

As the World Turns

Case Study | A Rep Adapts to a Changing World

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EDITORIAL | JACK FOSTER



JACK FOSTER

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What rep wouldn't like to hear the following words from a principal: **"We want you to become so successful that you become a millionaire. If that happens, it means we're going to become multi-millionaires."** Overseas manufacturers appreciate long-term relationships and this is particularly evident when they partner with reps. Here is one rep's story.

In addition to flying in the face of much of what reps have heard in the past, the above words were music to the ears of **John Aiello**, PSE Associates, LLC, Guilford, Connecticut. But who would have guessed that the music would be coming from beyond the Pacific Rim?

According to Aiello, who's been a MANA member since 1992, "I've always been a bearings rep. As long as my major business remained machine tooling, I was all set. But business changed, and I had to change with it. When things began to fall apart here in New England, I took a close look at the kinds of products customers were buying." That close look resulted in a change in how he approached the market and the kinds of products he sold and customers he sold to. Now instead of being the bearings rep he was in the past, he's forged relationships with foreign principals who supply products for everything from automotive to surgical to firearms.

Aiello's initial effort in executing an altered business plan was to partner with a Chinese bearings manufacturer. In addition to the obvious cost advantage (10%-15% difference in price) in working with an offshore manufacturer, Aiello says this first offshore manufacturer "was unusual in that he already had a presence in the United States. They took care of all the shipping and importing documents. If that wasn't enough, customers paid for their purchases in U.S. dollars. It naturally made my life easier, and the fact that customers were purchasing from a Chinese manufacturer was absolutely transparent."

Added benefits to the arrangement, Aiello continues, are that "my customers have always been concerned with product liability and intellectual property issues. Since the company has a U.S. presence, customers felt much more secure should problems develop in those areas."

Meeting Minimum Criteria

Encouraged by his initial success, Aiello developed a plan whereby any overseas manufacturer he was going to conduct business with had to meet a minimum criteria:

- ✦ **Quality** — "Low price in the absence of quality is hardly a good sale — for me or my customers. That's why quality is a given for all the manufacturers I work with."

- ✦ **U.S. presence** — "No matter where they are headquartered, my principals have to look just like a U.S. manufacturer. They have to have personnel here and they have to physically warehouse products."

- ✦ **Logistics & paperwork** — "All the companies I work with have to be the importer of record and handle all shipping, and I want transactions to be conducted in U.S. dollars."

On this last issue, the rep explains, "Even though I know the margins can be higher, I want to avoid buy/sell situations. I'm not going to take title to products. That's just not the way I'm going to go."

He continues, "If these requirements can be met, there's a good chance I can form profitable partnerships with foreign manufacturers."

Implementing these types of partnerships is hardly automatic and Aiello emphasizes the importance of completing the homework ahead of time. "Just as any important business decision, executing due diligence is critical in working with overseas suppliers. Being assured of a prospective principal's 'bona fides' is very important. I generally accomplish that by doing all I can to learn if they really are who and what they say they are. To accomplish that goal I've generally made an effort to speak to some of their customers in other territories and check with other reps — if they have any."

In addition to exhibiting proven track records, something else that has attracted Aiello to offshore manufacturers — that now total four on his line card — is their loyalty to reps and their eagerness to impact the American market via reps. "If I've learned anything," he says, "it's that the two Indian, one Chinese and one Korean manufacturer I work with are extremely loyal and will do anything to please the rep or customer. In addition, they're in these relationships for the long haul."

Customer Service to the Extreme

As an example of the latter, Aiello cites an instance when there was a delivery problem. In solving the problem, the Indian manufacturer put the products in question on a plane from India to Boston. But that wasn't enough. Accompany-

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Aiello has been further pleased by his foreign principals' eagerness to work with reps and their knowledge of the rep's place in the supply chain. "I've been pleasantly surprised by their knowledge concerning what reps do. And if there have been any gaps in understanding, they've been very willing to listen to and learn from me."

Aiello also downplays any disadvantages to working with manufacturers on the other side of the world in different time zones and with different cultures. "Sure there are some cultural differences that we have to get used to and time differences can be 10 hours or more. The real advantage, however, is that because of their physical presence in this country, those differences are minimized."


What he truly emphasizes is the ease with which he's been able to communicate with these principals. "The people I work with are highly educated and they all speak English. That, coupled with their desire to please, makes the relationships very workable."

He continues that the majority of his contact with these foreign principals is not directly with the factory. "My contact is

primarily with their U.S. presence. There have been occasions, however, when someone from the factory makes field visits with me. Just as everything else they do, this is done well. They communicate with me ahead of time, let me know where they want to go and what they hope to accomplish. It couldn't work any better."

In answer to the question whether his current involvement with foreign reps serves as a harbinger for further activity in the future, Aiello concludes that he'll probably be even more involved with overseas manufacturers. "We feel so strongly about this that while our company's motto in the past has been, 'PSE are problem solvers'; now that motto reads, 'PSE is a worldwide solution provider.'"

He follows those words by saying that other reps might benefit from changing their business plans to include foreign manufacturers if they haven't done so already.

"Just as any other business change, there's going to be a learning curve. But already I've learned how much these manufacturers appreciate long-term relationships. They're not just here for a couple of years, working with reps until the rep builds up the business and then they fire him. The rep truly is their partner. Their word is good and you're treated almost as an employee." 

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John Aiello started the sole person agency, PSE Associates, LLC, in 1991.

