



Tips From the

Real

**of Working with
International Principals**

BY JACK FOSTER

World



While working with international principals has proven to be a profitable and attractive option for many independent manufacturers' representatives, two agents caution there's much work to be done in order to make such partnerships work.

MANA members Sid Ragona and Dave Hull look over their experiences in Europe and Asia respectively and offer their agent peers advice on how to make the most out of overseas relationships. While there are some distinct differences/challenges in working with principals from Europe and Asia, the two men do agree that there are a number of areas that agents should consider and pay special attention to when considering whether to work with overseas principals. Ragona, who heads Ragona Scientific, Pittsford, New York, deals with instrumentation for nanotechnology and bionanotechnology and has experience in working with international principals primarily in Europe.

Hull, president of Precision Components, Inc., Charlotte, North Carolina, manufactures and sells components and complete, private-branded components to OEM bearing manufacturers. His international principal base is primarily in Asia.

Among the common concerns both independent manufacturers' representatives emphasize are these:

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Sid Ragona

✓ **The Role That Trust and Relationships Play**

Both men acknowledge the importance of developing and maintaining relationships and trust between the parties. According to Hull, “It may take a couple of years before your principals develop a feeling of trust with you and truly want to work with you. At the same time, it’s important for the rep to get to know the people he is going to work with overseas. That means taking the time to visit their locations and getting to know all the people you will be working with.”

“A key to establishing relationships — especially with China,” according to Hull, “is to let prospects know that what you’re interested in is establishing a ‘win-win’ relationship. Unfortunately, it’s easy to find opportunities that will only benefit the Chinese manufacturer, but that’s not the way to make it work. If you’re going to conduct business in China, find and develop relationships that will benefit both of you.”

Ragona concurs with that view and offers, “One of the principal ways I’ve found to do away with poor business practices is by getting to know the people I’m going to conduct business with. That’s why I make it a point on an annual basis to visit my overseas principals. I get to know everyone at the factory. They always put on a grand show for me when I visit and by visiting I’ve found that they share my enthusiasm for the partnership. What happens with this approach is that you become ‘family’ and by becoming family you’re able to solve any number of potential problems.

“Conversely when my international principals make visits to see me, they come to my house for dinner and attend my daughter’s ball games. This is really the only sane approach to sustain any reputable business relationship.”

✓ **The Importance of Conducting Due Diligence — Including Making Use of Rep-Savvy Legal Counsel**

Ragona maintains that any agent should take the same approach in dealing with an international principal as he would with a U.S.-based company. “With the European principals, I actually use the MANA guidelines. From there I come up with what I consider to be a fair and understandable written agreement. Then I have it checked by an attorney. As an aside, I make every effort to preempt having a European contract make an appearance.”

Hull adds that conducting due diligence with companies located in China with whom he has worked — and there are several of them — isn’t necessarily an easy task. At the same time, you make every effort you can to ascertain that a company is what it says it is. “We’ve done a fair amount of consulting for some companies looking to conduct business with Chinese companies. We’ll check with the local authorities and learn all we can. I’ve got to



Dave Hull

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admit, however, that it’s not unusual for us to learn that a company got its business license pulled just prior to going out of business.”

✓ **The Critical Need for Communication**

When we refer to communication here, that word has two meanings. First, agents should ensure that they are in regular and constant touch with their overseas principals. Second, agents should be sure that what they say is fully understood by their marketing partners.

When it comes to regular and constant communication, Hull notes that “A lot of what we deal with are engineered components that are made from customer instructions. That’s why it’s so important to use the phone (at least weekly) and e-mail (up to 10 messages in a day) and anything else that will allow you to get answers to all questions.” He says that he backs up this type of communication by traveling to China at least three times annually. “Many times my presence for business purposes is just something that’s expected, but I always make it a point to be there when anything important needs to be done.”

Ragona adds, “There are many commonalities when it comes to working with principals anywhere, but perhaps the most important consideration is that of communication. It’s critically important that any U.S. agent never assume that the English he is using is understood by an international principal. We as Americans have certain ways of speaking or writing in e-mails that don’t necessarily get to the point of what we should be talking about. The difficulty here comes from people speaking the same language, but not intending the same meaning for the words we speak. That’s why I make every effort to follow up with an e-mail or even phone conversations with additional communication.”

Something else that could fall under the subject of

communication is a lack of understanding by international principals of the U.S. way of working with independent manufacturers’ representatives. Ragona maintains that the European principals he’s worked with don’t arrive at that understanding until they’ve actually visited here several times. Hull concurs when he says many of the companies he’s come in contact with have no idea of what it’s like to conduct business in the United States. “It remains the rep’s job to educate their international principals on the rep way of going to market — that is, if they are educable.” That’s why it remains a constant challenge for the U.S. agent looking to conduct business with overseas companies.

✓ **Shipment Terms**

“When quoting on shipments from overseas,” explains Ragona, “it’s important to know what terms are being used and how they will affect the price of the shipment.”

He goes on to describe terms such as harmonized tariff codes and incoterms. “At first glance, harmonized tariff codes look particularly daunting and overwhelming and the incoterms seem simply confusing. Fortunately both can be distilled into simple explanations and preferred operating guidelines for manufacturers and reps to use.

“The harmonized tariff codes, officially known as ‘The Harmonized Commodity Description and Coding System,’ often referred to as ‘HS’ for short, is an international system designed for providing standardized names and numbers for product and sub sets of products. Thus the intent is to ensure that every conceivable product and its subcomponents can be classified with a name and number. This name and number will apply throughout the world for that product. It is then up to each country to ascribe a percent tariff to that product when it is imported into the country. The percent tariff is different for each country. On many products the percent is zero and

“One should ask the principal for the harmonized tariff code and how the tariff is passed on to the customer.”



on others it can be a few percentage points, and on some it can go into the high numbers.

“Fortunately for the North American rep all you need to know about the HS system is that it exists and what the number is, as well as the percentage tariff to the cost of goods that will ship. In addition you need to know how it affects the quotes you send to the customer. Basically, one needs to know who will be paying the tariff. In the end, the customer ends up paying for it, but it depends if it is wrapped into the quoted prices, or if the customer pays for it after shipment

“Since the harmonized tariff codes are international it is the responsibility of the principal to determine which category their product is classified as and those numbers will be the same all over the world. In theory every product should have a unique code that applies; however, in practice it is often the case that several descriptions may seem to apply equally well, thus it is up to the principal to carefully and justifiably pick the one that applies. Thus, one should ask the principal for the harmonized tariff code and how the tariff is passed on to the customer.”

✓ **Vacation Schedules**

Interestingly, Ragona emphasizes how important it is for U.S. agents to make themselves fully aware of vacation schedules of the companies they they’re going to be working with.

“In addition to the subtle shifts in understanding due to language, one of the most bewildering aspects of representing an overseas company is the number of holidays they take. If you talk to any domestic rep that has international principals, they will most likely tell you the same two things in quick succession. First they will say how personally rewarding it is and what great people they are to work with, after which they will say, ‘but they are always on vacation.’ Not only do they have numerous vacations but the vacations are taken seriously and e-mails and phone calls are almost never returned. More than once I have seen a service department’s automated e-mail state the dreaded lines, ‘We will be on vacation for the next three weeks and will respond to any emergencies as soon as we return.’ As incredible as this may seem, it is often not viewed by them as a concern, since in their view of the world, they selected their vacation when everyone else is taking three-four weeks off. For example, continental Europe almost shuts down in August. Again the solutions are quite easy. Be proactive and ask for the holiday schedule and ask who the backup is while they are away. Once again, it comes down to communication.”

*MANA welcomes your comments on this article.
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