galco executives at a June event.

This in-person event in June was titled “Technology Trends that will Drive the Future of the Electronics Industry” featuring speaker Dennis Reed, senior research analyst of technology at Edgewater Research. Dennis was a highly rated speaker at the 2022 ERA National Conference in Austin, Texas where he provided valuable market trends for the electronics industry, with a focus on automotive. Given the Michigan chapter’s heavily automotive marketplace, the chapter’s management team felt confident this was a great topic for local members to hear.

In late April, the chapter hosted an online Water Cooler-style session that focused on how to attract talent to local rep firms. The call was well attended, and several ideas were shared as a result of coming together on an issue affecting our space in the industry.

NEW ENGLAND

To prepare our membership for EDS, the New England Chapter invited Dennis Reed, senior research analyst at Edgewater Research, to provide insight and observations as to where our industry is going, and what markets are driving change. The information that Dennis shared helped all who attended better understand today’s industry dynamics so that we could best contribute to the many conversations that took place at an incredibly successful EDS. The chapter extends a special thanks to Dennis, and to all who attended.



Dennis Reed of Edgewater Research speaks to the New England ERA chapter before the EDS Summit in May.

NORTHERN CALIFORNIA

Although Northern California has been slower to “re-open” than other parts of the country, many professionals are now welcoming the opportunity to socialize after so many months apart. The Northern California ERA is no exception!

The Northern California ERA was proud to host a luncheon at Vito’s Trattoria in San Jose in late April. This was the chapter’s first in-person event in over two years. About 25 ERA members, old and new, mingled over delicious, classic Italian food. In addition, the attendees brainstormed and provided suggestions on future events and resources they would find beneficial.

Initially, the luncheon was intended to be an educational event featuring virtual guest speaker Steve Turner of Turner Time Management. ERA members may be familiar with Steve, as he spoke at a Water Cooler discussion on March 15 and is a past ERA conference speaker. But due to an unforeseen medical emergency, Steve could not present. He is rescheduled to present to the chapter in late July.

Despite this situation, the luncheon was a success, and members feel invigorated for what is to come. As one of the largest and most active ERA chapters, Northern California looks forward to promoting more social and educational events in 2022!

SOUTHERN CALIFORNIA

ERA’s Southern California Chapter celebrated spring with an exceptional event on the first day of the Del Mar Electronics and Manufacturing Show. The apropos theme of this year’s show was “Getting Back in the Game.” The reception was a celebration of the budding return to commercial normalcy. Attending the event were reps, distributors and manufacturers. Participants were greeted with refreshments and a light buffet. It was a very successful high-value event. ERA SoCal and The Del Mar Show sponsored the reception. It was a respite from the booth set up activities before the show opened. Additional sponsors were G.L. Smith Associates, Astron Inc., Luscombe Engineering and Signal Enterprises. IBS Electronics Group was a significant sponsor of the event both with an event contribution and supporting ERA SoCal efforts with its industry-leading digital marketing efforts. IBS hosted its Real Talk podcast at the Del Mar Show and interviewed several ERA rep members.

ERA SoCal has a significant educational and social event scheduled for the remainder of the year, including: Owners Forum: New employee law changes in California; Sage Brush Social: Chapter event in the San Fernando Valley; Chapman University Southern California economic update; Owners Forum: Digital marketing for reps; Baja Mexico tabletop show; and a charity golf tournament.

The remainder of 2022 will be of considerable value to the ERA SoCal chapter members. ■



The ERA SoCal Chapter held a reception at the Del Mar Electronics and Manufacturing Show.

Dear reader,

From November 15 to 18, electronica in Munich will once again present innovative solutions and products from the electronics industry. The motto of the world's leading trade fair and conference for electronics this year is "Driving sustainable progress."

The main topics of the event include artificial intelligence, cyber security, e-mobility, embedded systems, IIoT and smart energy. In addition to well-known and established companies, start-ups will also be represented in Munich and show their innovations to an international audience.

In addition to the exhibitors on an area of 160,000 square metres in 14 halls, the electronica conference programme offers you the opportunity to expand your expertise in various areas: the Automotive Conference, Embedded Platforms Conference and the Wireless Congress deal with the latest developments and requirements in the electronics industry on the basis of real-life application examples.

Start planning your trip to electronica 2022 now and don't miss the key meeting place for the electronics industry!

See you in Munich!



November 15–18, 2022

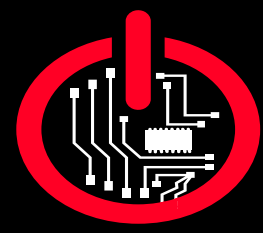
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- A proven record of building strong business relationships and success in finding new business and retaining existing business while selling synergistic multiple product lines.
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1887

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James Blyth builds the first electricity generating wind turbine.
Herman Hollerith receives a U.S. patent for his punch-card calculator.
Sager opens its first location in Boston, Massachusetts.

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