

Relationship Building – The Critical Component of Success

Joe Arvin

In the manufacturing business, there are a great number of variables that factor into the formula for success. I'm sure all would agree on the basics, including competitive capabilities, quality and pricing. Obviously, you must have a well-equipped facility, good people and efficient systems. However, I'd like to suggest that there is another variable that must not be overlooked.

To make my point, let me share a story from my days as president of Arrow Gear Company. Note that the names may have been changed to protect the innocent.

Our second largest customer had been with us for over 30 years. Even though our inside salespeople had weekly communication with them, Gary, my VP of sales, was there three to four times

a year, and I was there a minimum of twice yearly. As going there was a somewhat involved trip, requiring air travel, renting a car and an overnight stay, I felt this was an adequate level of contact.

One day, Gary came into my office and told me that he had been informed that we would be losing almost all of our work from this customer.

Shocked, I asked him, "Why? What happened?"

"I don't know," Gary responded. "Bob, the director of purchasing, just said he was sorry, but the decision had been made. Next year we will be losing the majority of their business."

That afternoon, arrangements were made for Gary and me to fly there the next day.

When we were in Bob's office, I had the chance to ask him my burning

questions.

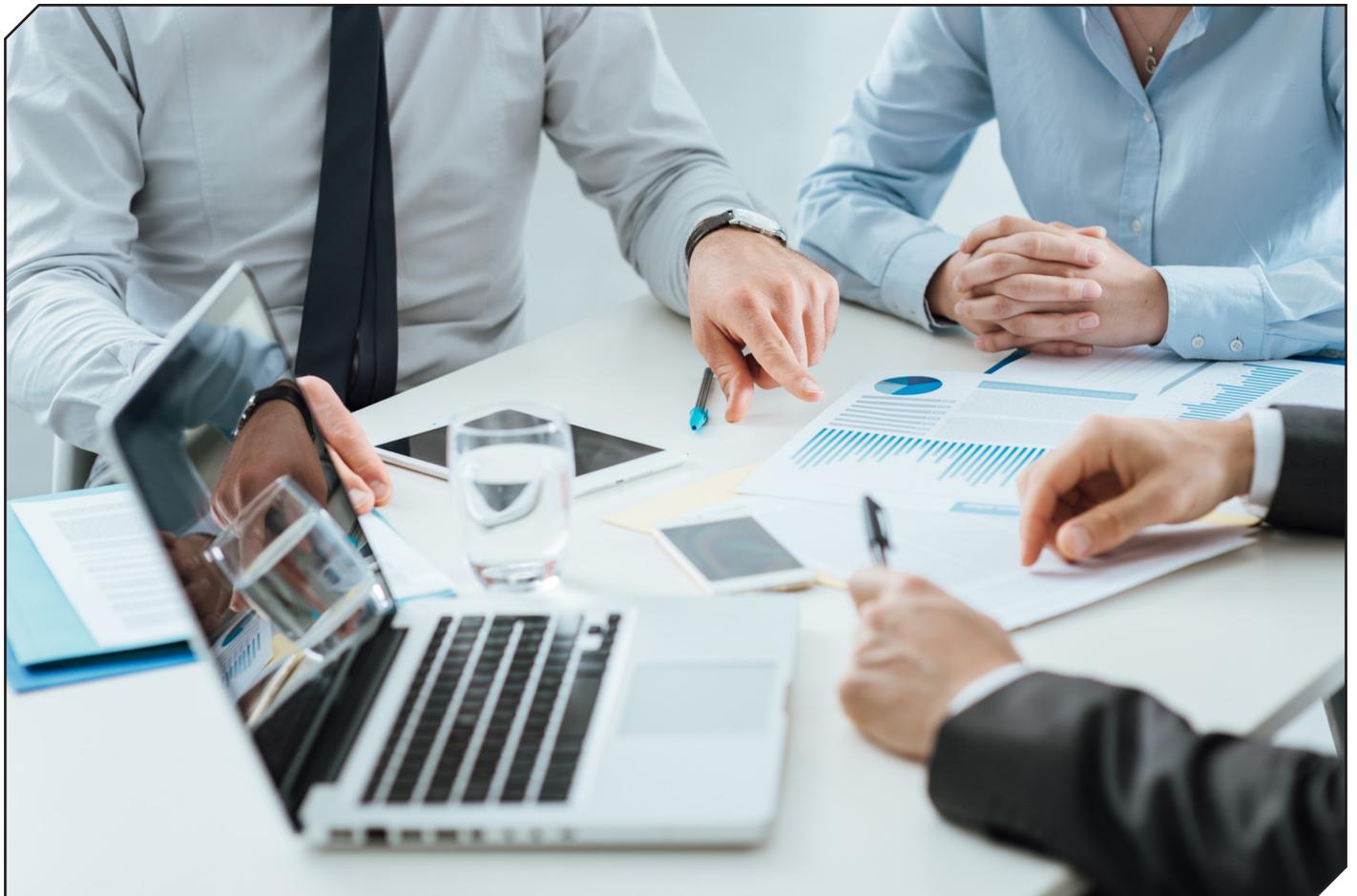
"Bob, we've been your major gear supplier for over thirty years with no gear failures, so I thought everything was going well. Is it our quality, price or delivery? What can I do to keep your business?"

Bob responded by saying, "I'm probably telling you more than I should, but here goes. You visit us about two or three times per year?"

"That's right," I answered.

"Here's the thing, Joe," he continued. "Your competition is here three to four times every month. They have dinner with my purchasing people and our engineers, as well as some of the executives. It turns out that their prices were just a little less than yours. So, the brass said to change suppliers."

Hoping to appeal the decision,



I pleaded, “Bob, what if we lower our prices?”

“I’m sorry, Joe,” he replied. “The decision’s been made.”

We had the best equipment to produce their parts, our quality was good, delivery was on time, and I thought our prices were acceptable. Even so, I learned a valuable lesson that day. I had overlooked the critical component of building and maintaining strong relationships. In the years that followed, I never forgot this important part of the formula for success. You may be hardwired with a customer, or think that you are, but working to maintain that relationship is something that you must not lose sight of.

Following are some ideas you can use for building and optimizing relationships to enhance the success of your business.

Visitation

As the previous story suggests, you need to visit your major customers as often as possible. To make the most of your efforts, you should have a formal strategic visitation timetable. You may be thinking, “Oh, come on Joe, we have over 500 customers and all of them are important.” Obviously, visiting that many customers is not feasible. If this is the case, you need to carefully develop a prioritized list which focuses on those that are the most critical. And whenever it is logistically feasible, visit others on the same trip. Also, send marketing updates to all your customers at least once per quarter.

Something to keep in mind is this: As we go through life, the strongest friendships we forge are based on mutual experiences. While I’m not suggesting that you go on vacation with your major customers, spending face-to-face time in meetings and informal settings like having dinner will go far in accomplishing the goal of building the relationship.

The Gatekeeper

Most of the people you will be trying to establish contact with will have a gatekeeper. This could be someone in reception or perhaps an administrative assistant. Whenever possible, try to have a relationship with the gatekeeper. Be sure they know your name and that you know theirs as well. Take interest in them as a person. Of course, you always need to be sincere. Being fake about showing interest is something people can usually spot a mile away and this disingenuous sales technique will not yield benefits. I recall one of our sales representatives who always took candy or other small gifts for the gatekeeper, which was always appreciated and helped to solidify the connection.

The Purchasing Agent

Since the purchasing agent holds the keys to the purchase orders, this is definitely someone you obviously will want to be closely connected with. However, keep in mind that some companies, particularly the large corporations, tend to change buyers every few years. This is a technique used to try and prevent the buyers from becoming too friendly with the suppliers and leading them to be less hard-nosed on getting the best prices. So, keep close contact with the buyer, and if that person is replaced, be sure to visit with their successor as soon as possible. A word of warning here is that a new buyer may press you to lower your prices right off the bat, as they will want to prove themselves in their new position. Forming a relationship early on can only help you during any required negotiations.

Going Beyond the Purchasing Agent

While the purchasing agent plays the critical role of issuing the purchase order, it is almost certain that he or she is ordering components specified by the company’s engineers. For this reason, if at all possible, try to make contact with

the right people on their engineering team. If you are also able to connect with someone on their executive team, this would be a plus.

Entertainment

Meeting customers in their office is always worth the effort. However, it is entirely different to meet with them in a more informal atmosphere like lunch or dinner.

As mentioned before, try to go beyond the purchasing agent when making your invitations for entertaining, including others who are higher up in the organization whenever possible.

I have to say that I have learned more about my customers over lunch and dinner, or while sharing a drink. This informal setting is simply more conducive for an open conversation, which is essential for building a relationship.

Speaking about entertaining the customer, this reminds me of a story. Phil had recently joined our company as a sales representative. After about a year of visiting our US customers with an experienced salesman, three individuals from one of our foreign customers came for a visit. Being that Phil was the only one available, he was asked to take them to dinner. The next morning I asked Phil how the evening went. His response was that all went well and then added that he was able to save some money. Curious and caught somewhat off-guard, I asked him what he meant by this. He then told me that he took them to a fast-food restaurant. My first impulse was to throw him out of my office. This customer was worth \$5M a year to us. Had he spent \$1,000 at the fanciest restaurant in town with the most expensive wine, I would have commended him on a job well done.

Suppliers

When it comes to building relationships, don’t forget about your suppliers. These are your strategic partners, and you want to have strong relationships

with them, just as you would with a customer. If they also happen to be a supplier to your competition, that's even better.

It is surprising what you can learn from your suppliers. When I was plant manager, I would often take our major suppliers out for dinner. Later, after becoming president, I still took the opportunity to go out to dinner with them. One day my secretary asked me why I spent these evenings with vendors. I replied that I can learn more about our competitors than through any other source.

Associations

I highly recommend becoming an active member in all the applicable trade associations. For those of us who are involved in the gear industry, we have the American Gear Manufacturers Association (AGMA). My connection with the AGMA has been highly valuable over the course of my career. In addition to the technical resources they provide, they offer the opportunity to meet with your competitors.

Now you might be thinking, "Are you crazy Joe? Why do I want to get all chummy with my competition?" Let me explain a few points from my experience.

It is important to not view your competition as necessarily the enemy. Take this opportunity to learn about what they do, how they function, and their strengths and weaknesses. At an industry function, you may want to buy them a drink or even buy them dinner, getting to know them personally. Furthermore, you may even invite them to visit your facility and if they take you up on your offer, they will likely invite you to visit theirs. Now, you may be thinking, "Joe, are you off your rocker?" Let me explain. What you will find, more times than not, are ways that you can help each other. Over the years, I have had many opportunities to collaborate with other gear companies for our mutual benefit.

Reporting What You Learn

As you go about interacting and building relationships with your customers, suppliers and competitors, it is important to share what you have learned with others in your organization. Many times the information you have observed can

be valuable to others in your company, positively impacting the efforts of the sales force as well as executives and their decisions.

Don't Rely Solely on Communication Technology

In today's business world and its high degree of integrated communication technology, it is easy to think that voice-mail, email, texting and even video conferencing can be used as communication channels for building relationships. I do not believe this to be the case. These tools can be useful for exchanging information about your connection with someone, but it is not a suitable replacement for meeting face to face and building a relationship.

Listening

There is an old adage that states, "I never learned anything by talking." This certainly holds true when it comes to interacting with your business network. Asking about problems and listening to the responses is not only a way to understand a person's challenges, but it aids in building the relationship. I will say that I personally need to pay more attention to this.

Partnerships

Finally, see your interactions with customers, suppliers and competitors as opportunities to find ways of working together that are mutually beneficial. Particularly as it applies to your customers, don't just be focused on promoting what you have to sell. Instead, be sure to communicate that you are interested in being a partner to help them meet their challenges and achieve their goals.

A Final Word

If you have any questions or comments, I would look forward to hearing from you. Also, if you missed any of my previous articles, here is a list of them by issue number and page. If you'd like for me to send you a copy, please send me an email or give me a call.

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