

# 7 Tips To More Successfully Import From China

Volume VIII



## **About the Author**

My name is Klaus-Dieter Hanke and I was born on September 7, 1942 in Hirschberg/Silesia Germany. This book is dedicated to all hardworking importers and their staff around the world with the belief that it will help ease their difficult task.

My life was and still is full of excitement and I do not wish to miss a single bit of it. I am an atypical German, one who is not very fond of beer or soccer. I do not like pig's knuckles, but am very much in love with Asian food. It is one of the reasons I decided to move here 20 years ago. The main reason however was that I also enjoyed the company of Asian people, and having met a very special woman in Thailand, my decision to move had been fixated.

But I must not leave my life in Germany for last. I grew up with my grandparents in Wuppertal Germany. After receiving my High School diploma I moved to Cologne to join with my parents. Upon successful completion of my apprenticeship in one of the major Radio and TV retail shops, Radio Graf, I volunteered to join the German Air Force for two years. Having survived my Air Force years with minimum stress, a series of many successful, sometimes less successful, years awaited me in the German retail business sector.

I moved up the career ladder and ended up working as chief buyer for the electric and electronics goods division for ten years at one of the top three German hypermarket chain stores, Schaper Group, in Hannover. During that time, I frequently traveled to the Far East to purchase large quantities of consumer electronic products and computer accessories for

our group of companies. I developed a corporate identity concept with the brand name *Goldhand* for our import products, which were sold in many German supermarkets, hypermarkets, and discount shops. This was a very busy period in my life.

Later on I was offered a position as product manager for *Crown Japan* at their office in Hong Kong, where I was responsible for sales to their international customers in Europe. When Crown Japan ceased production of their consumer electronic products in China, I joined *Gemex Trading Limited* the Far East buying office of German *Metro Group* in the capacity of product manager for consumer electronics products. For my international readers, I should mention that *Metro Group* is the second largest retail group in Europe with a large number of hypermarkets and super markets in various European countries. I was traveling throughout Asia at least twice a month looking for new buying opportunities whilst enjoying the benefits of the Asian lifestyle.

After a failed attempt to move back to Germany, my wife and I returned to the Far East in only five months time. At this stage we did not return to Hong Kong but moved to Thailand where I opened my very own trading agency there. This was followed by even more extensive traveling, again all over Asia. My wife accompanied me on most of my trips whenever possible.

Unfortunately, in the following time, many European countries including Germany dropped into a deep recession and my customers' orders dropped as well, leaving us with insufficient funds to maintain our living standard.

Throughout my life I cannot say that Lady Luck was not kind enough that she did not dabble her fingers a little here and there. I gratefully accepted

an offer to open the Far East representative office of *Clatronic International GmbH*, the leading importer in Europe for small electrical home appliances.

Using my extensive knowledge about Chinese and other Asian production areas, I transformed the office from a one man business to a truly international trading company and sourcing office based on German principals. I was put in charge of that office as the Managing Director for over ten years.

During that time I experienced the ups and downs of an importer's life, but most importantly I learned everything that an importer must know, and quite a bit more.

After my retirement, I moved to Germany together with my family and founded *WebMediaBiz* with the intent of sharing my knowledge that comes from more than two decades of working in China and the experience with it. I do this so that other importers, like myself, won't have to put up or fall for traps that come with acquiring this knowledge themselves.

After thinking about the best way to share my knowledge with those that could benefit from hearing the tales I have to offer, I concluded that the best way would probably be to write several eBooks about the different specific subjects involved with importing from China. This way, each person can choose whichever eBook that covers their area of interest.

I am proud to report that I have successfully finished my task allowing all interested parties to download one or all of my eBooks about "Importing from China" from our website:

<http://www.webmediabiz.com>

## 7 Tips to More Successfully Import From China

The following eBook titles are presently available, more could follow later:

<a href="#">How To Import Products From China More Successfully</a>	Free of charge
<a href="#">How To Attend Chinese Trade Fairs More Effectively</a>	Free of charge
<a href="#">How To Make Chinese Factory Visits More Successful</a>	
<a href="#">How to Prepare for China Business Trips More Effectively</a>	
<a href="#">How To Assure Quality Imports From China</a>	
<a href="#">How To Settle Factory Claims In China More Successfully</a>	
<a href="#">How To Make Business Negotiations in China More Successful</a>	

Each eBook provides detailed insider information which tested my nerves, took sweat, and plenty of time to learn.

Usually no one likes to buy the cat in the bag. I have therefore created this eighth eBook in a series (a lucky number in China) with excerpts from each previous chapter or volume to prove my sincerity.

Reading it will give you a wealth of information about the undertakings of each book, but by comparison, only provide a glimpse of what each of the eBooks is about.

The eBook series is however not the only service that we provide to importers. Importers must have professional tools to make their work more efficient and be knowledgeable enough help to save cost.

### [Consultancy Services](#)

Sooner or later you will need professional help from someone whom you can trust and who may already be in the Far East to carry out the necessary actions in a quick and decisive manner for you.

Our company can be your trouble shooters if you are facing problems in China, which must be solved immediately. Our team will be on the spot in no time and take the necessary action as instructed by you.

Through the years they have gained substantial inside knowledge of the Chinese Market and its specific requirements and can offer you consultancy in the following important areas:

- Sourcing of Chinese products
- Factory assessments
- Production checks
- Product quality checks
- Negotiate competitive prices
- Follow Up on Project Management
- Control on-time deliveries
- Help with factory claims
- Arrange on-line and pre-shipment inspections
- Visit Chinese Trade Fairs
- Arrangements for business trips

Our network of connections in Hong Kong and China allows us to provide our services fast and at competitive prices. Please contact us for further information.

### **Insider Secrets Of Importing**

We have selected four additional programs for you, if you are new to importing or want to improve your skills. Experts will teach you how to start your own import business quickly and easy. Click on the links below for further information.

- [Starting an Import Export Business](#)
- [Importing for Auctions](#)
- [How To Start Your Own Import Business Without Losing Your Shirt](#)
- [Trade Fraud, Financial Fraud And The Joker Broker](#)

Each program is reasonably priced and will not break your bank. So do not hesitate to give it a try.

Thank you for your confidence in our company and services.

Klaus-Dieter Hanke

## 7 Tips to More Successfully Import From China

Notes

## 7 Tips to More Successfully Import From China

Notes



## Table of Contents

Chapter 1 - Find and Select Products for Your Importing.....	12
China - The Great Factory.....	12
What Not to Import.....	13
Beginning the Product Selection.....	13
What Others are Saying.....	15
Chapter 2 - Which Chinese Trade Fairs Should You Visit?.....	17
Trade Fair Calendars.....	17
Must Attend Trade Fairs.....	17
Canton Trade Fairs.....	18
Hong Kong Trade Fairs.....	18
Attending Several Fairs in One Trip.....	19
Other Regional Trade Fairs.....	20
Don't Waste Time and Money.....	21
Register Online.....	21
What Others are Saying.....	22
Chapter 3 - Your First Meeting and Important Discussion Points .....	24
Beginning the Meeting.....	24
Goal 1.....	24
Goal 2.....	26
Goal 3.....	28
Goal 4.....	29
What Others are Saying.....	32
Chapter 4 - Where Do You Want to go In China?.....	33
The Three Economic Zones of China.....	33
The Coastal Zone .....	33

The Middle Zone .....	34
The Western Zone .....	34
China's Top Ten Export Provinces.....	34
China's Top Ten Export Cities.....	35
Interactive Map of China.....	36
What Others are Saying.....	37
Chapter 5 - AQL: Acceptable Quality Level.....	38
Increasing Levels of Inspection.....	38
Defects and Defectives .....	39
Critical Defect.....	39
Major Defect.....	39
Minor Defect.....	40
Inspection Levels.....	40
Batch/Lot.....	40
Example of a Typical Inspection.....	41
What Others are Saying.....	42
Chapter 6 - Who is Informing Your Company of a Claim and What Actions Must You Take?.....	44
Who is informing your company about the problem?.....	44
Which actions must you take?.....	46
Chapter 7 - Some Common Discussion Points.....	50
Effective Questions for the Supplier.....	50
Delivery Time and Order Backlog.....	52
Port of Loading.....	52
Closest International Airport .....	52
Banking Details.....	53
Payment Terms.....	53
About Your Shopping List.....	54
Specific Discussion Points.....	55

Other Tests That Should be Considered.....	63
Protect Yourself From Copyright Infringements.....	63

## **Chapter 1 - Find and Select Products for Your Importing**

Taken from: [How To Import Products From China More Successfully](#)

Importing from China presents business both big and small an outstanding opportunity to greatly increase profit margins and still offer fantastic products at prices consumers are anxious to pay. The big guys might buy massive amounts of products at incredibly lower prices for the mass markets but there are phenomenal opportunities for small and medium size business to make fantastic buys of smaller quantities that still bring huge profits.

This eBook assumes that your company is a small or medium size importer with an established customer base in your home country or a company wanting to start with their own importing but lacking the experience to do so. The biggest and best reason for starting an import business or increasing your import volume is to improve your company's overall profit margin.

### **China - The Great Factory**

China is fast becoming a production super power, manufacturing a hefty proportion of the world's consumer products. It is often called the factory to the world. Because the Chinese economy is in a growth period, cost of manufacturing is very low compared to elsewhere in the world. This presents a fantastic opportunity to you as a seller. By sourcing your merchandise directly from China, you are able to get extremely low prices per unit and turning them around for a hefty profit in your own country.

## **What Not to Import**

As already mentioned in the eBook extract on our website, you need to spend substantial time to evaluate your home market for suitable products, which are in demand or will be in demand and the customers who want to buy them. As an importer and retailer, you know the first rule to success is knowing your customer and what they will pay handsomely for.

If you only follow what your competitors are already pursuing, you will end up importing too many “Me Too” products. Too much competition drives your profits down. The real China importing opportunity is the right product at rock bottom prices. Therefore, by all means, avoid looking for products that are already being imported by large buying organizations like retail chain stores, department stores or specialized importers with their own distribution channels. It will prove too difficult for you to compete with their buying power and their own buying offices in China.

The general process is to first select a product for import, negotiate a contract with the manufacturer, wait for the product to be manufactured, and then wait for it to be delivered by ship. It may take months for your products to reach your warehouse. A forward thinking strategy is essential to avoid piling up goods, which upon arrival nobody wants anymore.

## **Beginning the Product Selection**

Looking out for trends can be very time consuming because you need to know where to start. However, there is a shortcut that can save you valuable time. The program is called “Trend Cockpit”. You can download it from the internet by following this link: [Trend Cockpit](#). This program is amazing because it allows you to use a cockpit to log on to

trendsetters like Amazon, eBay, Google, YouTube, etc., unquestionably the largest retailers on the Internet. Altogether, there are 34 different web addresses for tracking trends. It is a heavy program of 200MB but it's worth downloading because you will also receive a 45 minute video explaining in detail how to use the program and where to find the latest trends.

Trendy products allow you to pull in huge profits when you are among the first importing them to your home country. The key is moving fast, otherwise the selected products are already out of fashion.

The market frequently changes and products which you sold for a couple of years, a decade ago, now may have a life cycle no longer than 8 months or so. This also explains why you must go and visit Chinese manufacturers more frequently to avoid missing the latest developments. You need to know in advance what's in the pipeline and who else other than the manufactures can tell you.

## **What Others are Saying**

Dear Mr. Hanke,

It is great to have the opportunity to read your books about doing business in China written by a person who has a western background and more than 20 years of personal and professional experience in China. It is also very important to point out that this experience is built up on a person that has been living in this country for such a long time.

Purchasing in China is not a difficult issue. Anybody can take a plane to Guangzhou, attend a fair, get some catalogues and quotations and place an order. Then wait for 60 days, load into a ship with a forwarding company and open the container into their own warehouse. The difficult point is to make profitable business with Chinese manufacturers. There is when you need to pay attention to every single detail and be very professional on each step you make.

Your books point out all those issues and show how to manage them on a successful way. It will be very helpful to all the readers to show how Chinese business people think and act. It is also important to know that issues that we do not even consider when doing business with western countries companies can become critical in China. To learn all this takes time, mistakes and money, but all of them can be reduced with the advice of a professional business man that has spent more than 20 years in China working for worldwide companies helping them on finding their products in this great and unexpected country.

Reading your advices I found myself many times. I have seen on my mind the things you describe that could happen, because they already happened to me. It is very helpful the practical and experience-based point of view of your books, things happen as you say, they are not theoretical situations. Anyone who has been dealing with China for

several years can find that your words match on their real experiences of the past.

Your books will be a great tool to all those people that do business in China to improve on many details and for those who are just starting to avoid most of the mistakes that we all have made in the past.

My best wishes,

Marc Solanas  
Managing Partner  
Lauson, S.A.  
Pasaje de Aral 110, Z.A.L.  
08040 Barcelona, SPAIN



## Chapter 2 - Which Chinese Trade Fairs Should You Visit?

Taken from: [How To Attend Chinese Trade Fairs More Effectively](#)

Please refer to the following links for all Chinese Trade Fairs in Hong Kong and in Mainland China during 2008.

### Trade Fair Calendars

Hong Kong: <http://tradeshowcalendar.globalsources.com/TRADE-SHOW/Country/HK/Hong-Kong.HTM>

Mainland China: <http://tradeshowcalendar.globalsources.com/TRADE-SHOW/Country/CN/China.HTM>

Since I do not know which kind of products you want to import, you need to select the appropriate Trade Fair yourself using the above links to the Trade Show Calendar provided by Global Sources.

### Must Attend Trade Fairs

However, I do advise you attend a few specific Trade Fairs. These are an absolute must attend for importing professionals regardless which other Trade Fairs you want to visit.

Canton (Guangzhou) Spring Fair Phase I **April 15 -20** Every year

Canton (Guangzhou) Spring Fair Phase II **April 25 - 30**. Every year

Canton (Guangzhou) Autumn Fair Phase I **October 15 -20** Every year

Canton (Guangzhou) Autumn Fair Phase II **October 25 -30** Every year

Please be aware that there are two different Exhibition Centers in Guangzhou:

1. The Linhua Complex right in the center of the city
2. The Pazhou Complex is a fantastic new building outside of the city center

### **Canton Trade Fairs**

Please refer to following link to Canton Fair Online:

<http://www.cantonfair.org.cn/en/index.asp>

By checking this link you can verify the Phase and complex you need to attend for your specific product categories.

### **Hong Kong Trade Fairs**

The other important Trade Fairs are the Hong Kong Trade Fairs. Depending on your product categories, it might even be possible to combine several Hong Kong Trade Fair visits along with a visit to the Canton Fair afterwards.

The most important Trade Fairs in Hong Kong are:

- Hong Kong Toys & Games Fair in **January of each year**
- Hong Kong Fashion Week for Fall/Winter in **January of each year**
- Asia's Fashion Jewelry & Accessories Fair **in March of each year**
- HK Watch, Clock, Optical Parts and Accessories Fair **in March of each year**
- China Sourcing Fair Electronics & Components **April 12 - 15 of each year**
- Hong Kong Electronics Fair Spring Edition **April 14 -17 of each year**
- Hong Kong House Ware Fair **April of each year**
- China Sourcing Fair Gifts & Home Products **April of each year**
- Hong Kong Gifts & Premium Fair **April of each year**

- Hong Kong Fashion Week for Spring/Summer **in July of each year**
- China Sourcing Fair Electronics & Components **October 12 -15 of each year**
- China Sourcing Fair Electronics & Components **October 12 -15 of each year**
- Hong Kong Electronics Fair Autumn Edition **October 13 -16 of each year**
- China Sourcing Fair Gifts & Home Products **October of each year**

There are also two exhibition centers in Hong Kong:

1. Hong Kong Convention and Exhibition Centre located in Wan Chai
2. Asia World-Expo located close to the Hong Kong airport facilities

Both venues have easy access by public transport and since Asia World-Expo is outside the city, it can be conveniently reached by the superfast Airport Express Train.

If you want to know about the location and details for each Trade Fair in Hong Kong, please refer to the following link:

Hong Kong: <http://tradeshowcalendar.globalsources.com/TRADE-SHOW/Country/HK/Hong-Kong.HTM>

### **Attending Several Fairs in One Trip**

It should be obvious that you can only combine visits to different Trade Fairs in Hong Kong and Mainland China if they happen to take place in April or October.

Many buyers take advantage of combining their specific Hong Kong based Trade Fair in April with the corresponding Trade Fair in Canton. That way you get maximum information and need only one intercontinental flight to achieve it.

## Other Regional Trade Fairs

As I mentioned before, there are additional Trade Fairs in other parts of China, which may be well worth your visit.

For instance, the **China International Consumer Goods Fair in Ningbo** is south of Shanghai. This Trade Fair will be arranged in June every year.

Besides that, there are other Trade Fairs in Guangzhou, Shanghai, Shenzhen, and Beijing. Since there are so many, you can contact the Trade Fair Organizers for further details. Please refer to the following link:  
Mainland China: <http://tradeshowcalendar.globalsources.com/TRADE-SHOW/Country/CN/China.HTM>

I have visited many of them and found the Trade Fairs in Ningbo and Shanghai quite interesting but it depends very much on the kind of products you are looking for.

It is also helpful to ask your suppliers or the companies you want to meet in China whether any of them will be attending one or more of these fairs or what they know about different trade fairs.

Being local, if they don't attend why waste your hard earned money by going there?

Another way is to get a list of current Trade Fair exhibitors or one from last year's participants and find out whether they are manufacturing the products you are looking for.

### **Don't Waste Time and Money**

Your primary task is to find out which vendors you will be able to meet when you get there. This is the most important question because if you end up at the wrong Trade Fair, it doesn't matter how well prepared you are. Going to the wrong Trade Fair in China can cost you thousands of dollars and many days of wasted time. Best to do your homework thoroughly to avoid having your trip turn into a disaster. Or ask somebody already in China who can investigate and advise you.

### **Register Online**

You can register online for most of the Trade Fairs by using the links I have provided. You should definitely go for it because it saves you time and money in the long run by getting you in direct contact with as many suppliers as possible.

After your company registers for the first time, you will automatically receive your visitor's pass for the Hong Kong Trade Fairs by mail. The Canton Fairs send an e-invitation which entitles you to free entrance. However, you need to register either at your hotel or at the entrance of the Guangzhou exhibition centers by presenting your e-invitation, a name card, and a photo to receive your entrance badge.

## **What Others are Saying**

Dear Mr. Hanke,

I am very glad to hear from you since you retired last summer. But as I expect you are still working hard. In Germany we call it "Rentner im Unruhestand".

Your idea to write down your 25 years of experience with Chinese partners is very helpful for companies who wants to make the first steps in Asia.

We started our business in China nearly 12 years ago. Without you as a competent partner in China, who understand the Chinese and German way of thinking and the different mentality of the peoples, it wouldn't be possible for our company to be such successful as we were it during the last years.

Many misunderstandings, deliveries and quality problems, like you describe them in your different eBooks, would happen, when you try to start business with Chinese factories by yourself without the support of a serious partner company.

You describe truly the most important things you have to observe in China.

By reading your eBooks you can comprehend all the positive and negative experiences you personally have made during your long time in China. All these reports should be helpful to avoid mistakes and they may prevent to lose money.

For supporting us the last years I want to thank you and for your new ideas and business activities I wish you all the best.

Greetings from Gemany.

Kind regards

**Marco Freund**

**ROBERT THOMAS**

**Einkaufsleitung / Purchasing Manager**

Telefon: 0049 (0) 2735 788 401

Telefax: 0049 (0) 2735 788 409

Mobile: 0049 (0) 170 7690 446

---

Robert Thomas

Metall- und Elektrowerke GmbH & Co. KG

Hellerstrasse 6 D-57290 Neunkirchen

Telefon: +49(0)2735 / 788-0

Telefax: +49(0)2735 / 788-659

UST Id.-Nr. DE 126576080

AG Siegen - HRA 4941

Persönlich haftende Gesellschafterin:

Thomas Beteiligungs-GmbH - Neunkirchen

AG Siegen - HRB 5562

Geschäftsführer: Paul-Gerhard Thomas

## Chapter 3 - Your First Meeting and Important Discussion Points

Taken from: [How To Make Chinese Factory Visits More Successful](#)

The first order of business at the meeting should be exchanging business cards by following the Chinese business etiquette. If you missed this important step go back to chapter 5 and review it.

### Beginning the Meeting

A good place to begin the discussion is by introducing yourself and your company to the meeting attendees. This can be followed by an explanation of why you are visiting. If you shared this information before arriving, keep it brief. If they are not aware of why you are visiting or if some in the meeting might not know, give more detail.

Depending on your **goals**, you will have completely different discussion points and the factory may ask more staff to join the meeting or others to leave.

If you have your own interpreter with you, this is the time for him to translate your speech so that everybody understands your requirement and company policies.

### Goal 1

#### Visiting a new factory for the first detailed evaluation

Since you want to make sure that the factory is the right business partner, you will have to ask them many questions to verify it. Be sure to



furnish them all necessary background information so they can fully answer your questions.

You want to show them your **Company Catalogue** and explain your company's policies. Part of your company's policies is your **corporate identity artwork concept**, which you need to explain thoroughly. This includes **Sketches, Drawings, and Photos** of packaging and branding information along with anything else that sets your company's products apart from the others. Here you must go into detail to be sure the factory has a clear picture of what you need.

The factory might not be able to meet your requirements but they may tell you where you can find products meeting your exact needs. This can be very helpful information and save a lot of time.

Bring along ads from newspapers and magazines showing products already being distributed by others that you are interested in for your customers.

Be prepared with **Color chips** of any pre-selected colors. Ideally, these will be real chips that you cut from products similar to what you are looking to buy. You will probably want to leave these samples at the factory so they have something tangible to develop for the plastic injection molds. Otherwise, you will lose time and money by having to send them when you get home. Your supplier may also have a question regarding the color and you can discuss the details much better face to face.

You want realistic price and delivery quotations from the factory. To accomplish this you must inform them about your required **Specifications**. Your quality requirement is a very important cost factor.

The requested quality standard is defined by your **Acceptable Quality Level** (AQL) which sets the limits of the satisfactory process average.

Finally, you need to discuss **your entire shopping list**, which is what the factories are mainly interested in. This gives them an idea about your company's buying potential.

This is a lot of information but if you prepared some copies for the factory you can focus on the main points in the first meeting. Ask them to study it during the day and return to the subject to answer their questions during the second and final meeting later in the day.

### **Goal 2**

#### **Visiting a factory to discuss a new large volume project**

The goal of this visit assumes a certain familiarity with the factory. Without knowledge of the factory, you would not want to place a large volume order with all the inherent risks involved.

You have to be very specific here. Give as much information as you can, to be followed by written records if possible in Chinese and English. This is a time when money is well spent on an interpreter. Even if your interpreter does an excellent job translating your discussion, the factory's engineers may not listen carefully enough or might not take sufficient notes. Assign your interpreter the task of translating a written copy of your requirements. Leaving your own written copy of instructions allows management and engineers to refer to the details to when they are needed.

Some technical issues cannot be understood by the sales managers because they usually lack a technical background. This stresses the fact that it is important having the right people attend the meeting. It never

hurts to request engineers and/or production managers to be available when you first begin arranging the meeting.

Do not make the mistake of meeting the sales manager in the comfort of your hotel lounge for lunch to deliver the details of your project. He will never admit that he does not completely understand what you told him and the engineers will receive filtered information. Undoubtedly, lacking vital technical information that will cause complications with your project.

Several times, I have seen the engineers received more than their share of the blame from their management for improper samples, missed deadlines, etc. If they had the correct instructions at the beginning, the entire disaster would have been prevented.

At times, I have had important meetings attended by 3-4 marketing staff, up to seven engineers, plus the company's president or vice president. Admittedly, it can be time consuming to get the entire message across to this many people. However, in the long run it is time well spent so that mistakes or complete project failure do not occur later.

Often, you begin these negotiations at the inquiry stage. Your customer at home wants more information before placing a firm order through you, the importer. You increase your chances of successfully landing the order if you can negotiate all of the terms, conditions, and price with the factory. Your personal relationship comes into play at this stage of negotiation.

Commonly, a large retailer will request several importers to submit a proposal for a large purchase order. If you think this is the situation, ask the factory if they have received similar requests from other importers. If they have and you have a good working relationship with the factory, it

can set the wheels in motion for you to receive the winning bid over your competition.

If you have treated the factory fairly in the past and have not pushed unduly hard when their back was against the wall, they may reward your good relationship with the preferential quote that seals your deal with the customer back home.

### **Goal 3**

#### **Visiting a factory where you are having major problems with the quality and/or delivery schedule**

Here you get right into the details by asking the management for a full explanation of the problems and what they are doing to solve them.

They should have had plenty of time to investigate the problems internally, after you first alerted them. It is totally unreasonable for them to request time to investigate at this point in time. You should expect them to be reporting solutions and progress towards fully resolving every issue you have identified.

To give you a full understanding, I will illustrate with a personal example. One of our factories was scheduled to deliver a large quantity of products with a tight deadline. Three separate shipment dates were involved. Unforeseen events delayed the start of production. This was compounded by the fact they only had a single mold for the plastic injection machine. It became obvious they were not going to be able to meet the first shipping deadline for this important contract.

Working closely with the factory management, I was able to convince them to manufacture another injection mold. Although it increased their

costs for this project, management realized that it would enable them to take on additional customers in the future.

By reacting quickly and proactively, production was doubled in approximately 2 ½ months. The project was saved by reacting quickly to get a timely solution in place.

The main point is that it is essential to visit the factory yourself or appoint a **consultancy service organization** like our company (<http://www.webmediabiz.com/consulting.php>), as soon as possible, when you are facing major problems. Problems with large volume orders cannot afford delayed solutions. Not only does this solve the immediate problem but it also demonstrates that you mean business and expect the factory to take any problems with your orders seriously.

Subcontractors may also be part of the problem. The factory may not be receiving the needed or correct raw materials, components, printed materials, etc. Do not hesitate to insist these parties directly participate in the meetings. They may only need to attend specific sessions but they definitely need to be part of the solution if they are part of the problem.

Make it clear to the factory that you expect a solution to the problem to be found during your visit. Do not give them the option of waiting until you return home before proposing and implementing a solution. Once you do return home, request that regular progress reports be sent to you.

### **Goal 4**

#### **Detailed negotiates of conditions and prices for new large volume orders**

It is common to negotiate better conditions and prices for large volume orders with the factory. If you can give them a larger than average order

they in turn have a better chance of negotiating lower prices for raw materials and components if they order them in bulk quantities.

Here is an example of negotiating the details. If the factory needs an average of 50K electric switches per month they typically negotiate the price based upon 50K per month. If you come to them with an order requiring 200K electrical switches for a single shipment they will certainly get a better price from their supplier that can be included in a lower price quote for you. This might only be 2 or 3 US cents but adding up the savings on all the components will give you a substantial price reduction.

Of course, also that applies to printed material and packing material. Do not forget to ask for a price concession for the factory's savings from reduced tooling setups and other production startup costs.

Just telling the factory that you need a 10% lower price is not convincing to the factory. They will give you the standard reply that they cannot afford it. The right strategy is breaking down the product into its components or materials to make your request more convincing.

Remember, every saved cent increases your profit margin. However, be realistic and do not overdo the negotiations because it could backfire. The factories might choose to save costs by reducing the quality of the delivered product.

Again, a real life example to demonstrate what could happen. Factories can increase the percentage of recycled plastic material marginally and you won't realize it even during a final random inspection.

The plastic material becomes softer and the surface less glossy. It also leads to a lower melting point for the plastic. If is used for home electrical

appliances (toasters for instance) it more easily deforms when exposed to heat.

Another quality problem with plastic materials that you possibly have experienced in your own home is lack of UV stability. Lack of UV stability causes discoloration in plastics when exposed to sunlight over time. UV stability is a cost factor to the factory and they know it will not be caught until long after the goods leave the factory.

If you intend to import electrical appliances and electronic equipment to Europe, the goods must comply with the **ROHS** directives (Restriction of Hazardous Substances). Member states agreed that after 1<sup>st</sup> July 2006, any product new to the market will not contain any of the six banned substances in quantities exceeding established maximum concentration values. The six substances are lead, mercury, cadmium, hexavalent chromium, poly-brominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE).

The factory must prove to you that they are complying with these directives but it is very difficult for you to verify it because of the high cost involved.

The point is to make you aware that the factory has plenty of options to reduce their cost when you negotiate unreasonably. First they will use legal methods to get costs down but might resort to and illegal methods if you push them too hard. Your working relationship should be a partnership that seeks a compromise rather than to continue squeezing.

## What Others are Saying

**Unitarma II**

**CROWN®JAPAN**

COMÉRCIO DE IMPORTAÇÃO E EXPORTAÇÃO S.A.

TEL: 21 994 81 20 FAX: 21 994 81 29

E-MAIL [UNITARMA@MAIL.TELEPAC.PT](mailto:UNITARMA@MAIL.TELEPAC.PT)

Rua da Costa nº.5

2695 – 030 Bobadela

Loures

Lisbon, 11th March 2008

Sub: WebMediaBiz.com

Dear Mr. Klaus Dieter Hanke,

We are amazingly surprised to see for the first time on the Web, a real guideline for genuine importers from China who, from all over the world will be able to benefit from your decades experience, only a click away on the Web.

We in Portugal, being a leading Importer from China and already having good guidance from you, feel now more comfortable to develop our Business with China, under your very timely Website, which will now onwards be much helpful to us.

We want to congratulate you for the initiative and hope it will be the most successful one and will be decisive for vacillating importers really involved in Business with the far east. We welcome you and wish you all the best on your new endeavour.

Kindest and Best Regards.

**Mahamade Iquebal Mohomade**



## Chapter 4 - Where Do You Want to go In China?

Taken from: [How to Prepare for China Business Trips More Effectively](#)

The answer to that question is directly related to the types of products you want to import from China.

In my eBook [How to Import Products From China More Successfully](#) I share my proven processes with my readers about how to find suppliers and how to select trendy and fashionable products.

### **The Three Economic Zones of China**

China is currently divided into three main economic zones, which are:

#### **The Coastal Zone**

This zone occupies 14.3 percent of China's total land mass, and its population accounts for 41.3 percent of the Chinese. Included in this zone are the 12 coastal provinces: Liaoning, Beijing, Tianjing, Hebei, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong, and Guangxi.

This is economically and industrially the most developed belt in China and includes China's most modern industries, especially steel, chemicals, engineering, and textiles.

In recent years, with the establishment of special economic zones in Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan Provinces, as well as the gradual opening up of all coastal areas, economic and industrial

development in this zone has rapidly expanded. As a result, it now monopolizes all of China's foreign trade.

### **The Middle Zone**

This zone occupies 29.4 percent of China's total land mass. Included in this transitional zone are the following 9 provinces: Heilongjiang, Jilin, Inner Mongolia, Shanxi, Henan, Anhui, Hubei, Hunan, and Jiangxi. Like the coastal zone, the middle zone is located mostly in Eastern Monsoon China, with the exception of Inner Mongolia, which belongs to the eastern part of Northwest Arid China.

In economic and industrial development, this zone is less developed than the coastal zone but much more developed than the third zone, the western zone. The total production value of heavy industry in this zone has surpassed that of light industry.

### **The Western Zone**

The third and least developed zone occupies 56.3 percent of China's total land mass. Included in this vast zone are following 9 provinces: Shaanxi, Gansu, Ningxia, Xinjiang, Qinghai, Sichuan, Guizhou, Yunnan, and Tibet.

Economically and industrially, this is the least developed zone in China (with the exception of Sichuan province), and it contains only a small portion of China's modern industries, mostly heavy industry.

### **China's Top Ten Export Provinces**

It is very probable that you will be interested in the products that come from one of China's top ten Export Provinces. They are:

- Guangdong
- Shanghai
- Fujian

- Beijing
- Tianjin
- Liaoning
- Hebei

### China's Top Ten Export Cities

Continuing to break down China's industrial make up, we next look at China's top ten export cities with their export rankings are:

Rank	Cities	Jan.- Oct. 07	Increase%	Share%
1	Shenzhen	1,351.60	27.5	13.7
2	Shanghai	1,164.80	25.3	11.8
3	Suzhou	960.70	27.5	9.7
4	Dongguan	484.60	25.6	4.9
5	Beijing	393.00	30.8	4.0
6	Ningbo	315.70	34.6	3.2
7	Tianjin	311.50	16.1	3.2
8	Guangzhou	310.50	17.8	3.1
9	Hangzhou	248.70	15.8	2.5
10	Qingdao	230.40	20.8	2.3
<b>Total</b>		5,771.50	25.4	58.4
Unit: US\$ 100 Million				
Source: Ministry of Commerce Website				

I have marked the most important cities in yellow and red for you. This should make it very easy for you to concentrate on these areas first. They are also the cities where most of the important Trade Fairs are held.

**Hong Kong**, as a Special Administered Region (SAR), must be included to give you a comprehensive list. Although Hong Kong is part of China, it is very westernized and prices are much higher than in the rest of China. It is unlikely that you will have products manufactured here but you may need the services of companies in the city. Hong Kong is an excellent source of services that bridge the Far East and West. Also, there are many trade companies in Hong Kong that source products in China that you might be interested in.

From Hong Kong, located in the Pearl River Delta, you can easily reach Shenzhen, Shunde (Foshan), Zhongshan, Dongguan, Zhuhai, and Guangzhou by ferry or train.

From **Shanghai** located in the Yangtze River Delta, you can easily reach Suzhou, Taizhou, Ningbo, Hangzhou, and Wenzhou by plane or car.

### Interactive Map of China

Here is a helpful link to an interactive map of China that allows you to open up maps that are more detailed by clicking on the different province's names. In some cases, you can access the street maps of the more important cities.

<http://www.johomaps.com/as/china/chinamap2.html>

Most people are not aware of the great distances that need to be covered when traveling in China. Knowing the location of each city will help you to prepare your a business trip to China that goes smoothly.

Most business travelers will enter China through either **Hong Kong** or **Shanghai**. From these gateway cities, you can then proceed to the other great cities I mentioned.

Chapter 9 of this eBook provides very detailed information about the major **Chinese Trade Fairs**. A decision to attend one or more of the fairs will influence your travel planning. Unless you have pressing business at a factory, the Trade Fairs and weather conditions should be part of your travel planning.

## What Others are Saying

Hi Klaus-Dieter,

Your website [www.webmediabiz.com](http://www.webmediabiz.com) is very impressive as it presents a wealth of practical information. I'm sure that anyone who is a novice in issues related to importing to China will find your site and eBooks a tremendous resource and time saver in getting the most critical information and tips to achieve maximum success in this arena.

~Sharon Vaz, Internet Marketing Angel, [www.internetmarketingangel.com](http://www.internetmarketingangel.com)



## Chapter 5 - AQL: Acceptable Quality Level

Taken from: [How To Assure Quality Imports From China](#)

The acceptable level is defined as the maximum percent defective (or the maximum number of defects per hundred units) that for the purpose of sampling inspection, can be considered satisfactory as a process average.

Acceptance sampling is actually a compromise between not doing any inspection at all and 100% inspection.

### Increasing Levels of Inspection

The concept of AQL only applies when an acceptance-sampling scheme is used with rules for switching between normal, tightened, reduced inspection, and discontinuance of sampling inspection.

These rules are designed to **encourage** suppliers to have process averages consistently better than the AQL. If suppliers fail to do so, there is a high probability of being switched from **normal** inspection to **tightened** inspection where lot acceptance becomes more difficult.

Once on tightened inspection, unless corrective action is taken to improve product quality, it is very likely that the rule requiring discontinuance of sampling inspection will be invoked.

Although individual lots with quality equal to the AQL are likely to be accepted, the designation of an AQL does not suggest that it is necessarily a desirable quality level. The AQL is a parameter of the sampling scheme and should not be confused with the process average that describes the operating level of a **manufacturing process**. It is expected that the

product defect rate will be less than the AQL to avoid having an excessive number of rejected lots.

## **Defects and Defectives**

A defect is any single nonconformance to specified requirements that occurs in a single unit of the product. A defective is a unit of product that contains one or more defects. Failure to meet requirements with respect to quality characteristics are usually described in terms of defects or defectives.

Defects detected during visual inspection are usually classified within 3 categories which are:

### **Critical Defect**

A critical defect is one that based on judgment and experience indicates it is likely to:

- a) Result in hazardous or unsafe conditions for individuals using, maintaining, or depending upon the products; or
- b) Prevent performance of the tactical function of a major end item. A critical defective is a unit of product that contains one or more critical defects.

**A critical defect automatically leads to the unit being rejected by the inspector.**

### **Major Defect**

A major defect is one, other than critical, that is likely to result in failure, or to materially reduce the usability of the unit of product for its intended purpose. A major defective is a unit of product that contains one or more major defects.

## Minor Defect

A minor defect is one that is not likely to reduce materially the usability of the unit of product for its intended purpose, or is a departure from established standards having little bearing on the effective use or operation of the unit of product. A minor defective is a unit of product that contains one or more defects.

## Inspection Levels

The inspection level determines the relationship between the batch size and sample size.

There are **3 general inspection levels** which are commonly used for inspections:

- **Level II** is designated as normal
- **Level I** requires about half the amount of inspection as level II, and is used when reduced sampling costs are required and a lower level of scrutiny can be tolerated.
- **Level III** requires about twice the amount of inspection as level II, and is used when more scrutiny is needed.

## Batch/Lot

A batch is a collection of products or components of the same type and size that must meet the same specification requirements and were all produced within a related period of time. This is also known as a production run. As an example, let's take a product that is being manufactured in five different colors. A batch of 1,000 red parts are produced by the injection molding machine and then moved to the next step in the manufacturing process. This is one batch. Next, the injection



molding machine is setup to produce 1,000 blue parts of the same component. This is a separate batch. And so on.

From each batch a predetermined number of samples will be drawn and inspected for conformance to the specified requirements.

The batch size is the number of items in a lot or a batch. The words batch and lot are interchangeable.

### **Example of a Typical Inspection**

This example illustrates the procedures for an AQL sampling inspection plan.

Product: FM/AM Auto Scan Radio

Batch size = 8,000 pieces

Method: Level **II**

**Major** 2.5

**Minor** 4.0

Sample size = 200 pieces

Acceptance numbers = 10 pieces or less with a **Major defect** and/or 14 pieces or less with a **Minor defect**.

That means if either the number of **Major** defects exceeds 10 pieces or the **Minor** defects exceeds 14 pieces or both occurs the entire batch is determined to have "Failed".

One more important point that is often overlooked by importers is the fact that the quality level of merchandise at the final destination is sometimes lower than the per-shipment results. Product deterioration can occur from transport, handling, change in environment, and/or reliability problems. You should take this into consideration when deciding AQL levels.

## **What Others are Saying**

Dear Mr. Hanke,

As you know our company is importing various products in huge quantities from China already.

As we are always interested in the most economical handling of the indeed very different purchasing market China we found your above website by coincidence.

I really have to say that this website with its entire links appears clearly-presented and is well understandable. The information offered is most valuable for economical purchasing from China and makes curious to learn more from the eBooks recommended. The information as well as the services offered will help new comers, and not only them, to save money and to avoid risk as much as possible when importing from Asia. Even for handling of difficulties I could find valuable advices!

I would like to summarize that such a service and information package for import from Asia presented in such a clearly-presented design I never saw before!

Kind regards

**Tamás Angel**

*Manager Purchasing Far East*

**Amica International GmbH**


Luedinghauser Str. 52

D-59387 Ascheberg

## 7 Tips to More Successfully Import From China

 + 49 (0)25 93 / 95 67 - 242

 + 49 (0)25 93 / 95 67 - 29242

 + 49 (0)172 / 287 4227

China  + 86 135 / 3455 7535

 [tamas.angel@amica-international.com](mailto:tamas.angel@amica-international.com)

 [www.amica-international.de](http://www.amica-international.de)

\*\*\*\*\*

Headquaters: Amica International GmbH • Paul-Ehrlich-Str. 22-26 • D-63322 Roedermark

Managing Director: Jacek Rutkowski • Registered: Offenbach HRB 33820

\*\*\*\*\*

## Chapter 6 - Who is Informing Your Company of a Claim and What Actions Must You Take?

Taken from: [How To Settle Factory Claims In China More Successfully](#)

If you are faced with a claim, you have to consider your available options. Claims usually involve large amounts of money that have to be set aside for penalty payments, compensation payments, and/or logistical costs.

I will discuss this in context of the same sources of claims as used in the previous chapter:

1. **Late or incomplete deliveries**
2. **Major quality issues**
3. **Copyright violations**
4. **Patent infringements**
5. **Non-compliance with laws of the destination countries**

### Who is informing your company about the problem?

1. **Late or Incomplete Delivery** problems will likely be detected by your own staff, the information will come from **your warehouse manager** when a shipping container arrives with **incomplete or missing quantities**. Your freight forwarder should report late deliveries to you when your goods are loaded into the container and shipped. You should have confirmed the vessel and departure date with your freight forwarder and therefore the late delivery should not come as a surprise to you. If your goods have been inspected (I hope you had followed my advice to arrange that), you would have known weeks ahead of time that the production was finished later than requested because your trusted inspection company had to

book the inspection date when production was at least 80% complete.

2. **Major Quality Issues** can be identified by several different parties. The information can have come from your **own QC department** (you can congratulate your people if they detected a quality problem that slipped by your inspection company or occurred during the long ocean and land voyage) or the information could have come from **one of your customers**. Your customers may have their own QC department that found a problem that your own people did not (if that is the case, you have to be concerned with your QC department's qualifications and take immediate action to avoid a reoccurrence). This scenario is more serious because it jeopardizes your reputation as a high quality importer. Another possibility is that **government authorities** detected quality issues during tests that are randomly performed in all EC countries on a regular basis. Samples are purchased from various retail outlets and tested for quality, performance, and compliance with local regulations.
3. **Copyright Violations** will likely be brought to your attention by the registered copyright owner or more likely, by their legal representative or even worse by a court issuing a restraining order against your company. Usually a copyright violation will be detected as soon as your customers begin selling the products. The information could also come from your customers lawyers after the copyright owner approaches them.
4. **Patent Infringements** are reported to you in a similar way as copyright violations. Since these cases are much more complicated, the reporting party will usually employ a specialized patent attorney to represent them. A copyright violation is often easier to decide

than a patent infringement because only real experts can decide whether a patent was infringed or not.

5. **Non-compliance with Laws of the Destination Countries**

usually results in you being contacted by one of the government authorities after they have detected the non-compliance during their random tests (see paragraph 2) or by one of your customers after they have been approached by the authority.

All 5 scenarios result with you being issued a written notification and there will probably be a deadline for you to reply or take action.

**Which actions must you take?**

1. **Late or Incomplete Delivery.** Missing quantities must be immediately reported to your supplier in China and your forwarder as well. It is unlikely that a large number of products are missing but sometimes it happens that between the factory and your warehouse, goods come up missing (are stolen). The supplier will always refer to his packing list but my experience is that if you are only missing a minor quantity, most suppliers will honor your relationship with them and compensate you for the missing goods because it is difficult to trace where the incident happened. The remedy could be shipping the missing quantities with the next container FOC (free of charge) or allowing you to deduct the value from your L/C payment. On the other hand, containers are normally sealed before shipment and it would be difficult to steal something without breaking the container seal. Missing quantities should not happen too often, otherwise it indicates something is seriously wrong within your supplier's organization. Late deliveries or partial deliveries should only be accepted by your company on a one-time exception basis, otherwise you set the standard for all future

shipments because you have shown too much leniency towards your supplier. I believe that punctual delivery of each order is essential because you have commitments to your customers. Large retailers require suppliers accept penalty clauses for late deliveries and that could become an issue here. I mentioned in chapter 2 that your P/O must contain various clauses including a **Late Delivery Clause**. This clause will now apply and there could be substantial money at stake if you missed your customer's promotion. In any case, you must file your claim with the factory and ask them how they will compensate you.

2. **Major Quality Issues.** You must immediately stop all deliveries of faulty products to any of your customers. If additional containers are on the way to you from China, the likelihood that these products will be also faulty is quite high. Inform your supplier immediately (see filing a claim in chapter 7) and negotiate with him about what to do with the remaining quantities. Your supplier usually has an interest in solving the situation quickly otherwise, he will not be paid. Be prepared for your customers to return the faulty products to you and charge you for the transportation costs. Large retailers will also deduct the value of the returned goods from their next payment to your company. So it is again about a lot of money. File your claim with your supplier as soon as possible. It is also in his interest because he may face the same problem from other customers if the problem is not solved right away.
3. **Copyright Violations** require that you comply with the deadline and inform the copyright owner of actions you have taken. Of course, you can object to his request if you are 100% sure that your products do not violate his copyright. That might be a very bold step because, in my experience, in most cases the copyright owner will have a solid case against you and you will not win.

Copyright violations do not leave much room for leniency. If your company has violated somebody's copyright and he can prove it, you will not be allowed to continue selling the products and will be issued a court restraining order to make sure that you obey. If you are lucky and this was your first delivery of the copyright goods, the requested compensation payment will be lower than if you have been importing the goods for months or years. Your company has to provide evidence of the total imported and distributed quantities to the copyright owner or his legal representatives. Bargaining over the compensation payment can take quite some time and you will have to pay lawyer's fees as well. File your claim with your factory immediately but leave the total compensation amount open, because it is not known at this stage.

4. **Patent Infringements** require that you meet the deadline to inform the patent holder about any actions you have taken. Objecting to his claim might be more difficult than objecting to a copyright violation due to the more complicated nature of these cases. It will be a lengthy process and the outcome is uncertain. In any case, you will need the help of an experienced patent lawyer. A normal lawyer will not be of much use to you because they lack the required knowledge to assist in these cases. It will again be about a large amount of money (you will find examples in chapter 14). Filing a claim with your supplier as soon as possible is essential. You will not know the total compensation amount because it will be decided later but file the claim right away.
5. **Non-compliance with Laws of the Destination Countries** again requires you to comply with any deadlines and informing the authorities of actions you have taken to solve the problem. You will likely have fines and fees to pay based on how long it takes you to



resolve the problem. Failing to take prompt action will only make a bad situation worse. Remember it is the government you are involved with and their offices are quite powerful. Once a violation is proven, they won't take "No" for an answer. Since your product has breached the law, at least that is what they will try to prove to you, anything is possible. The authorities have the right to ask for a nationwide recall of your products that could require newspaper, radio, and/or TV ads. I do not need to tell you how damaging this will be to your reputation. To be blunt, it could easily kill your company. Since all of your customers will learn about your problem, they may discontinue purchasing any of your products to avoid tainting their own image. You may ask: "How it is possible that the violation was not detected earlier"? Unfortunately, this can easily happen if you are importing technical products like electrical home appliances or consumer electronics products. Again, you will find real life examples in chapter 14. In the EC, electronic products must comply with the EMC (Electromagnetic Compatibility) law that has limits for electromagnetic emissions. Samples that are prepared for EMC approval are usually within the allowed tolerances but they may not be maintained during mass production. If your Government authorities draw a lot of five samples and the majority fail to meet the regulatory limits, your products are unfit for sale. If it is only one out of five products, your product may remain viable for sale if you can prove to the authorities that it is a one time exception and provide the authorities with a corrective action plan from your factory. In any case, you need to file a claim with your supplier immediately as part of your action plan and deadline. If you have shipped a large quantity to your customers and have to recall these quantities from them, you will need a large compensation amount to cover all your expenses.

## Chapter 7 - Some Common Discussion Points

Taken from: [How To Make Business Negotiations in China More Successful](#)

When visiting your suppliers' offices the meeting normally is held in their showroom. Taking a close look at their presentation and product displays should give you a pretty good idea about how well or poorly that company is organized.

Ugly, untidy, and dirty showrooms do not reflect well on the supplier's diligence. However, that impression may deceive you because your supplier may still live up to your expectations.

I have found that at least 50% of most suppliers' showrooms in Hong Kong look like a garbage dump and you might be too scared to work with these suppliers. Rest assured that you can work with these suppliers but you need to take some precautions. If you follow my checklist and receive satisfactory answers from your suppliers, you may still want to give your new supplier a try.

It is all about competence and if you have the impression that your new supplier has enough of it, go ahead and make his day.

### Effective Questions for the Supplier

Which questions should you ask during your meetings with each of your suppliers? You want to ask at least the following questions:

- What is your FOB price in US\$?
- What is your usual port of loading? They can sometimes offer you a choice of several ports.
- Do they have their own factory, what is the name, and where is it located?

## 7 Tips to More Successfully Import From China

- When was your company established?
- Who are the owner(s)?
- How many production lines do you have?
- How many workers does your factory employ?
- What are your main export markets?
  - If the answer is Europe, your next question should be: Which countries there?
- Who are your main customers? Of course you are mainly interested in customers from your country but it would be interesting to know if large companies like Wal\*Mart or Carrefour are buying from them.
- What is your delivery time during normal season and peak season?
- Are you subcontracting part of your production and if so which parts?
- Does your factory have their own injection machines?
- Is metal punching done in house?
- Is your factory ISO 9000 or ISO 9001 approved?
- In the event the quantity from your shopping list is not sufficient: What is your minimum order quantity per product?
- Which laboratory are you using for your approvals?
- What approvals does your company already have?
- Which certificates have been obtained?
- What new products do you have that are not on display?
- When can I see sketches, drawings, or photos of these new products?
- Can you please e-mail me your bank details? You will need this to pay the sample costs when you order product samples.

Here is more detail about what should be discussed based on the previous questions:

### **Delivery Time and Order Backlog**

You need to ask the factory management about their delivery time during the low and peak seasons so that you have information about how long it will take for your goods to ship. This is also important to understanding the lead time needed when placing purchase orders.

Something else that needs to be asked is their current order backlog. This indicates how well the factory is doing. If they do not have many orders, there may be a reason for it, which can be important in your decision making. If the factory won't talk about a low order backlog, there is a chance that their competitor knows which proves one more time how important it is to visit the factories in person.

### **Port of Loading**

Since factories sometimes can use different ports of loading, you need to inquire which one is usually used because the applicable freight charges will apply and you need that information to properly calculate your landed cost. Some ports have only one vessel departing per week and you must know this in advance when planning tightly scheduled shipments.

### **Closest International Airport**

I want to mention that some products can only be shipped by airfreight. Notebook computers and MP3 players are typical examples. The key components of these products are ICs that constantly fluctuate in price. At present, the prices are in constant decline. Buyers need to receive their goods within a short time or they will not be able to make a profit. The price they need to charge will be higher than the price being charged for goods that were air shipped. That makes air shipment unavoidable.

## **Banking Details**

When discussing the payment terms with factory management, ask them for their banking details, which will allow you to do a background check before placing your orders with them.

## **Payment Terms**

Finally, you need to negotiate the payment terms, which are usually by irrevocable letter of credit at sight (L/C). This is usually the safest way to pay the factory and also allows them to obtain loans from their bank to start the production on time.

Never ever let the factory convince you to remit a down payment of let's say 20 or 30% of the total order value by T/T to enable them to start your production. Ask yourself why are they asking for this? There is only one reason, which is that the factory has no money and obviously no other orders. They want you to jumpstart production with your cash. If something goes wrong and the likelihood is rather great something will, you will lose your money and never receive a shipment.

If the staff member you are meeting with can answer most of these questions, you can be relatively sure that it is not a trading company. Even if they pretend that they have several factories working for them, they are not likely to know all of these details.

I should point out that you should have already disclosed the content of your shopping list before asking all of these questions.

## About Your Shopping List

Here is the information your shopping list should include. It needs to include all of the products that you want to source. Your specific requirements may go beyond this basic list:

- Product description
- Target FOB price in US\$
- Quantity of the first shipment
- If possible an estimate of your yearly quantities
- Requested earliest delivery date
- Destination port
- Packaging information if other than standard
- Number of samples needed

It is not wise to inform all suppliers about your target prices right away. You could end up with prices matching your target prices but you may have actually been able to negotiate a lower price.

On the other hand, inform your supplier of your target price if they quote a price that is not even close to what you want to pay.

It is also essential to provide your company's specifications before asking for price quotes. Of course, you can play the hide and seek game by not disclosing your requirements to the supplier. The big disadvantage with this is that you will be drawn into lengthy negotiations later because the supplier will tell you that his price was based on his own standard and everything above that must be added to the originally quoted price. There can be no doubt that the supplier is right.

I believe it is part of fair play to fully disclose your requirements up front. To do anything less may force your supplier/factory to lower the product quality by using cheaper materials in order to obtain the purchase order.

Think of the lead paint tainted toys that were recently imported into the United States but had to be recalled in very large numbers. I do not know the real reason why this cheaper but dangerous paint was used in the first place. It could have been pure greed but it also could have been that the buyer pushed the suppliers too hard for lower prices that he could not achieve without cutting corners.

Although China is a land of nearly unlimited opportunities, their factories cannot escape worldwide developments and price hikes. Chinese suppliers/factories are also feeling the crunch and have to adjust to survive.

This means it will be difficult for you to negotiate much lower prices because there is no more room for your supplier/factory to maneuver. On the other hand, it cannot be much of a disadvantage for you because everybody faces the same problem.

Do not forget to take photos of the showroom samples with a digital camera. Sometimes you may have to shoot photos from different angles to get it right. Digital photos are essentially free so more is better than less.

You don't often have the opportunity to meet your suppliers in person. Use your time well to collect all the information you can. What you learn now could be vital evidence if there is some kind of misunderstanding later.

### **Specific Discussion Points**

#### **Visiting a new supplier for the first time to perform a detailed evaluation**

Since you want to make sure that the supplier is the right business partner, you will have to ask them many questions to verify it. Be sure to furnish them all necessary background information so they can fully answer your questions.

You want to show them your **Company Catalog** and explain your company's policies. Part of your company's policies is your **corporate identity artwork concept**, which you need to explain thoroughly. This includes **Sketches, Drawings, and Photos** of packaging and branding information along with anything else that sets your company's products apart from others. Here you must go into detail to be sure the factory has a clear picture of what you need.

The supplier might not be able to meet your requirements but they may tell you where you can find products meeting your exact needs. This can be very helpful information and save a lot of time.

Bring along ads from newspapers and magazines showing products already being distributed by others that you are interested in for your customers.

Be prepared with **color chips** of any pre-selected colors. Ideally, these will be real chips that you cut from products similar to what you are looking to buy. You will probably want to leave these samples with the supplier so they have something tangible to develop for the plastic injection molds. Otherwise, you will lose time and money by having to send them when you get home. Your supplier may also have a question regarding the color and you can discuss the details much better face to face.

You want realistic price and delivery quotations from the supplier. To accomplish this you must inform them about your required



**specifications.** Your quality requirement is a very important cost factor. The requested quality standard is defined by your **Acceptable Quality Level** (AQL) which sets the limits of the satisfactory process average.

Finally, you need to discuss **your entire shopping list**, which is what the suppliers are mainly interested in. This gives them an idea about your company's buying potential.

This is a lot of information but if you prepare some copies for the supplier, you can focus on the main points during the meeting. Be sure to ask them to study all of the details and get back to you if they have any questions.

### **Visiting a supplier to discuss a new large volume project**

The goal of this visit assumes a certain familiarity with the supplier. Without knowledge of the supplier/factory, you would not want to place a large volume order with all the inherent risks involved.

You have to be very specific here. Give as much information as you can, to be followed by written records if possible in Chinese and English. The supplier's engineers may not listen carefully enough or may not take adequate notes. If there is a written record it is something they can consult later if they need to verify details.

Some technical issues cannot be understood by the sales managers because they usually lack a technical background. This stresses the fact that it is important having the right people attend the meeting.

Do not make the mistake of meeting the sales manager in the comfort of your hotel lounge for lunch to deliver the details of your project. He will never admit that he does not completely understand what you told him and the engineers will receive filtered information. Undoubtedly, lacking

the vital technical information that will cause complications with your project.

Several times, I have seen the engineers received more than their share of the blame from their management for improper samples, missed deadlines, etc. If they had the correct instructions at the beginning, the entire disaster would have been prevented.

At times, I have had important meetings attended by 3-4 marketing staff, up to 7 engineers, plus the company's president or vice president. Admittedly, it can be time consuming to get the entire message across to this many people. However, in the long run it is time well spent so that mistakes or complete project failures do not occur later.

Often, you begin these negotiations at the inquiry stage. Your customer at home wants more information before placing a firm order through you, the importer. You increase your chances of successfully landing the order if you can negotiate all of the terms, conditions, and price with the supplier. Your personal relationship comes into play at this stage of negotiation.

Commonly, a large retailer will request several importers to submit a proposal for a large purchase order. If you think this is the situation, ask the supplier/factory if they have received similar requests from other importers. If you have a good working relationship with the supplier, it can set the wheels in motion for you to receive the winning bid over your competition.

If you have treated the supplier fairly in the past and have not pushed unduly hard when their back was against the wall, they may reward your good relationship with the preferential quote that seals your deal with the customer back home.

## **Visiting a supplier where you are having major problems with the quality and/or delivery schedule**

Here you get right into the details by asking management for a full explanation of the problems and what they are doing to solve them.

They should have had plenty of time to investigate the problems internally, after you first alerted them. It is totally unreasonable for them to request time to investigate at this point in time. You should expect them to be reporting solutions and progress towards fully resolving every issue you have identified.

To give you a full understanding, I will illustrate with a personal example. One of our factories was scheduled to deliver a large quantity of products with a tight deadline. Three separate shipment dates were involved. Unforeseen events delayed the start of production. This was compounded by the fact that they only had a single mold for the plastic injection machines. It became obvious they were not going to be able to meet the first shipping deadline for this important contract.

Working closely with the factory management, I was able to convince them to manufacture another injection mold. Although it increased their costs for this project, management realized that it would enable them to take on additional customers in the future.

By reacting quickly and proactively, production was doubled in approximately 2 ½ months. The project was saved by reacting quickly to get a timely solution in place.

The main point is that it is essential to visit the factory yourself or appoint a **consultancy service organization** like our company (<http://www.webmediabiz.com/consulting.php>), as soon as possible, when

you are facing major problems. Problems with large volume orders cannot afford delayed solutions. Not only does this solve the immediate problem but it also demonstrates that you mean business and expect the factory to take any problems with your orders seriously.

Subcontractors may also be part of the problem. The factory may not be receiving the needed or correct raw materials, components, printed materials, etc. Do not hesitate to insist these parties directly participate in the meetings. They may only need to attend specific sessions but they definitely need to be part of the solution if they are part of the problem.

Make it clear to the factory that you expect a solution to the problem to be found during your visit. Do not give them the option of waiting until you return home before proposing and implementing a solution. Once you do return home, request that regular progress reports be sent to you.

### **Detailed negotiates of conditions and prices for new large volume orders**

It is common to negotiate better conditions and prices for large volume orders with the factory. If you can give them a larger than average order, they in turn have a better chance of negotiating lower prices for raw materials and components if they order them in bulk quantities.

Here is an example of negotiating the details. If the factory needs an average of 50K electric switches per month they typically negotiate the price based upon 50K per month. If you come to them with an order requiring 200K electrical switches for a single shipment they will certainly get a better price from their supplier that can be included in a lower price quote for you. This might only be 2 or 3 US cents but adding up the savings on all the components will give you a substantial price reduction.

Of course, this also applies to printed material and packing materials. Do not forget to ask for a price concession for the factory's savings from reduced tooling setups and other production startup costs when they will benefit from a long production run.

Just telling the factory that you need a 10% lower price is not convincing to the factory. They will give you the standard reply that they cannot afford it. The right strategy is breaking down the product into its components or materials to make your request more convincing. Remember, every saved cent increases your profit margin. However, be realistic and do not overdo the negotiations because it could backfire. The factories might choose to save costs by reducing the quality of the delivered product.

Again, a real life example to demonstrate what could happen. Factories can increase the percentage of recycled plastic material marginally and you won't realize it even during a final random inspection.

The plastic material becomes softer and the surface less glossy. It also leads to a lower melting point for the plastic. If is used for home electrical appliances (toasters for instance) it more easily deforms when exposed to heat.

Another quality problem with plastic materials that you possibly have experienced in your own home is lack of UV stability. Lack of UV stability causes discoloration in plastics when exposed to sunlight over time. UV stability is a cost factor to the factory and they know it will not be caught until long after the goods leave the factory.

If you intend to import electrical appliances and electronic equipment to Europe, the goods must comply with the **ROHS** directives (Restriction of Hazardous Substances). Member states agreed that after 1<sup>st</sup> July 2006,

any product new to the market will not contain any of the six banned substances in quantities exceeding established maximum concentration values. The six substances are lead, mercury, cadmium, hexavalent chromium, poly-brominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE).

The factory must prove to you that they are complying with these directives but it is very difficult for you to verify it because of the high cost involved.

The point is to make you aware that the factory has plenty of options to reduce their cost when you negotiate unreasonably. First they will use legal methods to get costs down but might resort to illegal methods if you push them too hard. Your working relationship should be a partnership that seeks a compromise rather than to continue squeezing.

Those are the general discussion points but you need to address these other key points during the meeting:

### **Check One More Time to Be Sure the Factory Clearly Understands Your Specifications**

Most important is to make sure that factory management understands your specifications.

What sort of things do you need to specify? Have you included?:

- Labeling
- Any special markings
- Packaging including the quality of cardboard
- Materials or components to be used
- Types and colors of paints and finishes

- Instructions in one language or several languages suitable for your clients? Instructions in Chinese do not go over well in Europe or the USA.

Many importers use the Pantone Color Chart numbers to instruct the factory about their color or color combination requirements. Follow this link to the online Pantone Color Chart:

<http://www.source-werbeartikel.com/Pantone>

I can tell you from my experience that the results will not be very good. Especially if you have several factories involved which have to follow your color requirements.

It is much more practical and produces better results, when you use color chips instead. You can buy items that have the correct color in your home country and cut off some pieces of the plastic material. Always keep several reference samples for yourself and handover a piece that is a reasonable size to each factory. Reasonable does not mean a thumbnail sized one because it is not large enough for the factory to make the injection color accurately.

### **Other Tests That Should be Considered**

Also, consider the tests to be conducted during manufacturing and at completion. Do you need CE or ROHS approvals for importing electrical goods to Europe? If wood is contained in the product or the packing, are fumigation certificates required?

### **Protect Yourself From Copyright Infringements**

Does the factory or supplier own the intellectual property rights of the product? Do not believe you can import well-known international brands

unless you intend to buy them from the brand owner. Gucci, Samsung, Sony, Philips, or any owner of a well-known brand certainly will not allow a Chinese supplier to sell their branded products at low prices through the back door! China is probably the world's largest source of fake or pirated goods with well-known logos and branding that are simply copies or worse just a logo stuck on a similar looking product.

Not only will there be little or no warranty but worse you risk serious legal action and possibly a criminal conviction if you cannot show proof of ownership of the brand name or that an agreement exists with the brand owner when you import under a brand other than your own or the factory's. Even if it is the factory's brand, you still need to have a written agreement with them to distribute it.

Please take this very seriously and do not even consider trying to import fake goods. It would destroy your reputation at home in addition to the possible legal proceedings.

Learn more about the ins and outs of importing from China based on 20+ years of experience with these 7 books:

[How To Import Products From China More Successfully](#)

[How To Attend Chinese Trade Fairs More Effectively](#)

[How To Make Chinese Factory Visits More Successful](#)

[How to Prepare for China Business Trips More Effectively](#)

[How To Assure Quality Imports From China](#)

[How To Settle Factory Claims In China More Successfully](#)

[How To Make Business Negotiations in China More Successful](#)