

Working with Principals

Ethical issues or business issues?

In an article that appeared in the December issue of *Sales Rep's Advisor*, we discussed rep ethics and reported that, for the most part, "the state of rep ethics in most industries is excellent." Not everyone agrees, however, and of those who don't, many put the blame squarely on the shoulders of principals.

Is cutting commissions an ethical issue?

Harry Abramson of Electronic Salesmasters Inc. of Beachwood, OH, an electrical industry rep, is one of those who believes that ethics has become a more important issue recently "as companies place a greater attention to the bottom line." Some may see these as business issues more than ethical issues, but Abramson believes that the two are closely related.

Commission rate cuts, for instance, are putting much greater pressure on many reps, and Abramson believes that, in many cases, such cuts are unjustified. "Principals often squirm when you ask them to explain their reasons for a commission rate cut," Abramson says. "And they don't often have a good reason. They'll say 'competition,' or they'll say, 'Our margins are going to hell,' but they're not willing to talk about getting back to the level of business where they can pay us the full five percent. That's when they start stuttering and stumbling."

The problem of house accounts

Another ethical issue that Abramson sees is the tendency of manufacturers to use reps to penetrate and develop a market and then cut them out when the territory or market or customer becomes profitable.

"I recently had the VP of sales and marketing at one of my principals declare that he believed reps shouldn't be handling million-dollar accounts," Abramson says. "So when the regional sales manager called, I said, 'We're limited in where I can take you, you know. I'm not going to take you into any of the top accounts, because if we capture the business, your VP has said he's going to make them house accounts.' The regional manager said that's not what he meant, but that's exactly what he said."

Carrying too many lines

Reps are not entirely guiltless when it comes to ethics, says Abramson. Consolidation and customer outsourcing on the one side and shrinking commission rates on the other have put reps under so much pressure that reps may be taking on more lines than they can conscientiously handle.

"With a smaller account base, and a lower commission rate because principals are yelling that we're not as profitable, the rep has to sell deeper into the accounts that are left and sell more lines," Abramson says. And the evidence that it is an ethical issue, he adds, is that many reps have taken down their websites (and Abramson admits that his own firm doesn't have

a website) or they are showing generic product on their sites and not their specific product lines. "And why are they doing that?" he asks. "Because they don't want to show that they're carrying 2.5 lines."

Besides obscuring soft line conflicts that might exist with their current lines, this ploy forestalls the negative reaction by a sales manager looking for a new rep that the rep is carrying too many lines to effectively handle a new one. In fact, says Abramson, "many reps are on line overload and they really don't want to talk about it." He says he sees the problem in his own industry as well as others.

Abramson believes that rep industry associations could become more active in dealing with these and other business/ethical issues that get in the way of productive rep-principal relationships. One step they could take, he suggests, is to provide more rigorous model rep contracts and addenda to enable reps to build more protection into their rep-principal agreements to begin with rather than have to depend on a principal's sense of ethics down the road.

Reps can also take matters into their own hands to some degree by communicating more openly with each other about the ethical (or unethical) conduct of principals or reps. Abramson says that he broadcast the message of the principal executive who said that reps shouldn't be handling million-dollar accounts to other reps in his industry for two reasons: "Number one, it's not clear-minded thinking. And number two, the rest of the rep community should know that's their mantra."

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