

Consultant Points To Global Potential

In his contacts with outsourced field sales professionals, a consultant who recently joined MANA explains that the majority are as busy as they can be with existing principals. “However, the huge potential presented by conducting business with companies in Asia is something they can hardly overlook as they plan for the future.”

That’s how Larry Hotaling, Global Diligence, Ltd., a Hong Kong-based consulting company, describes the global business landscape. Global Diligence advises U.S. companies interested in entering China’s market and those seeking sourcing partners there — including reps.

In an interview with Hotaling that appeared in *Plastics News*, the consultant confirmed reports from participants in last year’s MANA China Study Mission when he said that “China’s economy is very dynamic and has changed a lot, even in the last half-decade.” According to Hotaling, China’s officially reported gross domestic product growth of 8% annually is too low, with the actual figures probably closer to 12%. Automobile output just three years ago jumped 55% to 1.09 million units, and domestic sales soared 56%.

Given those dramatic growth figures, the consultant maintains that toiling in the Chinese market isn’t necessarily an easy task. Reps especially must be aware of the structure of Chinese manufacturing as they view their potential ventures with companies in that country.

“There are three levels of structure to Chinese manufacturing,” he explains. First, you have the old, state-owned industries located primarily in the rural areas. These companies are marked by older equipment and less sophisticated processes. Many of the companies claim to have all kinds of quality certifications, but they probably don’t. Since these are pure Chinese companies, they are less sophisticated, have a limited understanding of English, and don’t truly understand the needs of Western customers. “By and large, these are the types of companies that generate many of

the horror stories we hear from Westerners who have attempted to conduct business with them,” he explains.

“Next, you have foreign-owned entities in China. These are foreign companies, including those from the United States, that have factory assets in China. “These foreign-owned companies leverage the low-cost labor in China. At the same time, they exhibit a high level of understanding of the needs of the Western customer. They have good English skills and understand program management processes and quality practices such as Six Sigma.”

And finally, you have the captive companies that are owned by the GEs of the world.

Opportunities for Reps

Hotaling maintains that it’s important for outsourced field



Left to right: Jason Christie, global program manager, China; Larry Hotaling, chairman; and James King, global program manager, U.S., pose during a visit to Dongguan, China.

sales professionals to understand the manufacturing makeup of China before they make any decisions concerning whom they go to market with. "There's an absolute opportunity here because Asian companies, in general, don't have the inclination nor do they want to make an investment in having a captive sales organization in the United States. That's the opportunity for reps. Reps can serve as the manufacturers' 'feet-on-the-street' in the U.S. And, those are the reps we're looking to put together with Chinese manufacturers."

He continues that the Chinese market is comprised of a lot of legal structures, and reps will find that "everything takes a lot more time in China." Keeping that in mind, he stressed the need for anyone interested in conducting business in China to consider the "Three Cs — Communication, Capability and Capacity."

According to the consultant, "It's vital to identify and use the right supplier in order to meet your specific needs, since the quality and sophistication of Chinese suppliers varies so greatly. Then, you must be diligent at managing the project and related communication. You must develop communication tools and not just rely on e-mail."

He continues by explaining that conducting business in China requires an understanding of the culture, or at least a willingness to learn. A great deal of time must be spent cultivating relationships, even before any real business is discussed. Ties to the government are important, particularly with customs and local offices, and you need solid relationships with suppliers and partners. "Often as Americans we think we know everything there is to know concerning business. But in China, you have to put that attitude

aside. If you think American and act American, you will not have a pleasant time."

Manufacturers Upgrade Efforts

As he looks at the future of manufacturing in China and the possibilities that growth in that area presents for reps, Hotaling remains optimistic. He maintains that "while many Chinese manufacturing firms are still behind the rest of the world, there are more that are starting to understand that in order to survive they must join the cadre of world-class manufacturers. They are hiring better-educated engineers, improving their internal processes, and continuing in their efforts to learn all they can about the U.S. and global markets. Historically, the Chinese have little or no knowledge or understanding of marketing — but that discipline

A great deal of time must be spent cultivating relationships, even before any real business is discussed.

is beginning to emerge. As Chinese companies upgrade themselves and develop global strategies, they're going to find that they won't have the time or money to build their own sales forces. This is where the opportunity for independent reps resides."

As has been reported in the past in *Agency Sales*, Hotaling notes that dealing with manufacturers and customers on the other side of the world is not the daunting task it might have been at one time — however, there are some tradeoffs in the way business is conducted. "Sure, broadband makes electronic communication easy, but with that ease of communication comes a downside. The global rep is now faced with a much longer workday. Instead of a 10-hour day, the global rep will find his day stretching late into the evening. While that will

bring with it a lot of adjustment in lifestyle, the fact is that those willing to make the change will realize the benefits."

Hotaling explains that in his capacity as a consultant, he continues to seek U.S. reps who have an interest in working with Chinese manufacturers. "We're looking for reps who see this as a real business opportunity. Part of our job is to make a marriage possible between a U.S. rep and a Chinese manufacturer. Along with that we assist them in putting together a China strategy that will assist them in accomplishing their goals." □

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