

prevailing commissions in the particular industry. The greater the service performed by the rep, the higher the rate of compensation. Commission rates may vary with the size of the order and the volume of business a product can command.

Items that normally enjoy a rapid turnover carry a smaller commission rate and inversely slow moving products call for a higher rate. Commissions on unadvertised products should be higher, as a greater promotional effort is expected from the rep. New products generally carry higher commissions during their introductory phase, especially in highly competitive markets.

Manufacturers generally set a quota based on the rep's previous record and the market potential. In such cases, compensation may be based on the rep's ability to meet the quota; a lower rate below the quota and a graduated rising rate above the quota.

It is generally understood that a rep will pay all business expenses out of commissions earned, unless he is asked to perform a service above and beyond the normal routine.

F—SALES CONTRACT (also see suggested contract forms in the back of this directory).

When the manufacturer and the representative have reached a general agreement, it is customary to formulate a contract, which should be reviewed by competent counsel before signing.

The publisher realizes that it is almost impossible to prepare one contract that can be made all inclusive and applicable. However, our attorneys have formulated both a long form and short form contract as a guide which may be adapted to your circumstances and needs.

Essentially a manufacturer/manufacturers' representative contract should incorporate certain basic agreements and responsibilities. For the purpose of brevity and simplicity, we are outlining those provisions that should be reviewed and considered in the preparation of the contract.

They are:

1. **Products**—The line of products to be carried should be specified with a proviso that the rep will not represent a competing manufacturer.
2. **Contract Duration**—The length and term of the contract and provisions for its cancellation renewal or extension should be clearly defined.
3. **Quotas**—If the manufacturer insists on a minimum quota, the circumstances, amount and quota period should be defined.
4. **Territory**—The territory to be covered should be clearly defined. Also, whether exclusive territory representation is included.

The extent of territory to be covered will probably be based on the manufacturer's other commitments, his sales policy, capability of the representative, type of product, classification of customers, degree of competition, size of trading area, transportation facilities and the amount of service to be rendered.

5. **Compensation**—The rate of commission and procedure and timing for payments should be defined. In this regard it is important to define what constitutes a sale.
6. **Prices, Sales Terms and Warranties**—The manufacturer will set the selling price for his products and will state

the limitations and conditions, if any, in deviating from the fixed prices or in offering special discounts or allowances. Also, the manufacturer accepts responsibility for the sale of sub-standard or defective merchandise.

7. **Collections**—Procedures and the extent of the representative's cooperation on collections should be detailed.
8. **Advertising and Sales Promotion**—The burden of expense should be shouldered by the manufacturer. However, the representative will cooperate whenever possible, particularly in those programs involving regional promotions.
9. **Customer's Inquiries and Correspondence**—The manufacturer should refer all customers' inquiries which originate within the representative's territory directly to the rep for his "follow-up." The representative, in turn, should immediately refer all customer inquiries which originate outside his territory directly to the manufacturer.
10. **Policy on Orders**—Generally, all orders taken by the representative are conditional upon the manufacturer's approval. This minimizes the possibility of error or other unacceptable features.
11. **Expenses**—The manufacturer's responsibility, if any, for sales expenses should be defined as to circumstances, liability and form of reimbursement.
12. **Arbitration**—Provisions should be included for amicable arbitration of all controversies that may develop.
13. **Assignment of Contract**—Under certain conditions, it is advisable to provide that the contract may be assigned.
14. **Termination of Contract**—Methods of terminating the contract, extent of notice and form in which the notice is to be submitted must be stipulated.

In conclusion, we should like to repeat and stress a few points that merit consideration:

1. Check carefully through the entire directory for reps whose lines and territory are compatible with your needs.
2. Select a rep who is informed on business developments and industrial trends in his trading area.
3. Verify references and credit information submitted by the rep under consideration.
4. The representative should be provided with promotional aids and engineering and sales assistance when necessary.
5. The representative should be willing to spend ample time at your factory to gain an intimate knowledge of your products, processes, marketing programs and policies.
6. Prompt shipment and effective handling of customers' inquiries are conducive to favorable manufacturer/manufacturers' representative relations.
7. Representatives are not on any expense account nor are they generally reimbursed for their sales expenses. They, therefore, need and should receive their earned commissions as promptly as possible.
8. The representative/manufacture relationship should be based on mutual confidence, cooperation and integrity. A definite commitment should be made towards a permanent arrangement with a mutually satisfactory binding contract.