



Sticker Shock

Due to a confluence of circumstances in Asia the likes of which this industry has never experienced, the sun has officially set on the days of rock-bottom ad specialty prices. Here are six reasons why prices are rising – fast.



By Michele Bell

ILLUSTRATION: PAUL GILLIGAN

Americans are feeling pinched everywhere these days. At press time, milk prices had increased 26% over the previous year. Egg prices have jumped 40%. Gasoline pump prices in some areas of the country had hit \$4 per gallon, with some predicting another dollar jump by the end of the summer. Even the price of a red shiny apple has climbed, from 86 cents in 2006 to \$1.16 this year. But consumers aren't the only ones feeling the pinch of rising prices. If they haven't already seen them, advertising specialties distributors will soon see a hefty price hike on many of the items they purchase. Here are six issues, mainly hav-

“For the first time in my 15+ years of experience in the industry, factories in China are walking away from big orders and refusing new business due to the current uncertainty.”

– DAVID NICHOLSON, PRESIDENT, LEED'S (*asi/66887*)

ing to do with Asia, that have converged like a perfect storm, driving up the prices of products distributors are in the market for every day.

REASON #1:

The weak U.S. dollar and Chinese inflation.

Despite U.S. Treasury Secretary Henry Paulson's frequent visits to Beijing to con-

vince the Chinese government to let the yuan (also called the renminbi – RMB) float against the U.S. dollar, it has retained tight control over its currency. Consequently, the relation of the dollar to the yuan continues to drop. For example, \$100 was able to buy \$774 RMB worth of goods from China a year ago, compared to \$701 RMB today – a 10% decrease. The direct result of that means a 10% decrease in the cost of

goods Chinese are selling to U.S. importers (our industry's suppliers). As this situation shows no signs of abating, we can expect to see prices increasing steadily week to week and month to month.

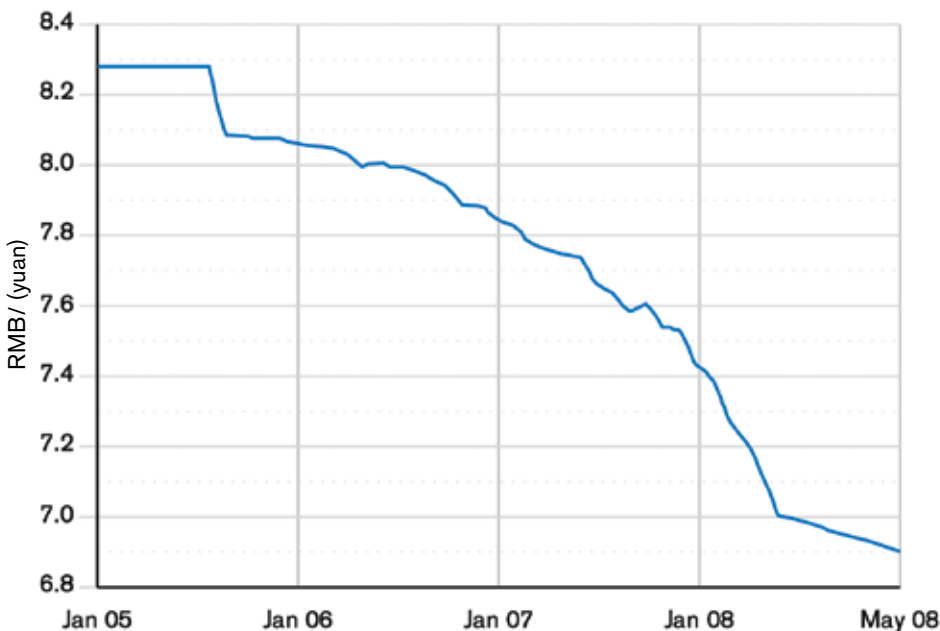
“Essentially, China's inflation is very high right now,” says Jonathan Isaacson, owner of *Counselor* Top 40 supplier Gemline (*asi/56070*) and this year's *Counselor* International Person of the Year. “[China's] inflation rate for March was 8.5% versus 0.5% for the U.S.”

Other suppliers are seeing effects of the Chinese inflation as well. “We have had orders placed with factories from the beginning of the year that have already been repriced twice since we issued the purchase order,” says David Nicholson, president of Leed's (*asi/66887*), the largest of the three entities that form *Counselor* Top 40 supplier Polyconcept North America. “There's little opportunity to work around this as we're paying in U.S. dollars and the factories have to exchange to local currency to buy materials, pay workers and pay the rent.”

Randy Chen, owner of Impex International, an industry company that sources on behalf of nearly 150 suppliers, also feels the pain. “Nobody in China wants to get paid in U.S. dollars,” says Chen. “Products were priced too low to start in 2008 and now the ‘perfect storm’ of issues in Asia is upon us. The cost of goods is going to increase by 15%-20% and I would think it's going to happen by July of this year. After some old inventory is depleted, you'll see the newer, higher prices start to kick in with the new inventory.”

Decreasing Value of U.S. Dollar (Against the RMB)

Over the past three years, the U.S. dollar has fallen in relation to China's currency (the yuan or RMB) by about 15%. The chart below shows the drastic decrease, as the RMB had been 8 yuan to one dollar and now resides around 7 yuan to one dollar. Translation: A dollar in China buys you about 10% to 15% fewer goods than it did just two to three years ago.



What's a Distributor to Do?

The critical question for distributors, when faced with inevitable and sometimes substantial price increases, is what to do about it – absorb all or some of the increases themselves, pass them along to clients or a combination of both?

Most, including Craig Nadel, president of *Counselor* Top 40 supplier Jack Nadel International (*asi/279600*), say that they cannot absorb the increases themselves. “We will, without question, be passing along price increases to our clients,” Nadel says. “I’m not at all surprised by this, by the way. Since I joined the industry in the ‘80s, prices have always been very cheap and we’ve all been spoiled. It couldn’t last forever.”

Of course, distributors say passing on price increases won’t be easy – and will require some education. Memo Kahan, owner of *Counselor* Top 40 distributor PromoShop (*asi/300446*), says that his company is educating its staff and its clients. “It’s easy to say ‘read the papers,’ but there’s much more than that going on,” Kahan says. “The news doesn’t go deeper into the reasons why all this is no surprise, nor the social issues going on in Asia.”

Gene Geiger, president of *Counselor* Top 40 distributor Geiger (*asi/202900*), says he’s been communicating with his sales staff for about a year now about the end of Chinese deflation, and has told them to get in touch with and prepare their customers for increases.

“I have also suggested that they look for and propose alternative products where they feel budgets will be constrained,” Geiger says. “The beauty of our industry is how many substitutes we can offer to fit a given budget and accomplish the purpose.”

Geiger also points out that where his company has quotes or programs in place, that they expect suppliers to honor those prices because Geiger has to fulfill its obligations to its customers. “In other cases, I expect we will have to inquire of suppliers – and be very clear with our customers – regarding the period of time special quotes are valid,” he says. “Whenever we can, we will try to pass along price increases, but I’m sure there will be instances where we will have to absorb some portion. After a long period of price stability, it’s going to be difficult to get customers to spend more, particularly when the economy is soft.”

Judd Karofsky, co-owner of Orangeburg, NY-based Zagwear (*asi/365552*), a \$25 million company, says that his company’s margins won’t allow them to absorb the price increases. “We understand the market and we understand the need to increase pricing. We plan to pass as much of the price increases along to our customers as we can.”

He says that his clients are paying for more than just the product. “Any educated customer worth dealing with will understand that prices have to go up,” Karofsky says. “If distributors start absorbing the price increases they’re doing our industry a disservice. ... They’re devaluing what we provide for a living.”

Joe Scott, vice president of Scott & Associates (*asi/321502*), a mid-sized distributor based in MN, says he doesn’t worry at all about the price increases. “Most of my business is project- or event-related and promotional products are a small part of the whole,” Scott says. “If I were an industry salesperson who sold on product and price alone, I would need to stock up on underwear.”

REASON #2:

The exploding costs of raw materials.

The cost of metals, oil, petroleum (from which plastic is made) and wood, among other materials, have grown significantly due to higher demand, slower production and waning availability in China. The price of certain types of plastics has risen 30% in the past year and increasing world demand is driving up metal prices. Companies that are now ordering for the spring of 2009 are

“The wage increases in China alone have caused a 25% increase in costs.”

– TREVOR GNESIN,
LOGOMARK (*asi/67866*)

dealing with their factories coming back and asking for 20%-50% price increases.

The increases aren’t limited to suppliers who import hard goods from Asia. The fact that fuel and cotton prices are off the charts affects wearables suppliers and anyone whose goods are delivered by transportation requiring fuel.

According to Nicholson, Leed’s will be increasing its pricing – across every product category in its mid-year catalog – on average of 5% – effective July 1, with its Web site being updated at the same time. And Leed’s is not alone. *Counselor* Top 40 suppliers such as Gemline, Dard (*asi/48500*), Prime Line (*asi/79530*) and Bodek and Rhodes (*asi/40788*), which announced on its Web site it raised prices “due to the rising costs of fuel and cotton” as of April 8, 2008, among others, will be increasing their pricing similarly, as will many large- to mid-sized companies such as Logomark (*asi/67866*), R.S. Owens (*asi/75530*),

Shepenco (*asi/86850*), Halls & Co. (*asi/59080*) and Key-Bak (*asi/64635*).

“What we are seeing is a dramatic change in the buying relationships,” says Nicholson. “Factories are no longer willing to take any risks regarding pricing – there’s just too much pressure. For the first time in my 15+ years of experience in the industry, factories are walking away from big orders and refusing new business due to the current uncertainty.”

Scott Siegel, the owner/president of R.S. Owens, which gets many of its cast metal items from China, says his company will pass on price increases to coincide with the arrival of the higher priced items from China. “I am expecting increases averaging 15%; however, I know of at least one case where our supplier hasn’t increased prices since 2006 and now wants a 50% increase,” Siegel says. “We are fighting every price increase for our customers. When we can’t agree on a reasonable increase, we will find a new supplier.”

REASON #3: New labor laws.

As of January 1, 2008, China has implemented a new labor law requiring employers to offer employee benefits such as an annual leave, medical coverage, insurance, overtime pay and limits on the amount of hours that can be worked. To offset these expenses, factories will increase the cost of their products across the board. Additionally, because of the mandated shortened hours, manufacturers are losing some of their flexibility to accommodate large orders quickly. Lead times are increasing because workers are unable to put in the extra hours previously available to them.

On a related note, Chinese workers are leaving their jobs because they know they can get paid more elsewhere. This is a relatively new aspect of the Chinese marketplace, where workers would once stay at a job in perpetuity. Not anymore. Factories will now have to fill those jobs, and the

“We will, without question, be passing along price increases to our clients. Since I joined the industry in the '80s, prices have always been very cheap and we’ve all been spoiled. It couldn’t last forever!”

– CRAIG NADEL, PRESIDENT, JACK NADEL INTERNATIONAL (*asi/279600*)

time in which it will take to do so and train replacement employees will affect production output. Moreover, some factories are closing shop and moving inland to save costs and tap cheaper labor markets.

“When I first heard of the Chinese labor shortage, I was waiting for the punch line,” says Dan Townes, owner of Shepenco. “But this isn’t a joke and it’s going to have serious ramifications for our industry. Also, with China’s construction boom, there’s work everywhere. This means the skilled laborers have a choice of jobs and the factories either have to pay them or hire – and train – new people. All of this will affect prices and order turnaround times.”

REASON #4: The Olympics and the environment.

The upcoming Summer Olympic Games, hosted by China, will be held from August 8 through August 24. Because the Chinese

government is trying to get a handle on its significant pollution problem, it’s closing some factories – many of which manufacture promotional items – to lessen the pollution level and reduce the amount of traffic on main thoroughfares to accommodate for increased visitors. Experts say the output in some areas will grind to a halt.

“I would expect that lead-times will continue to lag for several months after the Olympics,” says Nicholson. “Factories will be stretched to catch up heading into the busy retail holiday season and many of the raw material factories will have a backlog of orders. This will disrupt the entire supply chain through China.”

REASON #5: Shrinking VAT (Value Added Tax) Rebate.

This is a perk the Chinese government pays to factories selling certain products (many of which are considered ad specialties or components thereof). The government reduced the rebate amount without any warning last year, forcing the factories to increase their prices to compensate for the money they lost. Experts predict that the Chinese government will further reduce the VAT rebate this July. If it does, all bets are off. According to Harley Seyedin, president of the Guangzhou-based American Chamber of Commerce in South China, the last round of rebate cuts raised the cost of manufacturing many goods “by 14%-17% at the factory level.”

Isaacson says that there will be a direct one-to-one ratio in price increases due to a reduced VAT rebate. That cost increase will be passed on to suppliers.

REASON #6: The high cost of compliance.

Over the past year, end-buyers have begun demanding proof that the products they’re buying are both safety and socially compliant – meaning that the materials they’re

made from aren't dangerous and the facilities in which they're made have sanitary conditions and that employees are well-treated. None of this, of course, comes on the cheap.

According to Bonni Shevin-Sandy, vice president of *Counselor* Top 40 company Dard Products, Dard is seeing price increases from Chinese factories of more than 8%. She attributes part of the increase to the fact that Dard has pressured its core factories in China to meet new safety criteria. "We moved one facility into a larger

Counselor Top 40 supplier Prime Line, says that replacing leaded materials with non-leaded materials (fabrics and plastics) can also increase the costs by 10%-20%. "Those suppliers that are complying with current regulations will be forced to increase the costs," he says.

Because Logomark has a product safety and compliance company in Asia test every shipment and container holding anything food-related or that can hold consumables like mugs and cooler bags, its costs shot up 10% immediately due to compliance issues.

Gnesin. "Prices will increase a minimum of 20% next year, in addition to this year's 20% average increase." He also reports that he recently received a letter from the freight company that handles his massive shipments from Asia saying it's raising its costs 20%. "Understand, there are multiple forces that are contributing to the price increases," he says. "It's not just one, fleeting issue that's going to correct itself."

Siegel agrees. "Prices will definitely not come back down," he says. While commodity prices, like metals, will fluctuate, and other countries like Vietnam and Bangladesh will offer low-cost labor, China has 1.3 billion people, Siegel says, and strong manufacturing expertise that would be impossible to replace. "The appreciation of the yuan, increasing costs, stronger Chinese labor laws and the negative impacts of the worsening pollution problems are just some of the upward cost pressures that will continue to affect the cost of the industry's products," he adds.

Nicholson points out that while there may be opportunities to move to alternative countries like Vietnam, this will simply provide a short-term hedge to China. "The majority of factors impacting China pricing – with the potential exception of the labor issues – are likely to extend to any other country."

Lederer concurs. "As prices in China rise – and I don't see them coming down anytime soon – manufacturers will look for alternative countries to produce where the labor is cheaper," he says. "That has its issues because of the obvious learning curve and production and quality concerns."

But this year's International Person of the Year, Isaacson, puts it most bluntly: "The time of cheap product prices has come and gone," he says. "They are never, ever going to come down again to where they were before." ○

Michele Bell is a senior editor of Counselor and the editor of Supplier Global Resource.

“As prices in China rise – and I don't see them coming down anytime soon – manufacturers will look for alternative countries to produce where the labor is cheaper.”

– JEFF LEDERER, PRIME LINE (*asi/79530*)

factory that can do anti-microbial injected plastic which will stay germ resistant for two years or greater," Shevin-Sandy says. "And although there will be price increases, we can give our distributor partners a copy of the factory and social audits, as well as the actual product testing, and this will allow our customers to explain to the end-buyer that our products are 100% safe."

Larry Cohen, president of Axis Promotions (*asi/128263*), says that in the area of product testing and compliance, price increases aren't necessarily a bad thing. "We have found that clients are willing to pay more in order to ensure the quality of the items and that they're compliant," Cohen says. "There may be some suppliers who will go deeper into China to get cheaper prices and may sacrifice quality. We're not willing to take the risk solely to save a few pennies."

Jeff Lederer, executive vice president of

"The wage increases in China alone have caused a 25% increase in costs; compliance issues, which can tack on another 50% in costs," says Trevor Gnesin, the company's owner.

In fact, Gnesin says the prices on 160 of his items will increase, and that there was just a blanket increase on Logomark's watches by 10%-20%. "Logomark's sales grew by 30% last year, but profits were down because of the price increases we had to absorb," he says.

Increased Prices Will Remain

While commodity prices may fluctuate, overall, higher prices are here to stay, say industry experts.

"If you think prices are increasing this year, wait until next year when there are further wage increases in Asia, when transportation, electricity and oil costs keep rising, not to mention inflation," says

Margin Maintenance

As suppliers are forced to raise prices on ad specialty items, distributors are left to figure out how to keep up their bottom lines. Here are strategies to maintain profit margins in the face of rising prices and a flagging economy.



By Shane Dale

The gears of the economy are struggling to grind forward. Transportation, oil and shipping costs are reaching all-time highs. Businesses are cutting costs and personnel in anticipation of a difficult year. And in the ad specialty industry, suppliers are being forced to raise prices as costs on all goods from Chinese factories rapidly increase.

At a time like this, ad specialty distributors may be tempted to make concessions when it comes to their profit margins. “A year ago, I’d be speaking from the perspective of disinflation. Now, salespeople are selling in a period of economic instability and price increases,” says Jo-an Lantz, executive vice president at *Counselor* Top 40 distributor Geiger (*asi/202900*). “So, what worked at increasing margins a year ago may or may not necessarily be as effective today, because we are now in a new market, a new economic climate.”

Lantz says that simply maintaining current profit margins may be a worthwhile goal in an economic downturn. “It is very difficult to increase margins in today’s economic climate, and now the question might be, ‘How do you avoid a decrease in margins because of rising prices and transportation costs?’” she says. “Today, clients are as concerned about transportation costs as they are about the actual product itself.”

Just because the waters are getting rough doesn’t mean that distributors will

be required to sell themselves short. Here are some tips on maintaining solid profit margins – and increasing poor ones – in uncertain times.

Attitude Is Everything

Barry Hults is the founder and director of The School for Professional Marketing in Markham, Ontario, a firm that specializes in coaching distributor owners on techniques for increasing their gross profit margins without losing clients. Hults once turned a small distributorship into a \$10 million entity with an average profit margin of 39.8%. Now, he helps distributorships who are mired in the 25% range raise their margins to the 38%-40% level – and shows them how to maintain that margin regardless of the economic cycle.

Hults says his number-one ingredient for turning profit margins around has everything to do with a positive attitude and an aura of self-confidence. “It’s not an issue of numbers,” he says. “It’s an issue of value and how you perceive value, and how you can

communicate that value to your customers,” he says. “The successful salesperson comes in and looks successful and confident, and presents himself in a different way than the guy who has a low opinion of himself.”

Valuing your own product is vital to your clients’ perception of that value, according to Hults. “It’s a psychological issue. When people don’t value their own work in their own minds, it’s harder to establish a positive mindset in their customer’s minds,” he says.

Once a positive attitude is established – and that begins with the owner, Hults says – it is much easier to increase prices and profits. Of course, this is easier said than done. “It’s almost like the mentality that says, ‘I need to go to Wal-Mart to buy my clothes, because that’s all they’re worth,’” he says. “That psyche is hard to get over. It’s the toughest challenge.

“Once the owner changes his own attitude every day, the salespeople come along. They emulate their boss’s attitude. You have to walk the talk and you have to do it every day. If you want your margins to improve,

“Once they get comfortable with me, it really doesn’t matter what my prices are!”

— JOHN KING, CREATIVE PROMOTIONAL MARKETING

you have to talk about those goals every day of your life until it becomes a part of your company’s culture.”

Lantz sees it the same way: Believe in your products and services, and clients will too. “There is a relationship between self-confidence and the ability to present pricing,” she says. “The price supports the value added, and the value added is in the individual and how they back that up with service. Clients can tell if you’re communicating from a position of authority and strength, so self-confidence is the differentiator.”

Chris Vernon, president of The Vernon Company (*asi/351700*), a *Counselor* Top 40 distributor, says top salespeople understand why a positive outlook is necessary and how it can help them sell at high margins and present price increases when necessary.

“It is extremely important for account executives to be self-confident and well-prepared to answer clients’ questions about any aspect of the sales process or marketing campaign,” he says. “Top-performing salespeople exude confidence and a positive attitude. They understand why they bring value to the equation.”

Develop In-Depth Relationships

Vernon pinpoints one aspect of dealing with clients that is a common predictor of whether a salesperson will sell at high margins: relationships.

“The most important aspect of selling at high profit margins is not waiting for a customer’s call and being just an order taker,” he says. “A top sales professional must develop a close working relationship with her clients and bring significant value and solutions to the customer’s marketing challenges. In our experience, our top account executives study and keep close tabs on our clients’

business strategies, and provide solutions and ideas to help them grow market share and improve their bottom line.”

That’s why it’s important to find account executives (A.E.s) who are willing to do their homework and put in the extra hours, according to Vernon. Account executives that generate the highest margins aren’t afraid to put extra work into a project, because they know it will command a deservedly higher margin.

“The client’s happy with the outcome because it’s more creative, more custom and more appropriate to their situation,” he says. “It becomes a self-running engine. The client chooses the A.E. who delivers better results, the A.E. puts more effort into the project because they aren’t afraid to bill for their work, the results are better because the A.E. spent more time on the project, the client’s happy because the A.E. delivered better results and on and on it goes.”

Fred Albrecht, co-owner of Proforma Albrecht & Co. (*asi/116308*) and a 29-year industry veteran, says his customer-service reps make all the difference in his business. “People are by far the most important aspect of selling at higher margins,” he says. “Our people are our only asset. We affiliate only with full-time professional sales representatives who are entitled to larger margins and more commission.”

In terms of profit margins, Albrecht says the best relationship with a client is one in which his company is allowed to operate as a full-fledged problem-solver. “At conventions, we have the liberty of speaking freely with our colleagues, and one thing I’ve learned is that there are customers in all industries in all geographic areas that allow us to earn margins when we can provide solutions to their marketing and opera-

tional challenges,” he says. “Our sales reps seek out customers interested in long-term relationships rather than those looking for the low bidder.”

John King, president of Creative Promotional Marketing, a dealer for *Counselor* Top 40 distributor Kaeser and Blair (*asi/238600*), says that once a client is at ease in doing business with you and believes in your problem-solving skills, creating a higher profit margin is a cinch.

“Once they get comfortable with me, it really doesn’t matter what my prices are,” says King, who averages a 39%-41% margin, up from 35%-36% several years ago. “I’ve got a couple of corporate clients, and they’re even comfortable with those kinds of margins, especially if they come to me after they look around. When clients start saying, ‘You’re fast, you’re great,’ you just maintain that and they’ll do whatever you say. They won’t question you.”

Cheaper Isn’t Better

According to Hults, far too many of the distributorships he coaches believe that they have to sell cheap to get their foot in the door. Not only does this send a signal to clients that your product isn’t top quality, but Hults says it’s difficult to get out of the low-price pit once you start there. “If your culture is to sell cheap, you have to change that culture, and that means changing your salespeople,” Hults says. “Once you get beyond that, the steps are fairly simple.”

Lantz says the easiest way to be confident about your product is to buy from only the best. “People who have the highest margins are working with the very best suppliers, not necessarily the least expensive product there is,” she says. “That goes with

self-confidence and selling your services. There's no connection between lowest price and high margins."

Albrecht has discovered a fascinating misconception among distributors. He says that far too many believe that price drives sales, while clients actually say their buying motivations have more to do with service, quality and delivery. This fallacy means some distributors will tread water, but never get out of the shallow end of the pool. "It's my opinion that while there will always be those distributors that survive on being the lowest price in town, those that continue to thrive allow themselves to earn higher profits," Albrecht says. "After all, profit is not a sin, and there is no reason to go home both tired and broke at the end of the day."

Albrecht likes to pose a challenge to his sales reps. "We've encouraged them to give themselves a raise by adding margin to every order for every customer," he says. "We challenge them to add a minimum of 5% to their existing gross margin and then call me each time they get rejected due to price. They rarely call."

Giving a deserving client a bargain every

so often is OK, but Albrecht warns distributors against stretching themselves too thin. "For every 10% discount in price, you give up as much as 30% of the commission," he says. "That's a very telling statistic."

Ditch Unprofitable Clients

Most end-users are willing to pay more as long as the products and service are top-notch. Unfortunately, like some distributors, there will be clients that think cheap is always the way to go. To maximize profit margins, those clients should be fired as quickly as possible. "If a sales rep is truly committed to selling at higher margins, they have to be willing to walk away from low-margin sales, resist the temptation to sell themselves short," Albrecht says.

Vernon agrees. "There are many fish in the sea. There is no compelling reason to work with people who don't appreciate what you put into your presentations, your creativity and your superior level of service," he says.

Working with new customers allows distributors who are mired in the 25% range to start anew, Hults says. "Think about mar-

gins with the customers you have now and the customers you're going to gain starting tomorrow," he says. "It's fairly easy to set the price with new customers. It's a clean slate, and then it becomes a habit.

"I'd recommend that [reps] find a replacement first, and then dump the old client. You have to have a group of clients who value the same work as you do and who will allow you to have a good profit margin."

Obviously, raising prices significantly overnight may not be a healthy solution. Hults advocates gradually raising prices for clients so that they don't feel an immediate sting. He suggests raising prices by 2% every six months. "If you have an old customer who's going to buy something from you with a \$1,000 value, would you lose that to a competitor if it's \$20 higher? A lot of folks say, 'Of course not,'" Hults says. "That shows you the effect of slow, progressive changes in pricing practices. If you meet resistance, you have to ask, 'Do I need to consider replacing him with a new client to get the margins I deserve?'" ○

Shane Dale is a freelance writer for *Counselor*

Profit Pointers

Here are four more ways that distributors can ensure they're keeping profit margins healthy while costs are increasing.

Custom Items Are A Winner. Getting in on a custom project for a client can certainly help to increase profits. "When you see custom, bundled products, programs that have literature and interactive Web sites, you see higher margins," says Jo-an Lantz, executive vice president of Geiger.

"We've found the best margins are found on unique, custom-designed products that don't provide easy comparison shopping," says Chris Vernon, president of The Vernon Company. "Over the years, we have developed hundreds of Vernon-exclusive products and services for our clients that aren't easily found in the industry, so this allows our account executives some better margin opportunities."

Sell To Mid-Sized Businesses. "There is a relationship in size of business," Lantz says. "Highest margins seem to be in that sweet spot of business size, where the businesses are over 1,000 people

but not necessarily employing 10,000 people. With businesses that have 1,000-2,000, it suggests there's a relationship between margins. That suggests a consultative approach rather than a transactional approach."

Purchasing Clout Helps. "We pass on all of our special pricing to our sales representatives and teach them how and when to use it to their advantage," says Fred Albrecht, president of Proforma Albrecht & Co. "Our experienced representatives know when to pass on some of the discounted pricing and when not to. This allows us and our representatives to be competitive in the marketplace and still earn better than industry-average margins."

Educate Your Salespeople. "We invest heavily on education and workshops for our sales partners," Lantz says. "The difficult question is: How do you get a positive mindset? Education does that."