
Study Mission Veterans Plan For Next Trip

When a new program, process, or strategy is put into motion, there's really no way to determine if it's working unless you measure progress from a starting point. That's why we revisited MANA members who participated in MANA's initial China Study Mission last year. We wanted to determine if the Study Mission had significantly changed the way any of the participants were conducting their businesses.

As we reported in the June 2003 issue of *Agency Sales*, 46 MANA members were able to meet with more than 650 Chinese manufacturers over the course of the 10-day study mission.

The trip obviously was an expensive and time consuming venture, but judging from the feedback from participants, it was well worth the effort. A measure of that success can be seen in the fact that MANA will be conducting a second similar venture later this year. For more on that trip, interested members should visit the "This Week at MANA" page of the MANA web site (www.MANAonline.org).

As to what MANA members have been able to accomplish since that 2003 Study Mission, the results vary from agency to agency, but by and large the consensus is one of optimism and a desire to continue with the effort. At the same time, as the responses from various MANA members are considered, there is also a healthy dose of skepticism that working with principals located so far away is an ideal way to conduct business.

Success in Securing Lines

In the more than 12 months since the China trip, Elry Cramer

of Buchanan Sales Company, Allison Park, Pennsylvania, reports that he has begun working with Chinese principals and has secured lines to represent as a direct result of the trip.

Cramer maintains that his goals and the goals of other U.S. reps to work with Chinese manufacturers to serve the needs of U.S. customers can be achieved. "If I didn't think this was feasible, I wouldn't be doing it," he explains. "We have customers who must be able to reduce their costs in order to stay viable. We work very hard and have been very successful by providing this service with the support of our U.S. principal base. However, it became obvious that in certain technologies, our customers needed to have offshore costing in order to survive in their respective marketplaces. As a result, we are in the process of putting together a program to address this need of our

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customer base. The net result will be reduced cost to our customers and increased business for our Chinese principals and for Buchanan Sales Company.”

Cramer adds that he is on the verge of writing “our first major contract for an Asian principal, and I am firmly convinced, that in addition to reducing costs, that we will increase quality and service to the customer.”

Echoing Cramer’s view is that of Jerry Bellar, AGRI Sales Assocs., Nashville, Tennessee, who says “I’ve returned to China twice since the MANA trip and plan on going back again. We’re presently conducting business with three companies in China and plan to expand our business.” He phrases part of his rationale for desiring to work with Chinese principals by stating “This can put my company in a much more competitive position.”

The Need for Follow-Up

While not signing on with any Chinese principals, Phil Rodgers, Rodgers-Aero Tech, Inc., Brunswick, Maine, says he’s considering taking part in this year’s Study Mission “to follow up with several of the manufacturers that we met. Thus far we haven’t be able to connect with some of the products that we could market in the United States. Interestingly, at the same time, we found out that for some of the products we were seeking, the Chinese did not have the lowest pricing.”

On the negative side, Rodgers explains that “Our efforts to try and communicate with some of the Chinese manufacturers and Chinese trade representatives fell



Modern buildings in Shanghai.

on deaf ears, even with repeated contact from our end. We are still doing business with the firm that has supplied us with product prior to the trade mission, and I think our visit to their facilities helped further build our existing relationship.”

He continues that “Concerning doing business with an offshore manufacturer, I don’t see how operating on a commission basis will last much longer than a one-time sale. After that, the manufacturer will probably go direct to the customer and cut the rep out of any future sales.

“Overall I give MANA an ‘A’ on their efforts, but the reps need to realize that any offshore business relationship will probably take longer than working with a U.S. manufacturer.”

While Jim Glenn, Sun Belt Steel & Aluminum, Inc., Placentia, California, reports that although he’s had little follow-up

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from his contacts on the first trip and he hasn’t secured any lines, he has begun working with some Chinese principals. He plans on returning to China but remains skeptical regarding what might be accomplished. “I’ve found that most of the principals we’ve been in touch with want everything for nothing,” he explains.

Knowing How to Work Offshore

Immediately following the first Study Mission, Tom Jopling, Me-

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chanical Sales Company, Mississauga, Ontario, Canada, reports "there was some contact between us and prospective principals but those initial efforts quickly faded. Don't expect the Chinese to pursue you. If you don't respond or follow up, they don't seem to hound you. I think part of our problem was not knowing exactly how to deal with the Chinese. We were so overwhelmed with what we saw that we didn't know where to start. Also, the language is still a major difficulty, as are some of the customs. One thing we did come back with was that we knew that we did not want to be involved in the buying and selling of product. "Finding the key to being a rep for Chinese principals was difficult. The other thing that we came away with was not to try and do this without the assistance of a person very fluent in Chinese. Obviously this is not true in every case, for there are a few companies that are very fluent in English, but for the most part, the types of firms we were looking for required extensive interpretation."

Jopling reports that Mechanical Sales has begun working with some Chinese principals, "but the

process is long and arduous. You can't rush the process. Don't expect anything to happen overnight. To make progress, you should look for a good person you can work with, but not another agent or import/export agent."

In terms of long-term relationships between U.S. reps and Chinese principals, Jopling maintains there is room for optimism. "I definitely feel that a rep can work with Chinese manufacturers. Like everywhere else, however, the independent rep concept is not for every firm. It is the same in China. Some are ready for it and others are not."

When asked if he has plans to return to China, Jopling offers that "We have just returned from another trip to China. We were there for two weeks, visiting factories and attending a trade show. This time we used the services of our Chinese translator, and the differences were surprising. Even he was skeptical at first, but after a few presentations it became apparent that the rep concept would be accepted."

The Need for Compatibility

Lane Burnett agrees with Tom Jopling when it comes to getting used to Chinese business culture. Burnett, from Premier Components, Inc., Round Rock, Texas,

says that "For the most part, the business culture in China is not yet compatible with the conventional manufacturers' representative arrangement. My experience has been that they seem to be seeking brokers more than reps and do not seem to 'get' working with one rep organization to develop a territory. Everyone I have dealt with is aggressive and polite. Yet it is hard to achieve a level of comfort that you are all on the same wavelength.

Since last year's MANA trip to China, Burnett has maintained e-mail contact with some Chinese principals, but "I have only one that I feel is a viable line to pursue." Thus far he hasn't obtained any lines but does have an "e-mail of agreement" to pursue one specific line.

For the future he adds that "I feel there are few real opportunities to create a true representative type of arrangement with Chinese principals. Full service providers are better positioned to take advantage of the manufacturing base in China."

The Need for Quality

Bill Fitch, Griggs Assocs., Spartanburg, South Carolina, and Chairman of MANA's Executive Committee, went on last year's Study Mission fairly well armed.

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As he explains "Prior to the trip, my company had been working for nearly two years with a U.S. company which has offices in four Chinese cities. This effort has not yet produced substantial commission revenue, but we still believe there will be some significant success in 2004. Quality issues have been the largest problem with this firm. We have found that, even with U.S. offices, communicating with the Chinese is difficult. They often have difficulty with the product specifications of our U.S. customers. Items which are 'no problem' at the start of a project have become problems when the first samples arrive."

As others have said before him, Fitch agrees that developing good business relationships with Chinese firms takes several years. "The trust must be built and the manufacturer must fully understand the requirements of the customer."

In addition, he maintains that if the rep has a desire to develop and maintain a long-term relationship with the Chinese principal, "he should be ready to travel to China quite frequently." Furthermore he maintains that it's no easy matter to identify Chinese companies that will be able to

perform to U.S. standards.

And standards and communication aren't the only concerns. "There is still much to learn about the Chinese business ethic. We have seen several examples of U.S. products and designs being copied by the Chinese and then sold to other parts of the world. Frequently, the copied products are patented in the United States, but those items are marketed to Europe, Africa, South America and other nations on the Pacific Rim."

Speaking long term, Fitch admits that he has some doubts "about the long-term viability of many small manufacturers in the U.S. The trend has started, and many companies, which have been producing engineered components for domestic customers are finding prices and business levels eroding. This is a real concern, and the situation will probably get worse. I personally believe that we will see Chinese automobiles exported to the United States within three or four years. This could greatly disrupt our markets. How will the US consumer react when offered a good four passenger car (not with Yugo quality) at under \$10,000?"

And finally, William Greim, Engineered Production Compo-

nents, Guilford, Connecticut, reports that since the Study Mission, he's had some follow-up discussions with Chinese principals, but "that has all but ceased now." He adds that while he hasn't signed up any product lines, he has partnered with an import group and remains active in quoting.

The major reason he cites for not moving forward is that "From a business perspective, we just could not find a business model to suit both parties. With the Chinese government so tightly controlling the dollars, I have concerns about payment. In addition, I found that communications between us and interested parties in China were very difficult."

Greim says that he plans to return to China on MANA's next Study Mission, but he adds the following caveat for the future: "Whatever we do, we should move slowly. While I find the Chinese companies are very sincere, moving forward is difficult. We, as reps, need to take the lead in establishing just how these relationships will work. If you are not buying the product and reselling it, there is no assurance of payment." □

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