



Member's Corner

Still . . . it's better than a slow boat

by Steve Grossman, CPMR

Former IHRA President & Chairman

Well I made it up and back to China without any major hitches. I dreaded the thought of a 20 plus hour plane ride, but I must admit that with the 3 meals, multiple movies, naps, friendly conversation, and 3 books, the time moved along pretty well.

Hong Kong was my first stop. I networked before I left and I visited some trading companies based there. Then I headed off to the Housewares/Giftware/General Merchandise Show — the one cancelled during the height of SARS.

The trading companies are like us, they represent many manufacturers; many represent themselves as the factory. The show had many prime manufacturers, along with trading companies. Most of the attendance was Asians, Europeans, Australians, Indians, and some Americans.

It is somewhat like visiting a Housewares Show, but everything you see is not warehoused in the USA. You need to find a way to get it here, either by taking the risk yourself; working thru a trading company, or, a few times, the foreign manufacturer will shoulder the risk.

I would add that at times I have questioned the wisdom of foreigners trying to sell our market because they do not understand our system. Well I offer this advice to you, I would not assume how their system works either, and you need an experienced person to guide/work with you. American know-how is not enough to maneuver thru their maze.

Hong Kong is just different and not what I expected. I have never seen so many tall modern high-rises and many of them

continued on page 2

The Subject is Taxing!

One more visit with independent contractors

by Stanton B. Herzog, IHRA CPA & Audit/Accounting Consultant; principal in the firm of Applebaum, Herzog & Associates

The subject of independent contractors is one of the most recurring questions in my practice.

When times are not very good, employers would like to lower overhead and drop employees from the payroll. First, dispose of the unions. Then, the employees. Is life then wonderful?

There are many advantages for employers:

- First, no payroll taxes,
- Second, no group insurance,
- Third, no participation in retirement plans; and,
- Fourth, there is a lot less risk of repercussions from dismissal.

In difficult employment times, the employee is more willing to sacrifice extras to achieve some cash flow; thus the employee can be more readily coerced.

From the standpoint of the employer, this idyllic setting has only one major drawback: **the IRS**. Those guys want social security taxes, preferably from the employer, because it's likely that the recipient won't report the income and pay self-employment taxes; they also like to collect the heavy penalties accompanying the reclassification.

There are no hard and fast rules, so the employer has to defend himself in the best possible way.

- The first defense is a form 1099, reporting payments to the independent contractor to the government. There's no hope for success without that.
- Next, have an agreement signed by the independent contractor indicating his/her agreement to that status and carefully laying out the defense in writing for the employer.
- Third, provide **NO** benefits to the employee. This is a tough one because the independent contractor is often seeking affordable health insurance and this is the area the employer seems most prone to permit. The IRS regards this as a primary admission of employment. It's better to pay the contractor more and let him obtain his own insurance. Outside commission-only salespeople, particularly those in areas away from the home office, are among the best qualified to maintain independent status; a set "draw" or salary negates that advantage.

A contract, however, can be crucial.

The independence that the IRS would have to recognize is perhaps

continued on page 2

Steve Grossman (from page 1)

next to dilapidated buildings. All the buildings are zero lot lines since space is at a premium and the average home/apartment is 600 square feet. Since it was once part of Britain, they drive from the right side of the car and they drive on the left side of the road. My friends and I had to watch each other that we did not step out in the street without looking the wrong way—old habits are hard to break. Food is about the same cost. For those who do not like Asian food, there is KFC, Pizza Hut, and McDonalds. They have a great subway system that is easy to use.

After 4 days in HK it was a 45-minute train ride to Shenzhen in Southern China. One needs to get a visa to travel into Mainland China. One needs to go thru both customs to leave HK and enter China. Main-

land China has a different money system than HK and is usually about half the price. Space, like in HK, is at a premium and again I have never seen so many beautiful high-rises. This 20-year old city has 7 million people.

I then went to visit a few factories. Since many of the workers come from up north, most of the factories have dormitories for them. They work a 10-hour day and get Sundays off. You can now understand when Chinese New Year comes about in January, and all the workers go home, there is no one to run the factories for 4 weeks.

When you meet some of the owners of the factories, they all have cousins or family that own or run other factories, so what ever you want they can supply it and some-

times it's true and sometimes not. Also, when in HK or Mainland China, expect to be entertained. It is part of the selling experience, and to not participate is to offend your host. I cannot imagine traveling without experienced people to support my efforts in finding new sources of supply.

I wish I had done this 10 years ago; it is the mother of all sources of supply. I expect to be there at least once a year if not more.

I have a few ideas on how we could use our rep network to benefit a lot of us. If I can put it together I will use our "Hot Line Service" to share a plan or two with you. If you have any questions feel free to email me, I will do my best to answer. eMail me at Steman4@aol.com.

The Subject is Taxing! (from page 1)

epitomized by the relationship between an employer and a CPA or lawyer. They hold themselves out to the public for hire. They schedule their days as **they** choose, and work whatever hours **they** feel are required. While the employer may have an opinion and make "suggestions," basically they make their own decisions about how the work is to be done. • They have offices,

- a business telephone listing,
- carry their own business insurance,
- perhaps they have employees of their own; and,
- their own auto and office equipment as well as stationery and business cards with their name and address rather than those of another's business.

They are at risk to lose money (ask Arthur Andersen) should their expenses exceed the income.

There are a few IRS rules beyond those above:

- A person hired to do a set job for a set fee is probably not an employee.

Examples might be a painter hired to paint the outside of a building for a set fee, or a person contracted to start up a manufacturing line for a set fee and have no further responsibility for it. That person's hourly wage is clearly at risk.

- A person hired as a substitute - no matter how infrequently or irregularly - is probably not an independent contractor unless he holds himself out to the general public in that capacity.
- A person who receives a non-refundable draw against earnings is probably also going to be considered an employee.

A relationship does not have to have all of these items to qualify the recipient for independent contractor status, but the IRS requires a "preponderance" of them.

So what might a contract between an employer and an independent contractor contain?

- Start with a statement that the recipient

acknowledges that s/he is acting in the capacity of an independent contractor and expects a Form 1099 instead of a W2,

- S/He agrees to pay his/her own self employment taxes and medical and liability insurance,
- S/He is responsible for payment of his/her own expenses incurred on the job,
- S/He has a right to hire himself/herself out to others; and,
- His/Her hours and scheduling are his/her own, though s/he has a responsibility to the employer to perform the duties required under the contract. Obviously, an attorney should draw up such a document, but these are among the basic items to be included.

Finally, employers shouldn't use independent contractors if they can't live without hands-on supervision of employees.

CPMR/FB Program Consolidates Locations To ASU

The certification program continues to be the premier educational program for representatives in all industries. However, during the recent downturn in the economy the volume of participants has declined. Therefore to ensure the continued financial health of the organization a consolidation strategy is being implemented. The CPMR-CPFB program will be held only at Arizona State University in January each year.

In addition, the education committee and IPA Board continue to look at current curriculum and delivery options to maintain the quality and relevance of each session.

The entering class for the January session is beginning to fill. If you or one of your peers or employees are planning to attend be sure to sign up soon! I know it is warm now but just think of January and how warm and beautiful Arizona is going to be! There is a special consolidation incentive of \$150 toward tuition.

Academic Research Completed

A hearty thank you to all who participated in the research project just completed by Robert Palmatier of the University of Missouri. Professor Palmatier's "Multiple-Industry Manufacturers' Representatives Benchmark Study" is the first in a series of reports that will be generated from this data. A copy of the report can be found at <http://www.mrerf.org> in the DOWNLOADS tab.

Special thanks to NEMRA, NIRA, MANA, ERA, and a number of individuals for helping MRERF fund this study.

Academic Contact

Highly regarded marketing textbook author Dr. Jim Narus is working with MRERF to learn how reps utilize technology within their firms. He will be studying this subject for inclusion in a new marketing text.

Sales Skills Seminar and Manufacturer Seminar Update

The September sessions of "Skills for Sales Success" seminar for the sales people and the "Managing Your Manufacturers Representative Network" seminar for manufacturers are filling quickly. Both of these programs receive great reviews. Be sure to encourage your peers and principals to sign up soon.

Almost half of IHRA's 248 member firms have responded to our recent survey on the products you represent or want to represent. **If you weren't one of them, we have extended the deadline for one more week.**

Remember, this information will be included in your up-to-date listing in the IHRA 2003/2004 Locator reprint. **The IHRA Locator is the most important resource for manufacturers seeking field sales professionals.**

Please — we need your help in this effort to provide a better picture of IHRA's membership so we can help more manufacturers find you.

If you haven't already done so, **please complete the form on the following page and fax it back to us at: 312-240-1005 no later than Friday, August 8.**

We'll all be glad you did!

A VERY IMPORTANT SURVEY • RESPONSE REQUESTED

It was recently brought to our attention that the product categories IHRA defines as "Housewares" might be too narrow. Many of our members actively sell - or

Manufacturers of products in the broader, often specific product spectrum, but not in our currently defined categories, contact us looking for representatives. Most

times we must tell them we can't help.

To get a better picture and profile of your company and to serve you better, we would appreciate your assistance in better defining your company. The information will be used to update our database AND will be included in your listing in the reprint of the 2003 IHRA Locator.

Please indicate with an "X" the categories you currently sell or WOULD LIKE TO SELL and fax the survey back to us — at 312-240-1005 — ASAP.

Our currently defined categories include:

- Bakeware
- Closet & Storage
- Cookware
- Decorative Access.....
- Furniture / RTA
- Gadgets & Cutlery
- Giftwares
- Hardware
- Housewares
- Small Electrics
- Table Top
- Textiles

"Other" categories, as defined by IHRA members and the industry include:

- Albums
- Auto Cleaners
- Bath
- BBQ.....
- Beverageware
- Books
- Candles
- Cameras
- Candy
- Christmas
- Cleaning
- Clocks
- Closet Storage/Organization
- Coasters
- Collectables
- Computer Software
- Consumer Electronics

- Craft Storage.....
- Dinnerware
- Electrical
- Flatware
- Floorcare
- Framed Art
- Furniture
- Garage Storage.....
- General Merchandise.....
- Gourmet Food.....
- Halloween
- Health & Beauty
- Home Security
- Household Cleaners
- Juvenile
- Kitchen Cabinet/Drawer Storage.....
- Lamps
- Laundry
- Lawn & Garden
- Lighting
- Lumber & By-Products
Raw Materials
- Medical
- Microwave Ovens
- Mirrors
- Napkin Holders.....
- Novelty
- Office
- Oral Irrigators
- Organic & Natural Food
- Outdoor & Indoor
- Party Goods
- Personal Care.....
- Pet Supplies.....

- Photo
- Picture Frames.....
- Placemats
- Plastics
- Plastic Storage Totes/Bins
- Power Toothbrushes
- Refrigerators
- Safety
- Salt & Pepper Shakers
- School Supplies.....
- Scrapbooks
- Seasonal Furniture
- Seasonal Outdoor
- Serving Bowls/Platters
- Sewing Notions.....
- Shower/Bath Caddies
- Sinkware
- Snacks
- Software
- Sporting Goods
- Stationery.....
- Tablecloths
- Toiletry Products
- Tools.....
- Toys
- Trays
- Video & Prerecorded
Tapes & CDs.....
- Wall Decor
- Washers
- Water Coolers
- OTHER:

Company _____

City/State _____

Fax to: 312-240-1005

2003 INDUSTRY CALENDAR OF EVENTS

August

Orlando Gift Show
August 02, 2003 - August 05, 2003
Orlando, FL

New York International Gift Fair
August 09, 2003 - August 14, 2003
New York, NY

CGTA Gift Show
August 10, 2003 - August 14, 2003
Canada

41 Madison Gift Show
August 10, 2003 - August 14, 2003
New York, NY

Seattle Gift Show
August 16, 2003 - August 20, 2003
Seattle, WA

Tendence Lifestyle
August 22, 2003 - August 26, 2003
Frankfurt, Germany

San Francisco International Gift Fair
August 23, 2003 - August 27, 2003
San Francisco, CA

SIAL Mercosur
August 26, 2003 - August 29, 2003
Buenos Aires, Argentina

September

Natural Products Expo East
September 04, 2003 - September 07, 2003
Washington, DC

Philadelphia Candy Show
September 07, 2003 - September 09, 2003
Philadelphia, PA

Fall Chicago Gift & Home Market
September 12, 2003 - September 14, 2003
Chicago, IL

NASCORE Coffee & Tea Trade Show
September 12, 2003 - September 14, 2003
Portland, OR

Atlanta Gourmet Show & Fall Gift & Accessories Market
September 13, 2003 - September 15, 2003
Atlanta, GA

September (continued)

New York Home & Textiles Show
September 19, 2003 - September 22, 2003
New York, NY

Dallas International Gift & Home Show
September 20, 2003 - September 22, 2003
Dallas, TX

Fall Gift & Home Furnishings Market
September 28, 2003 - September 30, 2003
Los Angeles, CA

October

Anuga
October 11, 2003 - October 15, 2003
Koln Messe - Cologne, Germany

Atlanta Gourmet Show and Gift & Accessories Market
October 13, 2003 - October 16, 2003
Atlanta, GA

Coffee Fest Seattle
October 24, 2003 - October 26, 2003
Seattle, WA

New York Fall Tabletop Market at 41 Madison
October 25, 2003 - October 30, 2003
New York, NY

November

Anchorage Holiday Food & Gift Festival
November 7, 2003 - November 9, 2003
Anchorage, AK

International Hotel/Motel & Restaurant Show
November 08, 2003 - November 11, 2003
New York, NY

Int'l SHOPA Show
November 11, 2003 - November 13, 2003
Atlanta, GA

**MARK YOUR CALENDARS FOR:
2nd Annual IHRA Membership
Breakfast & Program
Sunday, March 21, 2004
7:00 - 9:00 AM
IHRA Hospitality Room S101B
McCormick Place, South Lobby**

**Manufacturers:
Are You Looking for Well-Qualified,
Performance-Committed, Field Sales
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cost-effectively with IHRA's two
exclusive marketing services . . .*

The IHRA Locator

A directory of housewares
representatives by territories
covered, type of products handled,
type of customers sold to/through and
complete details about their companies.

Instant *HOT* Lines

A onetime eMail or fax that
provides immediate information
on *your line, only*, to reps in
specific territories or throughout
The World

**Call IHRA at (800) 315-7430
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www.ihra.org**

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**Housewares Multiple-Line, Field Sales
Professional:**

If you're not a member of IHRA, you
owe it to yourself to join the organization
that is your voice in the industry and the
manufacturers' resource for finding
**Well-Qualified, Performance-Committed,
Field Sales Professionals.**

For complete information and
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