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16A Journey, Suite 200
Aliso Viejo, CA 92656-3317

toll-free 877-626-2776
local calls 949-859-4040
fax 949-855-2973

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DOOM & GLOOM?



ARE WE REPEATING THE SAME ERRORS THAT CAUSED THE GREAT DEPRESSION?
REPS GET THE SCOOP ON THE ECONOMY AND IDEAS FOR CHANGE

EDITORIAL | JACK FOSTER

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Jack Foster, president of Foster Communications, is the editor of **Agency Sales Magazine**. In addition to his duties in working with MANA, Jack writes for several other major marketing publications. His experience in publishing includes writing, editing, photography, production and printing. This, combined with Jack's understanding of the independent sales rep function, can provide the winning formula for your communication needs. Email: jfoster@MANAonline.org.

It was hardly surprising that independent manufacturers' representatives in attendance at a conference conducted by the **Manufacturers Representatives Educational Research Foundation (MRERF)**, Arvada, Colorado, left the presentation shaking their heads. When **William Boyes, Ph.D.**, was done with his "Scoop on the Economy," there appeared to be little room for optimism.

Boyes, a professor on the staff of **Arizona State University**, was one of four speakers earlier this year at a two-day conference at Arizona State, Tempe, Arizona, entitled CPMR 401. The conference was aimed at continuing the training/education that reps receive during MRERF's Certified Professional Manufacturers Representatives (CPMR) program.

THE CAUSES OF ECONOMIC CRISIS

As he viewed the current economic crisis the United States finds itself in, Boyes pointed a finger at three primary causes:

Government intervention in the mortgage market — In describing government involvement in this area, the economist noted that the government was behind a push for the loosening of standards needed for mortgages. "As far back as the 1980s," he said, "activist groups began pushing charges of 'redlining' when they claimed banks discriminated against minorities in mortgage lending. In 1989 Congress amended the Home Mortgage Disclosure Act to force banks to collect racial data on mortgage applicants. A result was the loosening of those standards for people without assets to receive mortgages. Finally, individuals with no income, no job and no assets could still get a mortgage. Individuals got into homes that they couldn't afford and others got into the market so they could flip homes."

The policies of the Federal Reserve — Things got so bad, Boyes maintained, that "The Federal Reserve actually paid us to borrow money. Look at what that policy did to the housing market. Ultimately the crash takes place and now we're in a 'credit crunch' where lending institutions don't have the confidence to lend money."

Corruption — The words corruption and greed go hand in hand in the crisis, according to Boyes. To illustrate his point, he cited the "affordable housing" trust that Rep. Barney Frank (D), Massachusetts, "managed to push through. This fund siphons off a portion of Fannie and Freddie profits — as much as \$500 million a year each — that politicians can then disburse to their favorite special interests."

As many before him have done, Boyes cast an eye to the past and asked, "Are we repeating the same errors that caused the Great Depression?"

He continued, "The genesis of the Great Depression lay in the inflationary monetary policies of the U.S. government in the 1920s. It was prolonged and exacerbated by a litany of political missteps that led to uncertainty — why invest if return is not anticipated?"

"Why sell 'toxic' assets for cents on the dollar when the government might buy them for dollars on the dollar?"

"In addition, (Presidents) Hoover and Roosevelt oversaw trade-crushing tariffs, incentive-sapping taxes, mind-numbing controls on production and competition, senseless destruction of crops and cattle, and coercive labor laws.

"It was not a free market which produced 12 years of agony; rather, it was political bungling on a scale as grand as there ever was."

SHORT-TERM FORECAST

In offering his suggestions for solving the country's economic woes, Boyes said: "I don't think we're repeating those same errors, but I'm not really optimistic about what's happening. Before we're done, I see:

- "Unemployment reaching as high as 8-10%.
- "The bailout going as high as \$2.5 trillion. Given a population of 330 million, that comes to more than \$8,000 person.
- "Ben Bernanke (chairman of the Federal Reserve) and President Obama are throwing the kitchen sink at the economy and so far nothing is working. A major problem is that there is no confidence on the part of the American public."

Despite hinting that we're perhaps at the beginning of a "lost decade" where "we'll experience little or no improvement in our standard of living," Boyes offered a few solutions for a hoped-for economic recovery: "What we need is continued support for a free enterprise system, privatization, cuts in taxes, and continued support of free trade."

TURNING THINGS AROUND

A slightly more optimistic note was struck during one of the conference's other presentations aimed at acquainting reps with the principles involved in *The Power of Persuasion*.

According to **Robert Cialdini, Ph.D.**, a Regents' Professor of Psychology at **Arizona State University**, "You folks (reps) don't often get to change what you're presenting. What you can change, however, is how you present the merits of that thing that you sell. When you frame or phrase your message in an optimal manner, it goes a long way in determining how well you can open the minds of your customers to those features."

‘Aim to increase the number of people who know and like you.’

After years of studying various groups whose job it is to get other people to say “yes,” Cialdini determined that there are “six universal principles that can explain the tactics and procedures that they use effectively.” According to the psychologist, those principles are:

Reciprocation — “There is not a single culture on this planet that fails to teach its children that you must not take without giving in return. Those who do, we call sponges, moochers. Those who give back do so out of social obligation.”

Scarcity — “People want more of that which they can have less of. This confers value on the same set of resources and features.” To illustrate his point, Cialdini pointed to the phenomenon of the Cabbage Patch Dolls a few years ago that caused “people to camp out overnight in sleeping bags for their chance to buy one.”

Authority — “People prefer to say ‘yes’ after consulting legitimate experts who advise them. It makes sense to them to act in that manner.”

Consistency — “I can increase the likelihood of you saying ‘yes’ to a request later on, if I make a small request of you early on.”

Consensus — “People want to follow the lead of their peers. Before making a decision, they will look around to determine what people just like themselves are doing. Today we’re living in the most uncertain economic climate I can think of. During these times, people don’t look inside themselves for direction. Instead they look outside in two directions at what experts and what their peers are doing. They believe that that’s an indication of what they should be doing.”

Friendship/Liking — “This last principle is one that reps can especially relate to. We prefer to say ‘yes’ to people we

know and like. What remains is to increase the number of people who know and like you. That ability flows from:

- **Similarities** — We like people who are like us.
- **Praise** — We like the people who like us and tell us that they like us.
- **Common goals** — We like people who are willing to cooperate with us in order to achieve common goals.”

In words of final advice to his audience of manufacturers’ representatives, Cialdini advised them to “Start the process for profitable exchanges by asking, ‘Whom can I help here when walking into a sales situation? Identify that which you have to offer to the customer. Find something that is meaningful, unexpected and personalized. It might be information you’ve just received, a unique service you can provide or a new product.’”

CLOSING NOTES

The two presentations that completed the MRERF CPMR 401 program were:

“Successful Selling Skills for a Changing World,” where consultant **Frank Foster, CSP**, emphasized to reps that while one of the greatest changes the sales profession has seen is the growth of high technology, “high tech still requires high touch. Nothing happens until the rep sees the customer.”

Echoing that message was **Phyllis Abrams**, President of **PG Drives Technology, Inc.**, who acknowledged the changes technology has wrought in her presentation “Insight on Being a Global Presence.” According to Abrams, “No matter, the fact is that relationships still matter. You can’t just have an ‘e-relationship.’ People continue to buy from people. The challenge is to communicate the value that you provide.” 