

FROM PEDDLER TO PROSPECTOR: THE CHANGING ROLE OF OUTSIDE SALES

BY JASON BADER, PRINCIPAL - THE DISTRIBUTION TEAM



THE
DISTRIBUTION
TEAM

Several years ago, I was given the honor of serving as the president of my trade association, the Specialty Tool and Fastener Distributors Association or STAFDA. One of the long-standing traditions is to give the president a small statue depicting “The Peddler”. Imagine an older gentleman with a knapsack and walking stick wandering around and peddling his wares from town to town. Obviously, the profession has grown from these humble beginnings, but our current crop of “peddlers” still retains some of the characteristics of the gentleman salesperson. They often wander from office to office, site to site, looking for an opportunity to share their goods with prospective customers. The peddlers of yesteryear were responsible for the entire transaction from presentation to fulfillment, to the ultimate collection of payment. Our sophistication of these steps may have improved, but many modern-day peddlers continue to take on these aspects of the sales completion process. Is this really how we want to deploy our most expensive assets?

As I was growing up in the business, I saw how this outside sales position was lauded as the most important function in the organization. This was the pinnacle position and with it came the most financial reward. This lofty compensation was not entirely unjustified. Sales reps were often responsible for finding the prospect, getting that prospect to sign an application for credit, enticing the customer to place that first order, pricing the invoice accordingly, and in many cases, they also delivered the recently fulfilled order. That is a lot of effort for the modest gross margin built into these transactions. You might even

have a few salespeople that still operate in this manner. The problem with this model is the limitation of time.

When a salesperson performs all, or many of these functions, their ability to serve multiple customers is severely limited. We often see this type of salesperson relying on a modest amount of high touch customers that they have cultivated over the years. They literally put all of their eggs in very few baskets. If one of those customers leaves the fold for one reason or another, the salesperson and company will take a tremendous whack to their revenue. This is why most organizations become extremely nervous if any one of their customers accounts for greater than 20% of the income. You just never know what the future holds in the life cycle of your best customer.

Another severe limitation to the income generating potential of a legacy sales representative is their access to information. I will freely admit that modern technology has allowed the field sales representative access to pricing and availability of products. Unfortunately, they rarely have access to scheduling and the logistical capabilities of the operations team. Without this critical information, there is a tendency to over commit resources and find themselves having to mend fences when service promises are not met. If you want to provide reliable service, commitments need to come from those closest to the operation. A strong inside customer service team can help fill this role.

If we are going to shift more responsibilities to the inside, what are the field salespeople going to

do? They are going to do what they were born to do – create opportunities in the market. When I look at those personalities who have been most successful in the field, I see some basic commonalities. Field salespeople have the ability to make customers comfortable with a business transaction. They build trust through question and answer. They listen for pain points and share solutions. They generate interest and excitement in the products we have chosen to represent. They know how to persevere in the face of rejection. And they know how to hustle. There is a direct correlation between the number of faces a field salesperson gets in front of and the amount of order activity they can generate. So why do we burden them with mundane, detail oriented, non-revenue generating tasks that simply slow them down?

I have spoken with countless sales managers and field sales personnel over the years, and they all agree that the old model has to change. I hear this all the time, “How do I get my people to call on new accounts?” There are couple of ways to approach this problem. First, change the expectations of the field sales role. Second, change the compensation to reward new account generation.

Many of us who have been around distribution sales for a few years admit that the majority of the transactional work associated with a legacy account is performed by someone working inside the four walls of our company. They take the phone calls, create the order, hopefully ask for a few additional accessory items and schedule the delivery or pick up. Over time, the customer will often develop a stronger

relationship with their inside contact than their outside representation. It is not anything negative about the field salesperson. It is simply a matter of frequency of interaction.

In my opinion, field salespeople should concentrate on four basic tasks: opening new accounts, introducing the breadth of product, performing field demonstrations when necessary, and solving problems when they arise. As an incentive to hunt for new accounts, I like to see clients create a 2-tier commission structure. For the first 12 months of the new customer relationship, pay the field sales representative a higher-than-average commission rate. This is to compensate them for ramp up and to give them a reason to drive the new customers into several product categories. After 12 months, the relationship will have naturally shifted to our inside team. At this point, I advocate a small “legacy” commission rate because we still want the field salesperson to go solve problems. Imagine 15% for the high and 3% for the low, or whatever makes sense in your company. I would use the commission savings to shift some money to the inside team for their efforts. We still want the customer to stay with us and it would be great if we could continue to expand their product category participation.

If we refocus our attention on how to make our field salespeople nimbler, they will be able to generate more excitement in the market. Because of their strong interpersonal skills, we still want them to be there when conflicts arise. Instinctively, they can work through the challenge and find solutions. They are the representatives of our company brand. The best use of their time is to keep charging down the field and planting flags. If your company is bogged down in the peddler mentality, find ways to remove that cumbersome knapsack, and hand your associate a pickaxe. It's time to quit

peddling and let them do some real prospecting.

About the Author:

Jason Bader is the principal of The Distribution Team. He is a holistic distribution advisor who is passionate about helping business owners solve challenges, generate wealth and achieve personal goals. He can be found speaking at several industry events throughout the year, providing executive coaching services to private clients and letting his thoughts be known in an industry publication or two. Last year, he launched his first podcast, Distribution Talk. Episodes can be found at www.distributiontalk.com and most podcast applications. He can be reached at (503) 282-2333 or via email at jason@distributionteam.com. You can find additional resources on his website: www.thedistributionteam.com