

Solving the Split Commission Problem for Manufacturers Reps

A Dfcommission Technology Paper

Summary:

Today's Manufacturer's Representative faces a number of problems that make growth and profitability a problem. The most painful problem is tracking and getting accurate and prompt payment, by manufacturing companies, for domestic design-wins when production and purchasing is done offshore. This paper is written to define this issue and to offer a solution that is now available due to recent advancements in technology.

Commission Payment Collection from Principals

Defining the Problem

Rapid advancement in technology has fueled much of the industry growth but the dynamics of the marketplace has forced many OEM's to outsource most of their manufacturing to low labor cost offshore EMS (Electronic Manufacturing Services) companies, better known as Contract Manufacturers.

The manufacturer's rep historically sold to OEM's in his local market where he had complete visibility and control and most importantly received a full commission for what was shipped to his territory. Now with manufacturing in dozens of locations in Asia, Mexico or Eastern Europe, it is difficult if not impossible for the rep to track what is purchased offshore which is necessary in order to collect even the small split of the commission that is due.

Even to collect such a split, the rep must complete much documentation and then often have to wait for months to receive what is at best a small fraction of what was previously available. While some products that are custom or easily identified can be more easily tracked, many of the commodity or more generic items simply are not able to be identified or tracked and therefore the rep is not paid for his design efforts.

This is not a problem solely for the rep as component manufacturers (principals) know that if a manufacturer's rep is not paid for his work, he can not afford to call on the local OEM's which means their product will not be "designed in" and no orders will be received either locally or from offshore EMS companies. Neither the rep nor the rep's principal has the tools to make this an easy task. The rep needs to be paid for his work and the principal needs to pay the rep in order to keep him interested in selling the product.

A further problem in receiving payment is that often the US division of the principal is on a different P&L than the Asian (or other offshore) division and neither want to pay unless they can justify the design work and be able to collect inter-company transfers to cover the commission payment.

Design-Win and Print Control is With the Local OEM

Regardless of where the components are purchased, the control of the design is with the engineering group which is typically with the OEM, and this is the key to being able to claim commission payment for the rep's efforts.

To have good account visibility and control, the rep salesperson needs to clearly understand all aspects of the OEM's design which includes each system or program and all boards and components included. With a database where the rep salesperson can capture all such data, it offers three key advantages:

1. The rep will have a way to manage all relevant data about the design including all sockets, who is approved, production rates, production schedules, etc. Collecting such data will make the rep a much more effective salesperson.
2. To get paid for design efforts, it is critical that the rep can show his involvement in the design effort and be able to present to his principal all data necessary in order to justify payment.
3. Being able to demonstrate and report in such granular detail will be very impressive to any potential new principal and should help you win that new line.

In short... you capture the design and are able to provide this information in detail to your principal and your chances of being paid greatly increase. Plus you want to be able to collect and report without taking away from sales time!

The Beginning of a Commission Payment Solution

The good news is that there are a number of technologies that have converged and are working together so you can be presented with a set of tools to address the problem:

- The pervasiveness of broadband Internet connections
- Everyone in your network (customers, salespeople, principals, distributors) have computers
- Low cost software tools are available and accessible online

Control Sales Data get Paid Correctly and Promptly

All companies require some sort of sales tool where they can collect contact information on customers including notes and activities. Historically this has been software that had to be purchased, installed and maintained which meant server(s)

and IT support. Also it was very difficult to synchronize records or aggregate data from all salespeople to create reports or meaningful analytical data.

The small PC based programs such as ACT! And Goldmine are great and easy to use but are nothing more than an electronic Rolodex. Some reps we find only use Outlook to keep customer records. On the high end, programs such as Siebel (now Oracle) and SAP offer CRM but at a VERY high cost and still are not good at synchronizing data from multiple sources at different locations.

The next generation of sales tool systems will be web based and the major participants, although Internet based, software do not offer the granular detail that today's rep agencies require for tracking and reporting to claim split commissions.

DFcommission offers a totally unique solution

DFcommission was designed with today's rep in mind so we can track product from design-win through distribution sales or through an EMS company, either local or offshore. The key is the collection and reporting of data made available to all salespeople via the Internet. As an example, our customer data input screen includes detail such as:

- Project
- Principal(s)
- Board ID
- Mfg. Part number(s)
- Internal Part number(s)
- Qty per board
- EAU of boards
- Probability of closing
- Distributor
- EMS company
- Production location
- Design win info
- Projected production date
- Split percentage due

This will allow the rep to create custom reports using Data Grids technology:

- By salesperson
- By territory
- By principal
- By account
- By project
- By part number
- By timeframe
- Etc.

This solves many of the issues related to reporting, forecasting and submitting claims for slit commissions. You can even create custom reports for each principal and make them available online so you don't have to spend sales time compiling the reports and forecasts. A salesperson is going to make notes on his daily calls anyway, so with DF1 he can do this online from anywhere via the Internet and either the principal or rep owner can at any time 24/7 have visibility into sales activity.

Of course for custom parts or somewhat proprietary parts where you have a design-win registration or part number that is easily tracked, getting paid is much easier than with "commodity" components such as discrettes or passives. However, if you have good data by program, by board and details on production rates and locations you will have the ammunition you need to make a strong claim.

As every rep knows, there may be a lag time from 6 months to 1 year from the time a design-win is logged until production is begun and then it may be another few months to get payment. The DF1 solution will flag the rep when production is scheduled so you can update the data and then match commission receipts with forecasted payment due.

Dfcommission also gives you the ability to import your commission statements and generate reports showing what is paid vs. what is forecasted to be due based on design-wins or based on what you are getting paid from other principals on the same project. This can be matched by Mfg. P/N, Customer P/N, project, etc. We know from talking with many of our reps that having the right data in the right format can be worth **Tens of Thousands of Dollars** ... and not take hours of time to track.

Summary

Our sales businesses are only getting more complex. Our best customers doors are being pounded by competitors, our suppliers are demanding more time and demanding more sales data for us and our market is also up and down.

Getting paid on the projects which you are owed is critical. Perhaps the difference to staying in business or merging or closing. Getting paid certainly effects the income statement. It is your right. Controlling and analyzing your sales and commission data will help.

About Dfcommission

Dfcommission is part of the DataForceCRM group of Online sales software, commission management solutions and CRM. Our sales software is built for manufacturers and manufacturer's representatives. Our mission is to make affordable sales tools which our clients can use to boost demand generation, sales efficiency and revenue. [Http://www.dataforcecrm.com](http://www.dataforcecrm.com) , <http://www.onlinesalessoftware.net> and <http://www.dfcommission.com> are our main web sites.

Please reach us at 888-605-3173 (info@dfcommission.com to get queries answered, to schedule a demonstration, or to get a Free trial of our sales software solutions.