How Should a Manufacturing Start-up Sell to the Market

Today, two of my SCORE Mentor colleagues and I met with a start-up manufacturing company that now has a product ready to “go to market”. Their task is to get serious about “selling” to this very specialized market. So we started the discussion of how to do this in a cost-effective manner.

Obviously this start-up has to find the best way of contacting its potential customers face-to-face on the customer’s turf, to let this potential customer know what they can do for their business. Some of the options are:

- Conduct the field sales process with non-sales company executives and managers who sell part-time.
- Hire direct sales employees whose full-time job is to contact customers and service them.
- Appoint professional, multiple-line field sales individuals or firms as strategic partners to do the selling for them.

The management dilemma is that as a start-up, funds are limited to hire new staff and if one decides to do it with existing company executives this will take away that person’s time from managing and growing the company.

The third alternative provides some “good fit” for a start-up. These field sales individuals or companies may be known as reps, agents, manufacturers’ agents or representatives, sales agencies or even brokers. They work primarily on commission and pay their own expenses in return for a contractual agreement that may or may not include to be the exclusive “agent” of the manufacturer they represent in a given territory, market or for specific accounts. They profit by leveraging their time so that sales for multiple manufacturers can be made with the same customer, often on the same call.

Benefits to the start-up could include:

- **Predictable Sales Costs That Go Up And Down With Sales** — The manufacturer and sales agency or representative agree in advance on a set rate of commission and the agency pays all selling expenses.
- **Lower Sales Costs** — It is estimated that today’s average industrial factory-direct salesperson costs $150,000 per year. Producing $2,000,000 in new sales each year, the cost of sales would be 7.5%. In contrast, a field sales agency or individual producing the same volume at a 5% commission rate would cost only $100,000 for example.
• **Increased Sales** — The average factory-direct salesperson is in a territory for two years or less before he or she is promoted, transferred or defects to a competitor for more money. The individual or multi-line sales agency has a lifetime commitment to the territory, thus holding better relationships with the customers.

• **Immediate Access To The Market** — Sales agencies are an experienced sales team already in the territory. They are familiar with the area and have good prospects ready to consider the new line. Many agencies have multiple sales personnel and provide much deeper coverage than a single direct sales employee. Small, single-person agencies can provide excellent coverage in many niche markets.

• **Free consulting services** — Most independent sales agents have 15-20 years of successful corporate experience under their belts. Many have held positions in large corporations prior to becoming agents.

• **Cost of Training And Turnover In Sales Personnel Is Eliminated** — A new agent has only to learn your company’s products, culture and systems, and many agents won’t even need product training. All are well-versed in selling skills so you won’t have to train them how to sell. The average agency has been in business in the same territory over 20 years, whereas the average employee only stays in the same place two years or less.

• **Highly Experienced, More Aggressive Sales Force** — Today’s multi-line field sales agent is usually highly educated and trained. Since there is no base salary to rely on, they must sell to live.

• **Sales Forecasting Is Equal Or Superior To A Direct Sales Force** — The volume of future sales is no less predictable with agents, but it may be better since so many of today’s agents use sales analysis and forecasting methods which are often more sophisticated than those of the manufacturers they represent.

• **Broader Sales Context For Your Product** — Because agents sell several compatible items, they call on a wider variety of prospects and customers, often finding applications for products denied the single-line salesperson. The easiest person to sell something to is the customer who is already buying from the salesperson!

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