



ASMC

# How Sales & Marketing Agencies Serve You

*A resource from the Association of Sales & Marketing Companies (ASMC) for  
manufacturers and other clients considering sales and marketing agency  
representation for their products*

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## The Sales & Marketing Agency Profile

Sales and marketing agencies (SMAs) play a pivotal and integral part in the food and nonfood marketing and distribution system. They are independent agencies that contract with manufacturers, processors or other prime source suppliers to both sell to and execute sales and marketing programs with retailers, wholesalers/distributors, foodservice operators, industrial users, military installations and nearly every other trade channel.

They represent a variety of goods, including consumer packaged goods, foodservice products, general merchandise, equipment and supplies, and health and beauty care items. Generally, sales and marketing agencies do not take title to the products they sell. SMAs are integral to their clients' sales and marketing functions. They are an extension of manufacturers' organizations, performing critically important functions that manufacturers otherwise would have to perform themselves at a higher cost and less efficiently.

Generally, SMAs are retained by manufacturers/suppliers that contract for their services. They are neither employed by nor affiliated with the buyer to whom they sell, and are not subject to the buyer's direct or indirect control.

The clients SMAs represent can include any organization engaged in the business of manufacturing, producing, processing, importing or otherwise distributing products that either are sold to consumers at the retail level or are consumed at the foodservice operator level (such as at a restaurant, school cafeteria, hospital or airport).

Many products that consumers find on the shelf or consume through foodservice channels are there due to the value-added sales and marketing activities performed by SMAs. SMAs represent roughly 55% of all products sold through retail outlets and represent 80% of all products that pass through warehouses on their way to being sold in retail outlets (i.e., those products not delivered directly to the store). The figure is as high as 90% for certain product categories, such as frozen food. For foodservice, it is estimated that 50% of product volume is agency represented.

Manufacturers benefit in several ways by outsourcing their sales and marketing functions to SMAs:

- Sales and marketing agencies provide
  - improved customer access
  - improved customer relationships
  - seamless trade coverage

- market expertise
- syndicated and account-specific data
- local presence
- flexibility
- SMA-represented manufacturers are able to divest non-essential operating divisions, reconfigure their primary channels of distribution and focus on key business processes
- Sales and marketing agencies analyze their clients' brand portfolios, providing a competitive advantage
- The net result for manufacturers using sales and marketing agencies is enhanced overall profitability

## The Sales & Marketing Agency

Today's sales and marketing agency is a sophisticated business employing staff with a variety of responsibilities, including account management, marketing, retail services, operator support, menu planning and foodservice promotion concepts and technical support. Many agencies have developed, or are developing, full-service promotional and/or marketing capabilities. SMAs are an integral part of their represented manufacturers' sales and marketing teams.

Agencies vary in size, from small firms with fewer than 10 employees to large regional, multi-regional, national and international companies with thousands of employees. Some firms still operate as family-run businesses with two or three generations of family members owning and managing the firm. Others have merged with or acquired other firms to create large networks covering markets in numerous states and multiple regions. Some firms are owned by the employees through an employee stock ownership program (ESOP), while others are owned by an individual or a team of partners, or are publicly held.

## Customer/Market Expertise

Sales and marketing agencies drive consumption in the markets they serve by providing value-added trade and consumer marketing. Above all, agencies provide unparalleled market and customer expertise. Sales agencies maintain top-level contacts with customers, ties that are deeply rooted and long-standing.

SMAs produce superior results because they possess expertise across departments and product categories, in technology, local marketing, merchandising and speed to shelf. They take a hands-on approach, in which selling is the primary activity, and their focus on profitable volume leads to top- and bottom-line results.

There are sales and marketing agencies to fit many different needs. Sales agencies may be defined by geography or customer—single market, multi-market/regional or multi-regional/national—or by breadth and emphasis—for example, niche, specialty or full-line/full-service. Manufacturers may choose the configuration that best fits their business needs, whether an anchor agency strategy involving a national or a few regional sales agencies, or a

market-by-market strategy that emphasizes more individual market representation, or a combined strategy.

The technological capabilities of agencies vary. On average, agencies invest 97% of their revenues into their companies, often for new technology items. There are agencies with millions of dollars invested in electronic shelf management systems, electronic data interchange (EDI), activity-based costing (ABC), hand-held and laptop computers for field work, and state-of-the-art personal computer hardware and software.

## Specialized Services

Agencies provide a variety of specialized services that add value to the distribution process and help increase profits for their manufacturers and customers. SMAs typically are engaged in the following activities:

- Sales and promotion planning, including:
  - Retailer and manufacturer business reviews (conduct shelf management, analyze category data)
  - Consumer marketing
  - New item introductions
- Merchandising and marketing, including:
  - New item cut-ins
  - Rotating shelf stock
  - Building displays
  - Conducting resets
  - Maintaining display racks
  - Handling damaged goods
  - Planning and conducting/attending food shows
- Order fulfillment, including:
  - Forecast product needs
  - Pick up orders
  - Establish and maintain ordering system
  - Schedule product delivery
- Customer service, including:
  - Account administration (damaged goods, deductions, reconciling commissions and invoices)
  - Sales administration (sales reporting, monitoring distribution, monitoring FSIs, ordering and maintaining POS/racks), management reporting
- Business development, including:
  - Industry analysis
  - Entertaining distributors
  - Strategic planning

More specifically, SMAs may also:

- Introduce their manufacturers' new products to market buyers
- Regularly contact retail and foodservice outlets to ensure that a manufacturer's products are in distribution
- Coordinate with customers to implement promotions, advertising campaigns and couponing programs, arrange in-store displays and conduct product demonstrations
- Ensure that a manufacturer's products are ordered correctly, that shipments are received and priced correctly, and that unsaleable items are credited and disposed of properly
- In conjunction with their manufacturers' marketing departments and customers, develop promotional programs for consumers/operators in the local market, and manage promotional funds for customers
- Through the use of advanced technologies, furnish their represented manufacturers with demographic data about consumer trends, product placement, marketing, operator trends and other information.

## More on How SMAs Serve Their Clients

Manufacturers go through many steps to bring a new product to market: brainstorming ideas, researching the competition, developing and testing the prototype, conducting feasibility studies, buying ingredients, planning production schedules, developing sales and marketing campaigns and conducting test marketing studies. Many manufacturers involve their SMAs in the process to ensure that all aspects of development and production are covered properly, before costly mistakes are made. Sales and marketing agencies have learned through experience what local buyers look for in new products, such as customer preferences, category positioning, size, format, packaging, pricing and promotions, and can guide their represented manufacturers on these important factors.

SMAs provide valuable insight into sales and marketing strategies for all their clients' products, whether new or mature. They advise their manufacturers on inventory replenishment, project and create sales volume by class of trade and category, and create consumer awareness in each market through print, television, radio and other electronic advertising, couponing and special promotional pricing.

The advice that SMAs provide is passed by the manufacturer to its production and distribution staffs to ensure that delivery schedules are met. This is particularly critical, for example, when a retail chain with many stores offers a promotion on a product, which may involve shipping tens of thousands of cases of product in a very short time.

SMAs often have test kitchens where products for the foodservice market are prepared and tested. It is essential for foodservice agencies to know their products and be able to demonstrate them to restaurant owners, chefs, distributors and other foodservice outlets.

On the retail side, consumer interest in products can be stimulated by in-store demonstrations, which agencies can arrange using their own personnel or the services of demonstration

companies.

Once a product is placed on the shelf, it is *essential* that the inventory be maintained and replenished. Retail teams employed by the SMA often restock shelves and build promotional displays to pique consumer interest and spur purchases.

Sales and marketing agencies also can promote their manufacturers' products by participating in food shows, which often are sponsored by trade associations or distributors. SMAs that work the shows help build stronger relations with the trade and generate consumer interest in and acceptance of the manufacturers' products.

## The Manufacturers' Role

Selecting sales and marketing agencies is an important process for manufacturers. The manufacturer identifies agencies to interview, sets appointments and listens to presentations on SMAs' plans for marketing and selling the manufacturer's products. The presentations include a profile of account executives and their capabilities, the agency-provided resources that will support the sales and marketing efforts, special services such as in-store demonstrations and test kitchens and any unique services such as bilingual staff.

There are many criteria that a manufacturer should evaluate when interviewing agencies, including:

- Local market knowledge
- Knowledge of the buyer's company
- Retail/operator-level support capabilities
- General credibility in the marketplace
- Value-added services
- Knowledge of buyers' needs and customers' goals and objectives
- Execution of programs
- Product knowledge
- Sales presentation skills
- Depth of resources
- Management capability

Independent surveys published in the trade press have shown that many customers rank SMAs higher than direct sales forces in meeting these criteria.

## Sales and Marketing Agency-Manufacturer Agreements

After extensive questioning and careful evaluation of many criteria, the manufacturer will select an SMA or SMAs to represent its line(s). Both parties will sign an agency-manufacturer agreement, which outlines the contract length, each party's obligations, the commission structure, payment schedule and specific performance criteria.

Generally, manufacturers offer thirty-day contracts; however, some SMAs and manufacturer clients recognize that longer contracts contribute to meeting objectives, preserving continuity and maintaining stability.

In addition, agencies are investing hundreds of thousands of dollars to build their own businesses and the businesses of their represented manufacturers, and therefore are opting for longer contracts. Many SMAs have helped introduce and build the success of new products and maintain market share of mature products and, therefore, expect to represent the line as long as they meet or exceed their sales goals.

Manufacturers thus are increasingly establishing longer contracts with their agencies. Many manufacturers award six-month contracts, while others have awarded twelve-month or longer contracts to those that have successfully achieved or exceeded their objectives.

Some customers with significant market share (often referred to as "power buyers") have tried to interfere with manufacturers' right to determine how to bring products to the marketplace. Some have tried to force manufacturers to eliminate their SMA sales force or use only a customer-designated, buyer-controlled "in-house broker". Only the manufacturer, however, has the right to determine who shall be its duly designated sales agent(s). No customer or trade buyer has the right to designate who shall be the agency representing the manufacturer. ASMC offers several resources on this topic, including legal opinions.

## Agency Compensation

There are several ways to compensate sales agencies. Depending on needs, a manufacturer may pay commissions on sales volume, offer specific fees for specific tasks or use a combination of methods. For example, a contract might include compensation based on a percentage of gross sales orders shipped net of trade promotions and allowances, while also specifying additional compensation for value-added services. Services requiring special compensation might include:

- Continuous replenishment planning services
- Local marketing programs/special events
- Category management services
- Special retail work or coverages
- Introduction of new products
- Invoicing sales of consigned stocks
- Trade shows
- Test marketing
- Demonstrations
- Extra services and special reports
- Free goods or special case allowances
- Handling and processing unsaleable merchandise
- Assisting with product recall

In addition, some contracts are compensated on a project per-account fee, an hourly basis or on a per-item basis for selected value-added services. Generally, the more work and skilled labor required, the higher the compensation paid.

Typically, SMAs earn commission when the sale is made. A manufacturer that retains SMAs does not have to pay for office rental or equipment, telephone service or employee benefits because the SMAs cover these costs through the commissions earned from their sales. This is an important reason why manufacturers have more control over their sales costs when they use agencies. As a result of these factors, more manufacturers are turning to sales and marketing agencies to represent them because they believe SMAs are the most cost-effective and efficient way to bring their products to market.

## Advisory Councils

SMAs and manufacturers increasingly are turning to Sales Advisory Councils (SACs) to develop new marketing strategies, resolve distribution problems and improve the sales and communication relationship with their customers at every level of the organization.

A SAC is a small group of SMA representatives selected by a manufacturer to provide information about marketing, sales, distribution, advertising, promotion and agency relations. Manufacturers use their SACs to seek input from SMAs on current policies and procedures as well as long-term plans. The SAC also allows SMAs to interact closely with a company's top managers. The SAC's members typically rotate to bring fresh input and new ideas to the group.

The manufacturer frequently will select agency participants that represent a cross-section of market sizes and geographic regions. Prior to convening the SAC meeting, the manufacturer will suggest several agenda topics. The SMAs frequently will contact other sales and marketing agencies that represent their client to solicit additional topics and input. The manufacturer then sets a date for the meeting and pays travel expenses for the agencies.

The manufacturer involves in the meeting all the appropriate personnel from its company, such as marketing, sales and operations executives and top management. As the situation warrants, additional staff responsible for transportation, finance or other functional departments are invited to participate.

Once on site, the SMAs' representatives and the manufacturer's executives address important company strategies and initiatives, discuss trade relations issues, brainstorm ideas, identify problems and propose solutions. Successful SAC sessions are very focused and results-oriented, with both parties committing to act on the SAC's recommendations. The manufacturer frequently distributes a post-meeting written summary to all its SMAs, reporting on the results and explaining any new strategies.

The SAC provides opportunities for sales and marketing agencies and manufacturers to address issues proactively and strengthen the effectiveness of their partnership. ASMC offers several resources to guide development of successful SACs.

## ASMC: Serving SMAs and the Industry

The Association of Sales & Marketing Companies is a full-service international trade association serving sales and marketing agencies and their clients.

ASMC's mission is to be the most highly valued and effective resource for ASMC members and the industries they serve by:

- Providing leadership for members and their trading partners
- Advocating members' business interests on key issues
- Identifying and creating new business opportunities for members
- Promoting the value, role and capabilities of members
- Promoting ethical and professional practices among clients, customers and members
- Assisting members in their continuing development of effective sales, marketing and merchandising organizations

ASMC is continuously positioning itself for future growth and new roles. The Association commits volunteer, information and financial resources to:

- Help enhance members' sales, marketing and management skills
- Correct, interpret and disseminate information on issues and trends vital to members' business success
- Maintain a high profile in all industry segments and take proactive positions on priority issues affecting the membership
- Promote the value of members' unique role in the successful sales, marketing and merchandising of products and services
- Provide services that enable members to operate effectively and efficiently
- Expand ASMC's membership and create new membership categories
- Ensure that ASMC's organizational structure, management processes and resources enable the Association to effectively pursue its mission and general objectives

## For More Information

Thousands of manufacturers and other clients retain SMAs to sell, market and/or merchandise all or part of their product lines because they recognize the extraordinary value that SMAs add to the sales and marketing function.

For additional information on how to work with sales and marketing agencies, including the Association's wide range of services, publications and educational resources, contact the Association of Sales & Marketing Companies, or access our website at [www.asmc.org](http://www.asmc.org).