

## **Distribution Factsheet 6: Sales and Marketing Agency Guidelines**

A good agency-manufacturer relationship insures current, accurate market information, quick response to sales needs, the knowledge that your products are being represented effectively, and, of course, the desired results: continual sales growth and increases in overall profitability for both you and your sales agency. As a first step, the entrepreneur needs to analyze specific market needs.

### **1. Analyzing Market Needs**

A clear definition of “go-to-market” needs and specific product offerings facilitates the interviewing and selection process. The following details some of the factors that the entrepreneur will need to be prepared to discuss.

#### ***Territory/Customer Coverage***

“Agency territory,” “sales territory” or “customer coverage territory” refers to the sales and marketing agency’s service area/scope. Generally, “market” or “market area” is used by the food processor to designate the area/customers to be covered. Sales and marketing agencies can be used to cover a broad range of territories, including local, regional, multi-regional, national and international.

#### ***Annual Volume of Your Product(s)***

Determining a product’s projected volume relative to competing brands and other categories allows the entrepreneur to make a clear assessment of the approach to the market. Documenting these projections as completely as possible also allows an agency to evaluate the potential return on investment in an individual processor’s line and helps them to determine the resources required to meet specific goals. In the case of food processors in the Peace Region, it will be difficult to assess a “true expectation” of future sales since many of the market opportunities may be completely unknown at this time. This stresses the importance of relying on a professional that can properly assess a realistic estimate of sales potential for each individual product. They know who will compete against each entrepreneur in a given marketplace and thus, can best assess sale potential. The professional is also in a better position to highlight when markets are currently over-served and recommend other options to move forward.

#### ***Matching Entrepreneur Needs with Sales & Marketing Agency Strengths***

An entrepreneur should seek to match the strengths of its selected sales and marketing agency representation with its go-to-market needs. For example, a sales and marketing agency may possess notable headquarters/distributor strength and/or retail/operator strength. The food processors may deem each more or less important to the line(s) for which they seek representation. “Headquarters strength”

refers to the agency's ability to sell products to the wholesale trade, whether wholesale grocer, chain or supermarket headquarters, co-op headquarters or other organizations at the wholesale buying level. "Retail strength" refers to the number of people and type of coverage the agency has available for providing merchandising service in retail stores.

### ***Marketing and Sales Planning***

Many agencies have the expertise to assist an entrepreneur in planning marketing efforts. If the processor operates with a small staff or if they require significant input into marketing, sales plans and forecasting, an entrepreneur may want to seek a sales and marketing agency possessing these capabilities. Several agencies have developed or are developing full-service promotional and marketing capabilities. The agency can be an invaluable source of information on local sales and marketing conditions, even for sophisticated manufacturers. But in the case of small- to medium-sized processors within the Peace Region who have virtually no sales and marketing support or extensive knowledge of alternate markets, it is essential that they partner with an agency that possesses marketing and sales planning expertise.

### ***Other Factors to Consider***

In addition, the following points may have a bearing on the relationship that a food processor/entrepreneur develops with a sales and marketing agency:

- Ownership, line of succession and provisions made for the sales and marketing agency's continuity
- Length of time the firm has been established
- Management/leadership
- Account executives/marketing personnel
- Technological capabilities
- Financial strength of the firm
- The "fit" of the entrepreneur's product with the agency's present lines

This latter point is extremely important because entrepreneurs from the Peace Region do not want to enter into an agreement with an agency that already represents a processor with a similar product line. On the other hand, it would be wise to find an agency that represents a business that offers a complimentary product line to yours.

## ***2. Analyzing Products from the Sales & Marketing Agency's Viewpoint***

Just as the entrepreneur must know as much as possible about each prospective sales and marketing

agency's organization, it is equally important for the agency to evaluate your firm and its sales and marketing practices. This is necessary for the agency to make an intelligent decision about its interest and ability to represent your line. The sales and marketing agency will want to know the following information about the entrepreneur:

- Prominence of your brand
- Marketing and promotional support
- Placement in retail store
- Placement in foodservice distribution
- Competition and competing items
- Pricing and margins
- Problems and opportunities in the market
- Your company policies
- Warehousing and delivery

Policies that apply to a sales and marketing agency-manufacturer relationship should be discussed between both parties. It is imperative that both parties have sufficient facts about the other's organization to make an informed, intelligent decision about product representation. Again this is a critical factor for Peace Region processors due to their size and relative inexperience in terms of market expansion.

### **3. Steps to Finding Potential Candidates**

What sales and marketing agencies are available to represent your product and how do you determine which ones will suit your needs? To select candidates, start by evaluating virtually all the agencies covering the market areas for which you seek representation. After eliminating those that obviously do not satisfy your key criteria, conduct a secondary screening with a questionnaire. Finally, set up personal interviews with the three (or more) that appear to be likely candidates.

As noted at the beginning of this section, the association only lists two members that service the Alberta market area and the Alberta Food Processors Association has one other potential candidate. It is worth noting that not all potential candidates join associations and we uncovered a combination co-packer and sales and marketing agency in LesLee Creations operating out of Edmonton. This option is currently being pursued as an opportunity for Peace Region processors that are both interested and motivated to grow their market reach.

As a starting point, it is worth contacting each potential candidate and discussing your needs in at least general terms. By opening the process in this fashion, you can determine those agencies that might be a "good fit" for your business. You should offer a description of your company and product(s), its sales and

marketing plans, the basic services you seek and your projected schedule potential interviews and anticipated launch date. For those agencies with which you wish to meet, you may want to obtain preliminary company information such as details on the firm's ownership, organization, policies and key accounts.

#### **4. Evaluating Final Candidates**

At this point, it is necessary to emphasize the importance of a face-to-face conversation between senior management and account executives of the prospective sales and marketing agency and the manufacturer seeking representation. After all background information has been assembled, the qualifications of final candidates may appear almost equal. Personal chemistry could be the deciding factor—the perceived ability to work together smoothly, the agency's enthusiasm for the account, the confidence it projects during the interview and its willingness to cooperate with your policies and objectives. Many times, these important considerations only come to light during the personal interview. This is extremely important for Peace Region processors due to the level of trust that they need to have with an outside service provider. This is a potentially big step for them considering the fact that for the most part they have operated as sole proprietors.

It is advisable to hold this face-to-face meeting at the agency's office. Tour the office to get a feel for the organization and its facilities. If possible, work with the agency's field personnel on one of their typical sales calls. This will give you first-hand knowledge of how your business will be handled in the field. At the end of this first meeting, you should leave with a clear picture of the management, marketing and sales capabilities of the firm. The way the sales and marketing agency sells its operation to you can indicate how it will sell for you.

Maximize the effectiveness of the session by pre-planning discussion topics prior to actually conducting this first interview. Open the meeting with a brief description of your company, your products (bring samples), your market goals and the kind of agency representation you seek. Then, entertain questions from the agency regarding your brand. Next the sales and marketing agency should present its company and services. Then you can ask them questions. When the interview is concluded your data collection process is usually complete. The agency's brochure, the field information you collected and the results of your interviews should give you the information you need to make a decision. After you have completed all of your agency interviews, you will be confident in selecting the right firm to represent your product(s).

## **5. Making the Final Selection**

Once these steps have been completed, making the final selection should be comparatively simple. Keeping in mind that you are trying to form a long-term partnership, review these elements:

- Compare each agency's general attributes with your checklist of qualifications
- Rate each agency's organizational structure, size and type of personnel in terms of your needs
- Evaluate each agency's time availability and commitment to do the job that you require
- Assess each agency's enthusiasm for your business
- Appraise the personalities involved (Can you work together well?)

When all these factors have been reviewed, make a first and second choice. If for any reason the first-choice sales and marketing agency decides it cannot take on your account, you will be prepared to adopt the second choice.

## **6. Appointing Your Sales and Marketing Agency**

Once you and the agency of your choice have agreed to proceed briefly reconfirm the details of the agreement and then follow up with greater detail in writing. Immediately organize a meeting to complete the introductions of the people involved and to further familiarize both parties with the products, policies and procedures. The points that were agreed upon during discussions should be set forth in written form as clearly as possible. The more concisely the agreement is drawn, the less likely that any misunderstandings might occur as the strategic partnership moves forward. Some important elements of the agreement will be:

- Territory/customers to be covered
- Classes of trade to be called on (foodservice, retail, etc)
- Specific rate of commission and whether a bonus is part of the plan
- Terms of payment: when payments will be made and what data will be used to calculate these payments
- Length of contract and terms of termination for either party
- Products to be represented
- Value-added services to be provided and compensation for them
- How often agency evaluations will be conducted
- Procedure for developing business and account plans

It is wise to write into the agreement your company policies in all areas related to doing business with and through a sales and marketing agency.