

It's May 1, and all government offices, shipping companies, and major factory staff in China are closed. Two weeks of trade shows—the Canton Fair and two in Hong Kong—kept buyers and sellers busy. Last year I wrote about how to go to the fair and what to do there. This year, I can tell you what was new at the fair. In a word: nothing. Those who were there did what they usually do, which is to make promises that will probably never come true. Many of the “kamikaze” prices and the companies that provided them last year were not there this year. Many prices were even higher than before.

All this reminded me of a problem that plagues everyone in business who makes proposals and prices to customers, and that is when to say no. It is important to have the discipline to turn away marginal business that does not make sense.

Saying no to a buyer is probably the hardest thing you can do. No

one wants to reject business. However, there are times when doing so leaves you free to use your resources to search for the rewards that come with business that does make sense. And that often means bigger rewards. Salespeople are focused on their commissions and sales goals. Factory managers are focused on keeping the production lines filled. Owners and managers are focused on the effects of a host of concerns on the overall business—cash and credit, supply, labor relations, and that expanding and contracting factor called capacity.

Living in China, I am used to watching my Chinese counterparts never refuse an offer—until they have to make it. Reality then sets in and the real numbers start. Most were raised on a government policy that developed years ago when it had to heat up an economy from a

WHEN TO SAY NO

By Dan Wenke

dead stop. The word was passed on down the line that any business was good business. Based on labor head counts, the government handed out year-end “gifts” to owners that amounted to millions of dollars—just for keeping the factory open and massive numbers of people employed. The practice varied from province to province and city to city. Cash flow for the sake of cash flow was the word. Keep the wheels turning; profits would come later. Does that sound familiar?

Loose money today, but make it up in volume.

Now that the realities of the market have set in, it appears to me that the government “manages” statistics about growth levels all the time. They are riding a tiger that has transformed their country. Bank loans are not performing, corruption is at an all-time high, and many firms are forced to actually work in the real world of profits and losses. Many firms in China are all



Not all deals are good. Sometimes, the best one is no deal at all.

learning the hard lesson about accepting every deal that comes along.

In North America, we have been in the real economic world longer. We all have customers who we have to sometimes reject or essentially run away from. How and when to do this are critical.

How and When to Refuse

Many times a new or even existing customer may ask the impossible. I love it when a conversation begins with, “Maybe you can do this because no one else can.” “What are they looking for,” I usually ask myself, “a human cannonball?”

Forget Reason

A good response after an impossible feat is requested can be a lengthy reasoning and logical explanation, based on facts and perhaps accompanied by figures, charts, and

arrows. Forget it. All this seems to do is to arm some customers for phase two of their requests. Instead, my recommendation is to politely tell them that it is not possible to handle their project based on your need to make a profit. Actually, I would leave out the word "profit" and just say it is not possible at this time. If things change you will call them; likewise for them.

The Good Customer

You might tell yourself, "We have to take this deal because they are a good customer!" No, you don't! You can—if it is based on some strategic reasoning, such as not causing your customer to look elsewhere. However, I usually add, "This offer is conditional and is a special accommodation for you based on our relationship." State reasonable limitations based on a mix of existing or new business. And remember, each request to you from a customer opens the door for a request from you in return!

Don't Join the Crowd

You can rationalize: "Everyone else is doing it, why can't we?" As my mother used to tell me, "If everyone else jumped off the roof, does that mean you have to?" Every industry has market prices for commodities. If you cannot be the low cost supplier in a commodity-based market, get out. Offer items that are new and different.

Regardless of your market, you need to be conscious about what the retail value is for an item. Work backwards: can a client sell retail based on your wholesale price? If it can, hold your ground. If not, check your costs and do what you can. But realize that if you cannot do the job today, maybe you can tomorrow. Leave your doors open. Don't burn bridges unless you are a great swimmer.

Brazil is now raising prices due to labor cost increases as well as the low value of the dollar, and more framing industry business is flooding into Asia than ever before. But the one thing I learned this year is that most Chinese factories that want to stay in business are not giving their products and services away. The Chinese are beginning to know what their money and efforts are worth. Yes, they sell cheap, but they are moving away from selling at crazy prices. The world actually is slowly getting on some kind of even footing. We need to move with it. This means we all have to use our ability to know when to say no when a deal doesn't make any sense. Sometimes, that means knowing when to not just walk but to run away. ■



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