



# Examining the Agent-Principal Partnership

BY JACK FOSTER

Honesty, integrity, trust, diligence and communication — those are just a few of the words that are repeated over and over when industry observers are asked what they believe are the most important ingredients for agents and principals to have in order to be described as “Partners in Profits.”





Allan Lamberti



Tom Halpin



Hank Bergson



Bob Cangemi

Industry consultants/observers Allan Lamberti, Tom Halpin, Hank Bergson and Bob Cangemi were asked their thoughts on the concept that independent manufacturers' representatives who work with principals as trusted partners in profits succeed at a higher rate than those who do not. All were quick to agree that there are obviously some basic steps each side should take to ensure the relationship is going to proceed on solid terms. However, aside from those basics, there are some other considerations that create a solid foundation for the relationship.

"I preach that honesty is the best policy in the relationship," begins Lamberti, consultant and executive adviser with The Billiken Group, LLC. "If a manufacturer is struggling, it's important for them to let their reps know it. So many lines don't share that type of financial picture with their agents and it's a disservice to both. The more open and honest factory people can be with their representatives, the better off they'll be.

"At the same time, it's just as important for the rep to be honest about his capabilities and resources. He doesn't have to open his books for the principals but he should let him know everything that's important that could affect the relationship."

### Honoring Commitments

If honesty is the starting point for a partners in profits relationship, Lamberti maintains diligence should be

the next consideration. "If anyone (principal or agent) commits to do something for the other, they must do it. If the factory has a commitment to the rep and the customer, the factory has to come through on that promise. On the other hand, if that commitment can't be met, they've got to explain what happened. This all comes down to diligence in completing the job at hand. Those are the fundamental tenets of the relationship. You'd be surprised at the number of factories that don't necessarily share information."

From the agent's side, he continues, "He must be diligent in his commitment to the principal. He can't take on additional lines just for a paycheck. There's got to be a synergy in what he's doing and in the lines that he represents."

Commitment is another word that Lamberti constantly uses when he speaks about the agent-principal relationship. "Both sides must be committed to the other. From the principal's perspective, working with reps can't just be an experiment. If that's the case, then that's unethical. Look at it this way, if you brought on a full-time employee, that individual wouldn't be treated as disposable; rather, you're making a long-time commitment to them.

"So it is with the agent. Taking on a line is something that must fit into the agent's long-term plans. Once again, there must be a synergy and there can't be any line conflicts."

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A final point that Lamberti emphasizes is the importance of working together with written contracts. “This is something I’ve emphasized from the start of my career working with principals and agents. I know that there are a lot of principals and representatives who like handshake agreements. Their thinking is the handshake is all they need. They don’t need a contract. I say the partners in profits relationship begins when terms and expectations are clearly laid out in a written agreement to serve as a foundation.”

### **Measuring the Right Things**

“I don’t necessarily like sports metaphors, but sometimes they fit.” That’s how Tom Halpin, president, The Halpin Group, a Michigan-based consulting firm focused on leadership, strategy and revenue generation, begins his conversation on the subject of agents and principals working in a partners in profits relationship.

“If you’re a baseball fan, you’ll understand what I’m referring to. For instance, let’s say you maintain Detroit Tiger shortstop Jhonny Peralta is great because he only had 13 errors last year. I’m not necessarily going to agree with you. Stephen Drew of the Red Sox may have more errors, but that’s because he gets to more balls.

“What I’m saying here is that you’ve got to be careful about what and how you measure in your relationship. Be sure you’re measuring the right things. Are you interested in new customer activation or product sales? As a

result, if you as the principal or as the rep make a commitment in the relationship, you should be measured on your ability to meet those commitments.”

If Halpin maintains measuring the right things is important to the partners in profits relationship, so too is accurate and consistent communication. “Do the agent and the principal have a communication process in place to keep each other informed about matters of importance? Do each of the parties in the relationship have the needed information concerning everything from incoming orders, what’s shipping and timely commission reports? Do both engage in periodic conference calls?

“These are all elements that are a part of professional and proactive leadership. And in my opinion, it’s an area where so many companies are lacking.”

As a part of communication between agent and principal, Halpin emphasizes the need for both sides to operate with an agreed-upon cooperative business plan.

As a final point, the consultant notes that another integral part of the partnership should be the consideration of whether the principal and the agent consistently invest in their businesses.

### **More on Communication**

Sounding somewhat like an echo of Halpin, Hank Bergson, president, Henry Bergson Assocs., LLC, Katonah, New York, stresses how important communication is to the relationship. “Consistent communication en-

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sures that all people in your company (whether principal or representative agency) can be properly briefed that each side is integral to the success of the other. Neither side is a customer or a nuisance to the other. They're partners."

Bergson, the former president of NEMRA, who conducts two of MANA's Manufacturer Seminars each year, maintains that among the important things that both agent and principal have to communicate to each other is their strategic plans. "Everyone (agent and principal) must have a strategic plan with reasonable goals and objectives, and it's a plan that must be reviewed regularly. Every year or 18 months, I stress how important it is for the agent to go to the principal's place of business in order to review where each side is going. As a means of emphasizing how important this exercise is, I'll draw a chart that shows — according to strategic plans — where the representative is going vs. where the principal is going. Often, as you go up the time continuum, you'll see where their plans separate. After a period of time, the divergence is so great that it's very difficult to course correct. When that happens, you'll either see reps quitting, or principals terminating their reps. If you can spot that divergence early on, it's a much simpler process to course correct. This all comes down to planning and communication."

### **Training is Always Needed**

A bit of a different view is offered by Bob Cangemi, founder, Straight Up Consulting, Washington, New Jersey. Speaking from a vantage point of the architectural building products market in which he works, Cangemi says, "I'm never going to say that manufacturers have to do everything in the relationship. The fact is, the independent representative certainly has to do his fair share. But one thing I've noticed in my industry is that manufacturers don't always provide the technical product training that reps need to do their jobs properly. The major benefit of working with agents is that they know the market, the territory and the customer, and they've established the needed relationships. What they need

from the manufacturer is technical product training, and they don't always get it."

He stresses that once that training is in place, it's just as important that the manufacturer have in place qualified sales managers and support staff who know the products and the reps and can provide the needed guidance.

Finally — and this seems to be the one constant with each individual interviewed for this article — communication is key to the partners in profits relationship. "For example," Cangemi explains, "if the manufacturer and the rep reach a point where whatever they're doing isn't working to the satisfaction of the other, they've got to review their efforts every six months to a year to ensure that they're both reading off the same page. That's just basic communicating with each other." Failure to do so will result in dissatisfaction and the partnership is doomed.

### **Avoiding Doomed Relationships**

A complementary view of the agent-principal partners in profits relationship was forthcoming from Jeff Josephson, president and CEO of LeadGen.com, a service of Josephson Venture/Marketing, Inc., Moorestown, New Jersey.

According to Josephson, the subject of what steps agents and their manufacturers can take to ensure that they enjoy a professional/profitable relationship is of paramount importance for manufacturers that use channel partners for some or all of their go-to-market strategy. "Structured and managed correctly, these relationships can be extremely profitable for both parties. Unfortunately, especially today with so much of marketing's focus on the online world, but also because many channel managers simply don't understand the partner's business model, many of these relationships are doomed from the start."

He continues that "From the manufacturer's perspective, the rep's business model should be the most important issue in structuring the relationship. And in that regard, there are two factors. The first is the degree

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to which the rep firm focuses on prospecting to new accounts, vs. nurturing old accounts. That is, does the rep firm have a limited set of accounts that they service, or are they oriented to finding and closing lots of new accounts? And given the rep firm’s focus, does it align with the manufacturer’s goals and objectives with regard to growth?

“Thus, if the manufacturer’s ideal account list aligns with the rep firm’s nurture base, then there’s usually no problem. Or, if both the manufacturer and the rep firm share the same target list, again, there’s usually no problem. But if a rep firm that’s complacent about adding new accounts signs on with a manufacturer who needs them, then there will be problems. Likewise, if a manufacturer wants to gain market share in accounts where the rep firm is already embedded with another manufacturer, again there will be problems. But it is this alignment of high-level growth strategy that should be the first consideration.”

Josephson emphasizes that “If there’s good alignment with regard to high-level market objectives, you still need to consider how growth is to be achieved (i.e., where is the business going to come from?). And this is where we see huge problems, especially with the emphasis today on inbound marketing. Specifically, the issue of lead generation is one that causes a lot of problems — ones that destroy not only relationships, but careers.”

### Defining a Lead

“While there is a lot of noise around it, the fundamental issue is: What is a ‘qualified lead?’”

Josephson continues, “Ever since vendors appropriated the term ‘sales leads’ in the 1990s, the term has become a source of conflict in all sorts of partnerships. Depending upon the marketing program, a lead can be a click, a hit, an e-mail address, a Webinar attendee, a trade show booth visit, a business reply card, an impression, a download, a referral, a contact, a name on a mailing list, an appointment, and everything in between.

“The problem, of course, is that each of these so-called ‘sales leads’ leave you off in a different place in the

sell cycle, and therefore has a very different value to the agent who has to follow up. Many manufacturers have adopted complex ‘lead scoring’ systems to reconcile the differences. But to the rep firms — who can, by their independence, make their own judgments — anything short of an appointment (i.e., with a prospect who has a need, and who wants to talk with a salesperson about how they can help) — is usually a waste of time.

“And that’s the key: Most reps are entrepreneurs; their chief asset is their time. If you give them a lead that’s not qualified, they may chase the first one, but they won’t chase the second. By the way, lead scoring doesn’t solve the problem, it only highlights it.”

Josephson emphasizes that in an effective relationship agents and their principals should expect plenty from each other in order to make that relationship work. Included in the expectations:

- “Reps should expect their manufacturers to provide *qualified* sales leads. Everything else (collateral material, training, support, etc.) is ‘nice to have.’ And much of the rest (e.g., unqualified leads,) is deleterious.”
- “Manufacturers should understand what a qualified lead is (and not waste their reps’ time with unqualified leads) and sponsor lead generation programs designed to set appointments with decision-makers who have a need for their products, and who want to talk with a salesperson about how they can help.”
- “Given the first two items above are correct, communication quickly becomes a non-issue. If you’re providing qualified leads to your reps, then the daily communication is about the leads, and feedback from those leads. If you’re not talking about specific leads (i.e., appointments) and opportunities, then trying to convince your reps that you’re doing your part will ring hollow.”

“Obviously, one could argue that the manufacturer is hiring the rep firm to generate the leads, and there are some reps who will do it. However, doesn’t that beg the question: Who owns the customer if the rep generated the lead? And if the rep owns the customer, what happens when another manufacturer comes along with a better deal?” 