

Volume IV

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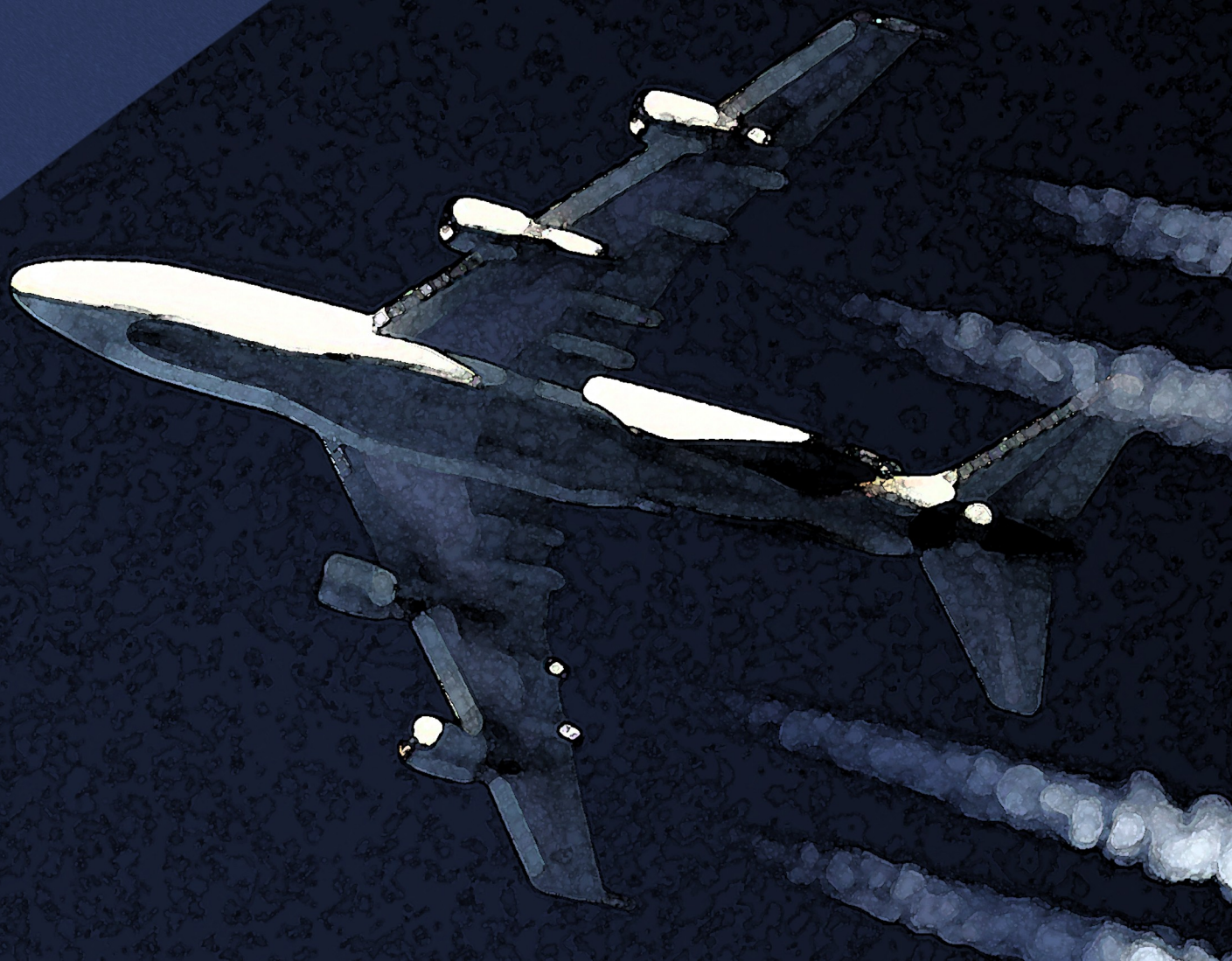


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Chapter 1 - Why are Regular Business Trips to China Necessary?

Regular business trips to China are essential to maintaining a good relationship with existing suppliers and building new ones. Chinese culture favors frequent personal contact with their overseas trading partners and meetings at their office or factory is one preferred method. The advice and insights I share in this book will prepare you to make a favorable showing. Poor preparations can leave a negative impression about how your company conducts business.

It is especially true if you consider how far away you are from your home office. If you forgot something important for your meetings in China, it can render your whole trip useless. That will not happen if you follow this guide based on my 25 plus years of experience with international business travel and importing products from China to all the major markets of the world.

Considering how much money and time you have to invest to get there, you will probably agree that failed meetings or failing to achieve your trip objectives is not an option.

Do Not Do What I Sometimes Did, Do What I Learned

I have made these types of trips many times and have also learned by experience. eBooks did not exist when I began my career. In fact, very few people were even in my business. I learned many things by trial and error but it does not need to be that way for you. I am glad to share what I have learned. Both about what works well and what you should avoid that could lead to a ruined trip or failed goals.

Information Needed by Small to Medium Sized Businesses

This eBook assumes your company to be a small or medium size importer with an established customer base in your home country or a company interested in starting their own importing but lacking the necessary experience to do so.

Thorough trip preparations will make your China business trip more successful and will also help reduce your travel expenses. My eBook provides you with the knowledge and information to achieve your travel goals.

Chapter 2 - Different Goals Mean Different Trip Preparations

Obviously, each China business trip can have different goals that require a different kind of preparation. Very likely, your first trip and second trip will be different. Typically, a first trip is to evaluate several factories that will narrow your list to a few that you will consider partnering with after further study.

Eventually, you will likely visit China to complete each of the goals outlined here. Any one or combination of these four goals is on the business traveler's agenda when importers make a trip to China.

Goal 1

Visiting new suppliers/factories for the first time for a detailed evaluation

These are probably suppliers/factories that you have met during one of the Chinese Trade Fairs or suppliers/factories that you made preliminary contact with from home. Naturally, you will want to spend plenty of time evaluating these suppliers/factories to be sure they can comply with your business and import requirements. These meetings will primarily focus on the supplier/factory.

Goal 2

Visiting a supplier/factory to discuss a new large volume project

Preparations for this will mostly focus on the details of your project.

Hopefully, you have already visited this supplier/factory, performed a thorough evaluation and concluded they have the background, experience, and capability to deliver what you want.

It is also a good idea to first purchase a small batch of your product from the factory to prove the evaluation is accurate before placing a large order.

If you have not performed an evaluation and would like it performed by an experienced professional, our company offers Importing Consultations and other related services. Please contact us at:

<http://www.webmediabiz.com/consulting.php>. This is especially important if you want a high volume import project to run smoothly and without surprises.

Goal 3

Visiting a supplier/factory when you are having major problems with the quality and/or scheduled deliveries

In this scenario, you clearly want to understand what caused the problem and if it can be solved or if it has already been solved. The reasons given by the factory may not be whole and complete. There could even be some cover up of the true problem. Problems will cost you money if they are not solved within a short time period. You will need to have good investigative skills and be prepared to dig deeper. This is definitely a good time to bring your own interpreter so that you can talk directly to the supplier's/factory's engineers. The most effective and efficient way to solve a problem is by talking directly with those involved.

Goal 4

Negotiate conditions and prices for new large volume orders

Similar to goal 2, here the preparations will mostly focus on the details of your project. Again, you have already visited this supplier/factory,

performed a thorough evaluation, and concluded they have the background, experience, and capability to deliver what you want.

The difference with this visit is that you are now prepared to place the order and want to take advantage of your last opportunity to negotiate the price and terms. When you have large volume orders in your hands you have a stronger bargaining power towards your supplier/factory because larger orders also allow the suppliers/factories to save costs by buying raw material and components at special bulk prices.

Nowadays, I would say it is the only chance to negotiate better conditions and prices because increasing costs are forcing the factories to order raw material and their components only after they have received your L/C. If it is really a larger than average order volume, your supplier/factory will get better prices and conditions and they may be able to pass some of the savings along to you.

We will keep these four goals in mind as we progress through the rest of the book.

Chapter 3 - The Duration of Your Business Trip

Travel economics might affect how long you want your China business trip to be. If you are having major problems with a million dollar project, you probably will not object to staying in a hotel for **a week** or more. You may be able to resolve the problem in a day or so but if it was that simple, you probably would not be making the trip. If the problem does turn out to be easier to correct than first anticipated, you can always use the extra days to visit a few other factories.

Since your flight is the single most expensive cost factor of your trip, it can make good economic sense to stay a few extra days for additional supplier meetings.

You might purposefully plan the trip be close to the two main Trade Fair seasons. These are in **April** and **October**. This presents an opportunity to meet many new suppliers by attending one or two Trade Fairs in China and meeting with your current supplier at their factory. If you do this, plan to be in China for between **2 ½ -3 weeks**. This is the typical amount of time seasoned importers plan for during the Trade Fair season.

I have also met business travelers who arrived on Monday morning, have their first meeting at noon, and leave by Tuesday night. Seems a little senseless to me that they spend more time flying than they do at the factories. Somewhere there might be a little financial sense in this but it puts a lot of stress on your body and does not allow you to do a professional job with the Chinese companies.

A balanced philosophy is to make the business trip as short as possible and as long as necessary to achieve your goals.

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

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
- Liaoning
- Tianjin
- 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
Total		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.

Chapter 5 - Best Time of the Year for Your Business Trip

The South China region is partially within the tropics. It is the warmest and wettest part of the country during the summer.

Rainfall is very heavy between May and September along the coast and adjacent inlands. Winters are mild and frost free. However, summer heat and humidity can be rather uncomfortable.

Typhoons are frequent here. They can be violent, bringing extreme rains, and strong winds for several days at a time along the coastal regions. The Typhoon season is from July to October.

If you want to combine your China business trip with one or more Trade Fair visits, the weather conditions during the most important Trade Fair periods (April and October) may not affect you much.

I strongly suggest planning your business trip either during the cooler seasons from January to March or from November to December or during the main Trade Fair periods in April and October.

Avoid the very hot and humid summer months. Besides the hot humid and unpredictable weather conditions, air pollution dramatically increases. If you have health conditions affected by air pollution it is best to stay away this time of the year.

Chapter 6 - Check With Suppliers for Current Address and Telephone Numbers

It should not be this way but believe me, even as a permanent Hong Kong resident it has happened to me. I arrive at a supplier's office address only to find out they moved to a new location several weeks ago.

Sometimes the managers may be using up a supply of old business cards and forget to let customers know about their new office location. Or it has been a while since you last talked to them and when you call or email to arrange a meeting, they have forgotten you do not know that they moved. This is especially true in cities like Hong Kong or Shanghai where offices frequently move. You need to make sure that you have up to date addresses in your records.

Even more important are the correct **cell phone numbers** because this is your primary way of contacting the person while you are traveling. In large cities, the traffic conditions can at times be terrible and you will want to inform your business partner if you will cannot make it on time for an appointment.

A Few of Good Travel Tips

A sketch with a Chinese character description of the supplier's location sometimes works wonders helping your taxi driver find your supplier's location. You might be able to draw the sketch and have someone at your hotel add the Chinese characters or have the factory email something similar to you.

If your taxi driver still has trouble finding the supplier's location, you can call the supplier on your cell phone and ask him to give directions to the taxi driver in the local language. This usually does the trick.

You can always ask your supplier to pick you up from the hotel to avoid this problem but it can be inconvenient and time consuming to wait for the factory to send a car. Most Chinese factories are usually glad to send a company car to pick you up. However, companies in Hong Kong or Shanghai may not be willing to provide this service.

Chapter 7 - Realistic Planning for Daily Meetings with Several Suppliers

When visiting suppliers you will want to make plans that best utilize the available time. This is even necessary if you are visiting suppliers in one of the large Chinese cities like Hong Kong, Shenzhen, Guangzhou, and Shanghai. These cities are so vast that you need a realistic plan if are going to get much accomplished.

Getting Around Hong Kong

Most visitors underestimate some time factors that are actually out of their control. I will give you an example for meetings held in Hong Kong.

Hong Kong is a city with a population of approximately 7 million people with an excellent public transportation system. Using the subway (MTR) is advisable and it should not take long for you to become a little bit familiar with it. If you know the closest MTR station to your destination, you still need to know which exit to take out of the station and then the street leading to your supplier's office.

The public yellow or green minibuses are best left to the locals. It is usually too complicated for visitors to become reasonably acquainted with them during a short stay.

Once you arrive at your supplier's office building, you need to get to the floor where your supplier's office is located. Hong Kong is a modern city with many skyscrapers. Even after you locate the floor, it can be a small challenge finding their office. There can be as many as 20 offices on the same floor.

The Trouble at Lunch Time

It can and does take considerable time to find suppliers' offices. Special precautions are needed if you have a 2:00 PM meeting in Hong Kong. Plan to arrive at least 15-20 minutes early because all elevators will be very crowded. At 2:00PM the general lunch hour ends and everybody is trying to rush back to their offices at the last moment. Get there 15 minutes early and miss the rush.

Knowing these details will help you to make the right plans. For instance, I prefer to arrange my first appointment after lunch at 2:30PM instead of 2:00PM when I am in Hong Kong.

The Chinese love getting out of the office during lunch and really do not want to accept any meetings during that time. They are usually polite enough not to let you know this, but I suggest not trying to schedule meetings between 1:00PM and 2:00PM.

Offices are now staggering work hours similar to Western societies. Part of the reason is to reduce traffic congestion. This can make it impractical to schedule an appointment before 10:00AM. Unfortunately, any earlier and some of the people you want to attend will not have arrived at work yet.

Lunch hours can start as early as 12:00PM or 12:30PM but that is an exception. As long as you honor the main lunch period between 1:00-2:00PM everything will be fine.

Keep in mind that taxis will be also difficult to catch during these times because some of the returning staff will also use taxis.

Going the Distance in Hong Kong

If you have a meeting in the **Tsuen Wan** district and your next meeting is supposed to be in **Chai Wan**, it will take you approximately one hour by taxi to get there. The distances in Hong Kong are considerable and take time to cover, even with their excellent transportation system.

You need to consult a street map in order to avoid scheduling meetings with suppliers that are far apart from each other. My suggestion is that you contact the suppliers you will be meeting with and ask them how much time you may need to get from your hotel (after you have booked it) to their place. Next, check with the second supplier that you will meet with to learn how much time you will need to reach them from your first supplier's office.

If you have meetings with suppliers in the industrial areas of **Shatin**, **Fotan**, **Kwai Chung** etc., you will need more time to reach your destination from downtown. On your return trip it may not be easy to find a taxi.

Sometimes it does not make much sense to use a taxi in certain areas. For instance in **Kwun Tong**. Most suppliers' offices can be reached within a short walking distance and sometimes taxi drivers will even refuse to drive you if your next meeting is just a few blocks away.

I think you get the point already. Knowing the exact locations of your suppliers' offices allows you to tailor your meeting schedule without including unnecessary taxi rides or walking. Besides the time savings, it will also help to save substantial travel costs.

The same applies to the larger cities in China. However, you have the added complication of communicating with your taxi driver. This will be

very difficult if you do not have the address of your supplier's office in Chinese with you. Your hotel can help you with that and also your supplier can send you a copy of his business card in advance. That will do the trick.

Considering everything involved, you may not be able to make more than two meetings before noon and another two in the afternoon.

Chapter 8 - Plan on Visiting Supplier Factories as Well

Your confidence in a company will greatly increase if you visit their factories in China as well as meeting with them at Trade Fairs and at their offices.

My eBook [How to Make Chinese Factory Visits More Successful](#) delivers valuable information that you need to plan and successfully accomplish the goals of your factory visits. Therefore, I am providing a summary here and I encourage you to purchase the eBook for the detailed information you need when preparing for your next factory visit.

Transportation in China

The factories you are planning to visit will usually provide your transportation once you enter China. This includes picking you up from the airport, railway station, or ferry pier. Of course, you need to let them know in advance, when your exact arrival time will be. They will send their driver with the company car to pick you up and after the meeting they will take you where you need to go next.

Just like the supplier meetings discussed earlier, your factory visits require thorough planning ahead of time. Having the cell phone number of your factory's contact person is very important when traveling to a factory. Without a cell phone, it becomes almost impossible to reach you if there is some kind of delay. Likewise, if you are delayed or there is any confusion about the when and where you need to be picked up, you will not be able to contact the factory.

It is very unlikely that you have to hire a taxi to get to the factory by yourself. In all my years working in China, it has happened only a few times so I am not going into it here.

Traveling From Hong Kong to China by Ferry

If you are staying in Hong Kong during your trip, the most convenient way to visit your Chinese suppliers' factories is by high speed ferry. The most important production areas of Zhongshan, Foshan (Shunde), Dongguan, and Zhuhai can be easily reached by high speed ferry.

In Hong Kong there are two ferry piers you can use.

1. The one most used is located in the Hong Kong China City Building in Tsim Sha Tsui, on Canton Road in Kowloon
2. The other one is located in Sheung Wan in the Shun Tak Centre, on Connaught Road Central. This is also the major terminal for regular ferries to Macau.

Be aware that the ferries can be depended on to leave exactly on time. That makes it important that factory meetings conclude on time. It is not uncommon for your hosts to forget about your departure time and you will miss the last ferry back to Hong Kong for the day. The alternatives mean a long detour by car to the next ferry station. It will defiantly be late at night when your return to Hong Kong.

Therefore, when you first arrive at the factory, establish your departure time with your hosts and be sure they understand it is not flexible. Factories also underestimate the time it takes to get back to the ferry pier. Be sure to add some buffer time on top the time they suggest.

Shenzhen or Guangzhou by Train

If you want to visit **Shenzhen** or **Guangzhou** from Hong Kong, the train is a better choice although you can get there by ferry.

Here is a link to the Hong Kong MTR Corporation where you will find the needed details about trains running between Hong Kong and Guangzhou:

<http://www.it3.mtr.com.hk/B2C/frmIndex.asp?strLang=Eng>

The train takes about 1 hour and 20 minutes from Hong Kong to Guangzhou. This is much faster than by car or even by plane considering that you have to get to the airport first.

If you want to go to **Shenzhen** only, you are better off taking the MTR (formerly called KCR) from East Tsim Sha Tsui station or Hung Hom station in Kowloon to Lo Wu station where you will cross over to Mainland China at the border checkpoint.

After you passed through immigration, a factory representative who will bring you to the factory will meet you. If the supplier's office is in Shenzhen, you can take a taxi and make it there yourself. However, I do not suggest that to you, if you do not already have some experience with Chinese taxis.

The Shenzhen taxi drivers are smart about the currency they accept. Previously the Hong Kong dollar was worth about 10% more than the RMB. At that time, they would gladly accept Hong Kong dollars for what the meter read in RMB. When the exchange rate favors RMB, they no longer accept Hong Kong dollars. This is probably one of the few occasions you will need RMB currency during your trip to China.

Another place where you will pay in RMB is at the ferry ticket counters in China if you have to buy a return ticket. They also used to accept Hong Kong Dollars but no longer do. You can easily avoid this inconvenience by purchasing your return ticket while in Hong Kong.

Buy Your Ferry Tickets Early

If you want to buy ferry tickets to China in Hong Kong, do it at least one day before your departure because during the peak season, ferries are usually quite full and you do not want to be left behind without a ticket.

The travel time to **Shenzhen** (Lo Wu station) by train is approximately only 40 minutes but you have to pass through the crowded immigration areas. That makes meetings before 9:00AM out of question because it may take another hour or so to get to the factory if it is not near the ferry terminal.

Here is another link to the Hong Kong MTR Corporation providing you travel times and the fare costs for all the Hong Kong MTR connections including the trip to Lo Wu station.

http://www.mtr.com.hk/eng/homepage/cust_index.html

Meet in Shenzhen

If you do not want to make a long trip to the factory there is an alternative. If your supplier from mainland China cannot obtain a visa to Hong Kong or does not have a valid passport, you can try making an appointment with him in Shenzhen. Opposite the Lo Wu railway station, is the Shangri-La hotel where many suppliers meet customers or pick them up to go to the factory.

If a supplier tells you he is not to be able to get a visa it may sound like an excuse but it is probably true. Chinese nationals must apply for visas to Hong Kong in their hometown. It is often a long trip home that they do not have time for.

Make a note that traveling from Hong Kong to the mainland by train or ferry will only allow you a maximum of two appointments with factories each day and only if they are in the same vicinity. Trying to schedule more meetings will leave you with no more time than a few minutes to shake hands hello and good-bye. The goal of your business trip should be to get a lot more done than just making a few acquaintances.

If you want to visit factories in the greater Shanghai area, you can fly directly to Shanghai and then continue your trip by plane to Ningbo. If you want to go to Suzhou, you can also ask your supplier to pick you up at the Shanghai airport.

Alternatively, you could also fly directly to Ningbo and save substantial time by skipping the connecting flight from Shanghai.

Chapter 9 - Plan to Visit One or More Trade Fairs

Please refer to the following links for all of the Chinese Trade Fairs in Hong Kong and in Mainland China for 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 what kind of products you want to import, you will need to select the appropriate Trade Fair yourself using the above links to the Trade Show Calendar.

Four Important Canton Trade Fairs

There are four **must attend** Trade Fairs regardless of the other Trade Fairs you want to visit.

Canton [Guangzhou] Spring Fair Phase I **April 15-20** of each year

Canton [Guangzhou] Spring Fair Phase II **April 25-30** of each year

Canton [Guangzhou] Autumn Fair Phase I **October 15-20** of each year

Canton [Guangzhou] Autumn Fair Phase II **October 25-30** of each year

Guangzhou has two different Exhibition Centers:

1. The Linhua Complex right in the center of the city

2. The Pazhou Complex a fantastic new building outside the of the city center

Here is a link to the Canton Fair Online:

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

Follow the link to determine which Phase and which complex you need to attend for your product types.

Hong Kong Trade Fairs

The other important Trade Fairs are the Hong Kong Trade Fairs.

Depending on your products, it may be possible to combine several Hong Kong Trade Fair visits and visit 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 in **April of each year**

China Sourcing Fair Gifts & Home Products in **April of each year**

Hong Kong Gifts & Premium Fair in **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**

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 transportation and since Asia World-Expo is outside the city, it can be conveniently reached by the super fast Airport Express Train.

If you want to know the location of 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>

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 by combining their product specific Hong Kong based Trade Fair in April with the corresponding Trade Fair in Canton. In that way, you can gather the maximum amount of information and only need one intercontinental flight to achieve it.

Other Chinese Trade Fairs

I mentioned before that there are additional Trade Fairs in other parts of China that may well be worth you visiting.

For instance, there is the **China International Consumer Goods Fair in Ningbo** that is South of Shanghai. This Trade Fair is arranged for June of each year.

Besides that, there are other Trade Fairs in Guangzhou, Shanghai, Shenzhen, and Beijing. Since there are too many to list, 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 some of these 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 always helpful to ask your suppliers or the companies you want to meet in China whether any of them will be attending any of these fairs or what else have they heard them. If the local companies do not attend, do you really want to waste your hard earned money to go there?

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

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 does not matter how well prepared you are. Going to the wrong Trade Fair in China will cost you thousands of dollars and many days of wasted time.

It is better to thoroughly do your homework to avoid the trip from becoming a disaster. If you cannot find the information you are looking for, ask someone that is currently in China to investigate.

You can register online for most of the Trade Fairs by using the links provided. You should definitely go for it because in the end it saves you time and money when many suppliers gather in one place.

After your company registers, you will automatically receive your visitor's pass for the Hong Kong Trade Fairs by mail.

The Canton Fair will send an e-invitation entitling you to free entry. However, once you get there you need to register either at your hotel or at the entrance of the Guangzhou exhibition centers by presenting your e-invitation and a photo identification, to receive your entry pass.

Chapter 10 - Booking a Hotel

You know that the hotels will be quite busy during the major Trade Fair seasons of April and October. Before you plan anything else, select and book your hotel first.

Hotel Location and Rate Hikes

There are two rules to be observed:

1. The closer your hotel is located to the exhibition centre the more expensive your accommodation will be.
2. During the peak season, (Major Trade Fair season) hotels substantially raise room rates. Especially, if you are not a frequent guest. In China, some hotel room rates may increase as much as 100% but in Hong Kong it is usually about 20-30%.

Be advised to book your hotel as early as possible because without a confirmed hotel booking it would not make any sense to book your flight or make appointments with your suppliers.

Getting Around Hong Kong

You also should consider what is more important to you, staying in a first class hotel or being very near the exhibition center to avoid public transportation. You can save substantial money by staying further away in a comfortable hotel and at a much lower room rate.

The public transportation system in Hong Kong is excellent and inexpensive. You can save quite a lot of money but have the inconvenience of spending some extra time traveling.

For instance, the Airport Express Train shuttles you to the main hotel districts in only about 20-30 minutes. It is much cheaper than taking a taxi if you are traveling alone. They have airline check-in counters at the Hong Kong and Kowloon Stations where you can drop off your luggage and pickup your boarding pass for the trip back home.

If you are with a group of people, it may be cheaper to use a taxi that costs approximately HK\$ 400 into downtown. However, the group may have too much luggage and may need two taxis for the transfer.

You still need a taxi getting from the Airport Express at the Kowloon and Hong Kong stations to your hotel. It is only a short distance and will not cost much.

Hong Kong Hotel Considerations

The hotels closest or directly next to the Exhibition Centre are located in Wan Chai. This is a well-known entertainment nightspot if you want to explore Hong Kong's nightlife on foot.

The other major business hotel area is located in Tsim Sha Tsui in Kowloon. The hotels there are all very expensive but you will be near the main tourist shopping centers and it is a convenient place to stay.

If you want to save on costs and (the subject of another of my eBooks), you could choose a hotel further away from the exhibition centre in Wan Chai. The following link helps you find area street maps with hotel locations. You should easily find one that best suits your financial situation.

<http://www.hong-kong-hotels-network.com/hong-kong-maps/map-tsim-sha-tsui.htm>

The Executive Floor

If you want to splurge, consider the relatively expensive executive floor of your hotel. It offers many conveniences such as:

- Welcome fruit basket
- Daily newspaper
- Free 24/7 internet connection
- Free local calls and fax
- Discounts on international calls
- Free use of their business lounge with free snacks and drinks
- Free use of a conference room up to a total of 2 hours per booked hotel room
- Discount on room service and food in their restaurants (10% on average)
- Separate check-in counter
- Free breakfast buffet
- Discount for laundry and dry cleaning services (10-20% on average)
- Later than usual check-out (depending on the season, as late as 6:00PM)
- Larger room size

Take it all into consideration when comparing how much you have to pay for a standard room versus a room on the executive floor. Even considering all of the conveniences and discounts, the room rates of executive floor rooms are much higher.

Hong Kong is a major business city. There are a limited number of executive floor rooms and they fill up very quickly. With a high occupancy rate, the rooms are seldom discounted. Why would the hotel be tempted to reduce their room rate if they are confident of renting them at a higher rate?

Lowering Hotel Costs

Also, keep in mind that there is always a coffee shop outside the hotel that offers a complete breakfast at a fraction of the cost that hotel would charge you.

When I stayed in Las Vegas, I also used a diner across from my hotel for breakfast and got a free coffee refill and plenty of food at bargain prices. The same applies to Hong Kong and Guangzhou, although Guangzhou might be a little bit more difficult because not everybody understands English as is the case in Hong Kong.

Make a few cost calculations and then use the provided links to book a hotel room.

I suggest that you do a little bargaining with the hotel for a better room rate. Of course, that is only possible if you book your room directly and not through an agent.

You have to convince the hotel that you intend to become a long-term customer. Give them a forecast of how many room nights you will book with them each year. That and the long-term prospect is the only thing that counts with them.

The negotiations may not be easy but it is an opportunity to sharpen your negotiation skills before negotiating prices with your suppliers.

Getting Around Guangzhou

In Guangzhou, the situation is a little bit different from Hong Kong. The traffic during the morning and evening rush hours is extremely heavy. It can take you an hour or so to reach the new exhibition centre. However,

there is the new **Shangri-La Hotel** that is right next to the exhibition centre. It is a five-star hotel and therefore more expensive.

The **White Swan Hotel**, another five star hotel, is also an excellent choice because it is located on the historic Shamian Island in the Pearl River. It has an outside grill restaurant where you can wine and dine in the evening. They, like most of the other large hotels, provide a free shuttle bus service to the exhibition centre. Be sure to book it if you want to save the cost of taxis.

If you visit the older exhibition centre, which is right in the city centre, you can try the China Hotel or the Dong Fang Hotel that are right across from it. They are older hotels but provide good service.

For other hotels, use the following link and check their locations, services, and room rates. As mentioned before, the rates will increase considerably during the Trade Fairs but unfortunately, there is not much that you can do about it except choose a hotel with a less convenient location and a lower quality of service.

<http://www.hotelscombined.com/Place/Guangzhou.htm>

From Hong Kong to Guangzhou

Since many Trade Fair visitors arrive by train from Hong Kong, it is important that you know that most of the larger hotels provide a shuttle bus service to and from the main railway station for the convenience of guests. I strongly suggest using their service because they help you with your luggage and you can relax during the travel time.

You will also want to consider how far your hotel is located from the railway station and how far it is from the exhibition centre. Guangzhou has an excellent subway system with a station in front of the exhibition centres.

If you need to stay overnight during your factory visits in China, book a hotel that is near the major factory area so that you do not spend most of the time riding around in a car.

If you choose to stay at one of the city center hotels, you will pay more and have to make the commute from the city to the factory and back. It may cost you an opportunity to have dinner with your hosts.

It is wise to ask the factories that are familiar with the local situation to give you a hand with your hotel selection and booking. If you try to arrange this through your travel agent at home, you will end up in a hotel that is far from where you want to be. Only the most specialized western travel agents can properly book hotels near the factories.

You do not need to be concerned if the local factory staff knows which hotels are suitable for Westerners. It is a service they have become accustomed to providing.

In all my years, I have never had a bad experience being booked into a substandard hotel. The factory staff does not want to lose face by placing you into one of the hotels catering to local travelers.

You may come upon an exception if you are visiting rural areas with no city nearby. Even in this case you can depend on the help of the factories to make the best choice for you.

Chapter 11 - The Visa Application

Hong Kong SAR

To travel to Hong Kong SAR you must have a passport from your home country valid for at least six months past the period of your intended visit.

Visitors are required to have adequate funds to cover the duration of their stay without working. Unless you are in transit to the Mainland of China or the region of Macau, you must hold onward or return tickets.

If you want to stay longer than the visa free period allows, you have to apply for a visa or entry permission before traveling to the Hong Kong SAR.

You may apply for the appropriate visa or entry permit from your nearest Chinese diplomatic and consular mission.

To determine if you need a visitor visa for Hong please check the following link to the Hong Kong Immigration Department. Look up the requirements for your home country.

http://www.immd.gov.hk/ehtml/hkvisas_4.htm

Mainland China

To travel to Mainland China you must have a passport from your home country valid for at least six months past the period of your intended visit and it must have at least one blank page in it.

For your business trip, you need an (F) category visa, which is not a tourist visa.

Applying for Your China Visa in Hong Kong

If you are traveling to Hong Kong before proceeding to Mainland China, you can apply for your China visa in Hong Kong.

This is rather convenient and quick if you are willing to pay for a faster service.

Please refer to the following link to the China Travel Service in Hong Kong for more details about your visa application.

<http://www.ctshk.com/english/useful/chinesevisa.htm>

Applying From Overseas

If you are traveling directly to China without a stopover in Hong Kong, you must apply for your China visa at the Visa Office of the Chinese Embassy or Consulate General. This is done either in person or you may entrust someone else, such as a travel/visa agent, to go to the visa office of the Embassy or Consulate General in the consular jurisdiction in which you live for the application process. Mailed applications are not accepted and will be refused. Mail back service is however available.

Please follow this link to the **Embassy of the People's Republic of China in the United States** with detailed information about the visa application procedure:

<http://www.mychinavisa.com/>

Here is another link providing information about the Embassy and Consulates General of the People's Republic of China in the United States that are closest to your home state:

<http://www.china-embassy.org/eng/zmzlljs/t84229.htm>

There are also private visa services that allow you to send them your passport together with your application form (downloadable) and they guarantee fast service. The advantage is that you do not need to travel at all and can apply conveniently from your home. Here is a link to one company in the United States: <http://www.mychinavisa.com/>

In other countries, there are comparable companies providing the same service.

The visa application procedure for other countries is the same. It is however, a good idea to check one more time with the China Embassy or Consulate General in your country in case changes have occurred since this eBook was written.

After you have received your entry visa for China, you can proceed with the next step and book your flight to Hong Kong or Mainland China.

Chapter 12 - Booking a Flight

Be aware that flights to Hong Kong and China during the peak seasons of April and October are very full and sometimes overbooked. Everybody in the import business is headed there at those times and you need to book your flights as early as possible.

A Different Time Zone

After booking your accommodations and your Trade Fair attendance, ask your travel agent to book your flights to Hong Kong or China accordingly.

Keep in mind that coming from western countries you will cross the International Date Line and may arrive more than a full day after you left home.

It is a good idea to arrive one day earlier to adjust to the different time zone and climate, take a stroll around your hotel neighborhood, confirm your appointments, and then rest.

After a long flight, a little walking exercise helps invigorate your body and keeps you fit for the exhausting days ahead.

It is definitely not a good idea to copy the behavior of some visitors. Those that arrive from a long distance flight early in the morning (the majority of flights from Europe arrive between 6:30 and 8:30 AM) with their first appointment scheduled at 10:00 AM or they attend the Trade Fair on the same day as a long flight.

The Far East is a fast-paced place and you must be alert not to miss out on anything. Without enough sleep, you will be concentrating on not

falling asleep instead of listening to what is discussed during your meetings.

Don't Plan to Change Your Flight Schedule

I mentioned before that the flights are quite full during the peak seasons. The same applies to your outbound return flight.

If you want to postpone or leave early, you will face problems. It is nearly impossible to change flights during this time. Plan your schedule carefully to avoid any changes in your return flight schedule unless there is an emergency. It makes no difference whether you booked business class or economy, the result will be the same.

Business Class Flights

Since I mentioned business class and economy class, I would like to draw your attention to the substantially higher cost of business class flights. It is similar to the situation with the higher cost for executive floor hotel rooms. You have to decide if the following advantages are worth the higher cost of flying business class:

- Complementary visit to the business class lounge
- Separate business class check-in counter
- Larger luggage weight allowance
- More comfortable seats
- Choice of different meals
- Faster service after take off
- More in-flight entertainment choices
- Less crowded toilets
- Complementary high quality amenities bag

Some people say that if you can afford it, business class is totally worth the cost. Is it really? Considering the high cost, make a few calculations before making your decision.

Economy Class Flights

If you book an economy class flight with one of the airlines famous for good in-flight service, you will also end up with a decent meal, better than average leg space, reasonably comfortable seats, and can still save a lot of money.

I do not know whether you are aware that there are at least three different kinds of economy classes. Of course, nobody talks about it but if you sit in the very rear of the plane together with the tourist groups, you have been booked in the cheapest and least comfortable location on the plane.

If you sit in the first few rows immediately behind the business class area, you have been rewarded with the best seats available in economy class but your ticket price will be higher. However, still much cheaper than business class.

Chapter 13 - Trip Preparations and Essential Tools

Thorough trip preparations help you improve your chances for a successful visit. What are thorough trip preparations then? Of course, that depends very much on the main goals of your visit that I outlined in Chapter 2. What follows are general preparations fitting all five reasons for a visit.

Will the Electricity Be On During Your Visit?

Asking the factory whether they will have electrical power available may seem a little strange but you probably not know that most Chinese factories are forced by the government to not use electrical power one or two days each week. This government imposed outage rotates between industries and factories during the week (including Saturdays and Sundays) because demand outstrips supply. Heavy penalties are imposed if they break the rules.

Most factories have purchased electric power generators to overcome the shortage thereby avoiding production interruptions. Still, be sure the power will be on when you visit or you will not be able to see production operations first hand.

Business Cards are Critical!

They are lightweight and can be used long after your visit to China so bring considerably more than you would normally think is necessary. In China, everybody expects you to give them at least one business card and if you are meeting with several people, you may handout a dozen or more at a time.

Sometimes manufacturers are reluctant to provide detailed information to somebody who “is naked” meaning “being without business cards”.

If you miscalculate and run out of them, you can use one of the print shops nearby to print them for you within a couple of hours.

The Chinese perform a small ceremony when exchanging business cards. Make sure to hand over and receive business cards in the typical Chinese way, which is with both hands.

If you are sitting around the table, it is a good idea **not** to put their cards in one of your suit pockets after they are handed to you. This is extremely impolite and indicates that you do not care for the person that passed you his/her business card. The proper way is to study them first (pretending to do so is OK) and place them in hierarchical order on the table in front of you.

How do you know who is the highest ranking person at the meeting? It is usually the first person introduced to you and this person is not necessarily able to speak English. It is proper to exchange business cards with that person first. In Chinese business culture, this gives him the face he deserves. This applies even if the sales manager will be the person you are in constant contact with following the visit.

It is a good practice to write a person's title on their business card if it is not preprinted on the card. Otherwise, you may find it impossible to figure out later. A person's title printed on the business card is sometimes a little bit vague and you should ask to get it right. Also, you will not be able to distinguish whether it is a male or female name. Make a note of this for future reference. It might surprise you to learn even the Chinese will not immediately know, whether the name on the business card is

from a woman or a man. There are so many different areas in China with special local names that Chinese from other provinces may not be able to differentiate gender by name. Therefore, add Mr. or Mrs. on the business card to make sure that it will not be forgotten.

You should also know that a person with the name **YUEN** Kai Shun is not Mr. Shun but is **Mr. Yuen** because the family name is always the first of the traditional three Chinese names shown on any business card.

However, in Hong Kong people have adjusted after a 150 years of colonial rule by England. There they mostly mention their Christian name first and then their Chinese family names, for instance **Peter Kwok**.

Bring Your Own Stapler

Pack your own small stapler with you to staple the supplier's business card to your notes or the product catalogues. This may seem trivial but it is a great tip for staying organized while on the road and it can save aggravation trying to sort everything out after the trip.

About Cell Phones

I suggest you check with your cell phone provider at home to see if your phone will work in Hong Kong and China. Give your cell phone number to any business partner that is traveling with you and get theirs in return. Do the same with any suppliers that you prearranged to meet. It may be very difficult to locate somebody at the factory without going through their operator, but using their cell phone number will usually do the trick.

The call charges to Mainland China are very high and many visitors buy a SIM card from a China Mobile retail outlet upon arrival to reduce phone costs.

The call charges in Hong Kong are cheaper but you can also buy a SIM card from one of the many local service providers.

The obvious disadvantage is that your Chinese business partners do not have the new number yet and cannot reach you after you have changed to a SIM card.

Depending on how many calls you have to make, it might be better to keep the SIM card from your home country or do what many local people do, use a second cell phone with your Hong Kong or China SIM card. In that way, the staff at your office and suppliers can reach you at any time.

You Will Need a Digital Camera

A digital camera is one of the most important tools you will need during your visit. You will have many opportunities to shoot photos of products, production operations, and quality control operations. These will include close-up photos of details that cannot be seen in a catalogue.

During your guided tour of the factory premises many photos can be taken. Important examples include the working conditions on the conveyor belt and any special equipment you are not familiar with or that differs from other factories.

You can and should take photos of any unique new products that some of the suppliers will show to you in the mock-up stage. It may only be a mock-up but in just a few weeks the tooling will be complete and plastic injection can start. You should always be on the lookout for new products that interest your homeland customers. Feeding them this important information can lead to a big sale.

Another way a digital camera comes in handy: Chinese people love to take photos and love if photos are taken of them alone or with their customers. Also, having photos of the people you met during the factory visit helps you remember who they are and what their title is. People always like being remembered when meeting a second time.

Do not forget to bring a spare battery with you because you probably will not have a chance to recharge the battery while traveling between factories. You may also need another memory card if you do not already have one of those 2-5 GB cards in your digital camera. Another way is to upload your photos to your notebook computer on daily basis. In that case one memory card will probably be sufficient.

You Need a Notebook Computer

If you have a notebook computer, bring it to every meeting. If you do not have one, consider purchasing one. That purchase will be worth the money you spend for it. Your notebook provides you with the necessary information for your business negotiations, plus it allows you to show background information about your company, and the packaging concept for your products. This is all very helpful to factory management.

Of course, you can input vital information during your discussions without the need to take hand written notes. That is made easier if you have an associate along but with a bit of practice you can manage it alone. It is also so much more convenient than using a paper notebook. I have experienced and appreciate the changes that have occurred over the last few years.

1. Before, people wrote everything on paper, the notes were then passed to their secretary for typing after returning from their business trip. Only then could the information be distributed to all

the people needing it. You can imagine that it took at least 4 precious weeks from the start of your business trip until everything was completed.

2. Some people wrote everything on paper and in the evening dictated the content into a small micro cassette recorder. Their secretary at home would then type it and distribute it to the people that needed it. You can imagine that it took 2-3 precious weeks from the start of your business trip until everything was completed. Alternatively, the micro cassettes could be sent by courier service, which saved some time.
3. Nowadays, people type their vital information in their notebook computer and send it together with the matching photos at the end of each day to the head office. In that way, colleagues at home can interact and ask for additional information if something important was missed. Upon returning home from your business trip, everything should be ready for further processing and decision making.

I suggest a large capacity battery for your notebook computer. One that lasts up to 6 hours. If this battery type is not available for your model, bring another fully charged battery along. When you have meetings away from the hotel, you will find that there is not always an electrical socket nearby to connect your AC adaptor to.

Sometimes suppliers will also pass you data on a memory stick (photos, line drawings, product descriptions etc.) that you can immediately download to your computer.

That is especially important if it is a new development and no samples or catalogues will be available for some time.

Remember, the most up to date information it is what you want to obtain during your factory visits.

You Need a Briefcase on wheels

If you are not into weight lifting for exercise, you had better bring a large briefcase on wheels.

It is torture trying to carry your heavy briefcase all day long (with your notebook computer, catalogues, notebooks etc.). Catalogues collected during your factory visits weigh a lot and you will be exhausted half way through the day from carrying them.

Comfortable Walking Shoes

Comfortable walking shoes make your life much easier when you walk around the factories and visit areas that may be some distance apart.

Your Company's Catalogue

If you have your own company catalogue, bring a few sets along with you for the meetings with key suppliers. You do not have to carry them all with you but have at least one set to show to your suppliers during your meetings.

From my experience, it makes a good impression and helps to cement the relationship with your supplier if you hand over one set during the most important meetings.

Remember you are your company's ambassador and want to show your company in the best possible light.

Your Corporate Identity Artwork Concept

Creating your own corporate identity concept is very important. After spending a lot of effort on it at home, it would be a very good idea to bring it along with you to show it to the suppliers during your meetings. It enhances the impression you make and helps suppliers better understand your needs.

Sketches, Drawings, and Photos are Perfect Tools to Inform Suppliers

You should also bring along any sketches, drawings, or photos clarifying what you are looking for from your suppliers. Do not forget that you are at the factory to see something new and collect a lot of information. Sometimes suppliers will tell you where you can find products and help save you a lot of time.

Also, bring ads from newspapers and magazines showing a product that is already being distributed by somebody else.

Hand over color chips of a specially selected color to suppliers. You can ask them to prepare samples for you, saving the time and cost of sending it after you return home. A supplier may also have a question about the color and you can discuss the details face to face.

Your Specifications

What is a specific requirement? A specific requirement could be a more complex sales packaging. For example, a window box that is more expensive.

Another specific requirement could be an instruction manual in several languages that are often needed for Europe. Importers from EC countries

sometimes request up to 12 languages in their instruction manual, which is more expensive than only 1 or 2 languages.

Another requirement often requested by Hypermarkets and Supermarkets is an additional semi transparent PP strip. This prevents customers from opening the sales packaging during shopping and removing part of the contents. Depending on the size of the sales packaging, two or more of these PP strips maybe needed.

For electrical products, the plug is a substantial cost factor. The British BS plug is more expensive than the US plug.

The length of the electric cable is another cost factor. If your toaster must have a cable length of 1.50 meters, it will cost you more than one only 0.75 meters long.

Quality Requirements

Your quality requirements are a very important cost factor. The requested quality standard is defined by your requested **Acceptable Quality Level** (AQL) that sets the limits for the satisfactory process average.

Usually you have 3 defect categories

1. Critical defect
2. Major defect
3. Minor defect

Here I will only provide a short overview because this subject is thoroughly covered in my other eBook [How to Assure Quality of Imports From China](#).

If a critical defect is discovered during a **Final Random Inspection**, the whole lot will automatically be rejected and must be reworked or reproduced.

Allowed Major defects range mostly from Major 1.0 - Major 2.5 but that depends on the products. Hi-tech products such as consumer electronics or small/large electrical home appliances range between Major 1.0 - Major 1.5.

Allowed Minor defects range mostly from Minor 2.5 - Minor 4.0 but that also depends on the products. Hi-tech products such as consumer electronics or small/large electrical home appliances range between Minor 2.5 - Minor 4.0.

License and Royalty Fees

Other important cost factors are license and royalty fees that have to be negotiated with certain suppliers. DVD players/recorders, MP3 Players etc. are examples.

If you or the factory do not pay these fees and you get caught after importing the goods, it will be very expensive and could even ruin your company.

You should realize by now that you need to know all the details before discussing or negotiating prices with any factory during your visits.

Since you expect them to quote realistic prices, you need to inform them about your requirements in order to avoid lengthy e-mail negotiations later.

Your Shopping List

Hopefully, you have your essential tools together now but one other important list needs your attention. Factory visits are time consuming and can easily distract you from your original target of finding suitable products at competitive prices that you can sell with as much profit as possible.

To avoid being distracted, you have to prepare your shopping list of the products you want to source. This list should include at least the following details:

- 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.

You should however always bear in mind that even with the abundance of cheap labor there are still limitations to a factory's production and pricing capabilities.

You will find that out sooner or later when the 5th supplier informs you that a specifically requested target price is unrealistic.

Chapter 14 - Adopting Codes of Conduct to Meet Your Corporate Social Responsibility (CSR)

What is a code of conduct and why should you care about it?

A code of conduct is a formal statement regulating the ethical standards that a transnational company upholds, and which will be applied to its production supplier or trade partners.

The adoption of codes covering an individual company's activities often contains clauses measured against **ILO** (International Labour Organization) Conventions, in particular those concerned with respect for human rights at work.

Key Clauses to a Code of Conduct

Key clauses in the company codes often address seven major areas:

1. No forced or bonded labor
2. No child labor
3. No discrimination in employment
4. Living wages and benefits
5. Normal working hours
6. No hazards to safety and health
7. A decent working environment

A few company codes also contain clauses about **freedom of association and the right to collective bargaining**.

It will be difficult for you to check for problems with labor rights violations during your factory visit. However, you must integrate these clauses into

your Purchase Order P/O and address it during your discussions with the management.

Following are some details about Chinese Labor Law. Here you will find that it already covers all seven key clauses and more. Keep in mind that when you discuss these clauses with the factory you are merely referring to existing laws and nothing else.

PRC Labor Law and Reality

The 1995 PRC Labor Law is comprehensive, covering labor contracts, working hours, wages, worker safety, child labor, and labor disputes, among other subjects.

For example, the law currently mandates a maximum workweek of 40 hours. Minimum wages are established locally, and wages cannot be deducted or delayed without a reason. If employees work more than a 40 hour week, overtime pay is mandatory at fixed rates. Workers are guaranteed at least one day off every week. Working conditions are required to be safe and sanitary.

However, in practice, the rights of Chinese workers are routinely violated. Workers are often required to work far more than 40 hours a week, have few days off, are paid below the minimum wage, and are not paid the required overtime.

Some Chinese workers must pay a large sum of money as a “deposit” to their employer, and they may have to pay a “recruitment fee” in order to be hired. These payments can prevent workers from leaving jobs where their rights are violated. Physical abuse of workers, and dangerous working conditions, are also common.

The types of labor rights violations found in a Chinese factory may depend, to a degree, on the nature of the factory ownership and the size of the factory. Four broad types of enterprises exist in China today: private, state-owned, foreign-funded, and township-and-village enterprises.

Before the mid-1990s, there were clear differences between state-owned “socialist” factories and private sector factories. State owned factories offered lifetime employment, housing, and medical care. Private sector factories, on the other hand, provided little job security, low wages, and no fringe benefits. Today, competition and persistent government efforts to privatize state-owned firms has led all employers to offer less job security, fewer welfare benefits, and strict labor conditions.

Codes of conduct and inspections are unquestionably useful. But in China, this code-inspection regime has been only partially successful, for several reasons:

- Although China has an adequate labor law, it is poorly enforced
- Codes imposed on factory owners raise costs, so owners have a financial incentive to ignore code requirements. Factory owners are becoming increasingly adept at circumventing inspections, through practices such as double bookkeeping and coaching of workers. As a result, inspectors are often deceived and “clean” audit reports often do not reflect reality.
- China has a virtually inexhaustible supply of migrant workers, most of them are ignorant of their rights under Chinese law and are willing to work under any conditions without protest.
- The Chinese government prohibits the existence of independent trade unions, leaving workers without representatives who can

discuss violations with management. Workers who have tried to form independent unions or lead labor protests have been imprisoned.

- Western companies' sourcing practices can contribute to the problem. For example, large orders are placed with short deadlines, demanding the lowest possible prices, and orders are changed at the last minute. Factory owners are afraid of losing business if they refuse these orders. This leads to law violations to complete the order.

Chapter 15 - The Import Calculation

After you have familiarized yourself with the **Incoterms** and the **Customs Tariffs**, you will want to establish your import calculation scheme for the selected products. Please refer to my eBook [How to Import Products from China More Successfully](#) for more detailed information on this subject.

Other Costs

This may seem to you like too much bureaucracy but believe me, it is necessary if you want to become successful with your import business. Before you travel to China, you must do some homework and do your calculation for the different products you want to import, otherwise negotiations will be much more time consuming.

You already have a rough idea of the achievable buying price from your recent communications with the suppliers but of course, rough means not final. You should do some reverse calculating because you need an idea as to what price you can sell larger quantities in your home country at the highest possible profit margin for your company. Based on that price, you will do your reverse calculation by taking under consideration all costs that apply and only then can you arrive at your ideal buying price.

If you want to negotiate better prices from your factories, first you need to decide which buying terms will apply.

The Incoterms most commonly chosen by importers are **FOB** and **CIF**.

FOB

This stands for Free On Board and its terms are:

- Carriage to be arranged by the buyer
- Risks transfer from seller to buyer when goods pass the ship's rail
- Costs transfer from the seller to the buyer when the goods pass the ship's rail

CIF

This stands for Cost, Insurance, and Freight and its terms are:

- Carriage and insurance to be arranged by the seller
- Risks transfer from seller to buyer when goods pass the ship's rail
- Costs transfer at port of destination with buyer paying such costs as are not for the seller's account under the contract of carriage

Most importers will choose buying at FOB prices because it allows them more flexibility in choosing their own freight forwarder, insurance company, and a greater transparency of total costs.

Factories always want to reduce their own risk by calculating higher freight rates for their CIF price quotations to be on the safe side. This has a negative impact on your landing cost and you have no way of really knowing the breakdown of costs. It is much better to negotiate FOB prices and control the freight rates by selecting the forwarder/shipping company of your choice.

Once you have built up a business relationship with your forwarder you can expect preferential treatment and receive early warnings. For instance, if there is an indication that the freight rates will go up in near future.

The same applies to the insurance costs, which you can reduce by negotiating better terms with insurance companies in your home country.

Here is a comparison of buyer & seller responsibilities for FOB versus CIF:

Services	FOB	CIF
Warehouse Storage	Seller	Seller
Warehouse Labor	Seller	Seller
Export Packing	Seller	Seller
Loading Charges	Seller	Seller
Inland Freight	Seller	Seller
Terminal Charges	Seller	Seller
Forwarder's Fees	Buyer	Seller
Loading On Vessel	Seller	Seller
Ocean/Air Freight & Insurance	Buyer	Seller
Charges On Arrival At Destination	Buyer	Buyer
Duty, Taxes & Customs Clearance	Buyer	Buyer
Delivery To Destination	Buyer	Buyer

Simple Cost Calculation

As an importer, you should always keep complete cost calculations in mind. This requires more than only calculating the landed costs.

Below is a simple calculation scheme, which can be applied for various kinds of products but for some specific products, such as consumer electronics, extra charges may apply that have to be taken into consideration.

I do not recommend buying products at ex-factory prices because you will be involved in organizing the local transport in China that is sometimes very difficult, depending on the region your factory is located. The factory

already has the connections and can handle that much more efficiently than you.

Simple Calculation Scheme

<p>EXW (ex-factory selling price) + FOB costs (outbound) = FOB + Ocean transport = CFR + Insurance + Finance + Provision for bad debts + Credit insurance = CIF (landed cost) + of equal importance for the exporter's consideration: + Import duties + Inland transport = DDP + Importer's margin + Wholesaler's margin + Retailer's margin + VAT (UK and EU Only) = Consumer price</p>
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Container Load Plan and Optimization Software

Load! Is a powerful tool for your business. It can easily save your time, efforts and money. Whether you are importing, exporting or manufacturing goods, stowing products in containers can be difficult and time consuming, when done manually. The computer can assist you in the container stowing process, and optimize results.

You may discover, that an extra 10% of a certain product fits into a container, efficiently cutting shipping costs per product. Or you may find that a packing requires 3 instead of 4 containers. Even if you realize that your shipment will not fit, it is still much cheaper to notice that before the containers arrive at the loading site, ordering an additional container later would have been more expensive.

<https://www.daubnet.com/en/load-producttour>

See what Load! can do for your shipments:

Load! Visualizes your shipment in 3D. Use your mouse to move packages in 3D, as well as turn and tilt them

Load! calculates the maximum number of packages per container type

You can enter a packing list and compare freight costs for specific container types and lower your forwarding costs in minutes

You can print optimized packing lists and 3D views

To share information, you can send your load file by e-mail to other parties

Effectively reducing your shipping cost, will easily compensate you for the low price of US\$ 79.00 or Euro 79.00 + VAT (within EC countries only)

Chapter 16 - Cheapest Way to Exchange Your Currency

Upon arrival at the Hong Kong International Airport, you may want to change some money to pay for transportation to your hotel and for tips. However, refrain from changing all your money at the airport because you can get a much better exchange rate at one of the local banks. Most likely, there will be one near your hotel and close to the exhibition centers.

Most daily expenses can be paid by credit card, which is exchanged at very close to the bank's exchange rate.

Before you continue with your trip to China, you should also exchange your foreign money into China's RMB in Hong Kong because it is more difficult to find a bank outside your hotel in mainland China. Hunting one down will cost valuable time. Keep in mind that hotel charges in China can be paid by credit card. In other words, you may not need a large quantity of RMB to pay for your expenses.

Chapter 17 - Appropriate Dress

Visiting a supplier at his office is not exactly the same as attending a high fashion business meeting but there are dress code standards that should be observed.

Jacket But No Tie

It is not appropriate to wear your favorite T-shirt from your last holiday in Thailand when you visit your suppliers or any factory.

Chinese people are not particularly picky when it comes to clothing but keep in mind the impression you will make of yourself and your company. Appropriate dress is a business suit or a light jacket with a collared shirt.

Years ago, air-conditioners at the Canton Fair were not very efficient. Wearing a suit felt like you were in a public sauna. Fortunately, that has changed and today you will find the exhibition halls in both Hong Kong as well Guangzhou comfortable.

You may even appreciate wearing a jacket because most Chinese consider Westerners to be cold loving and often set the air-conditioning to a lower temperature to please them. Siberia may be a much warmer place compared to that.

Jacket and Tie

It is not necessary to wear a necktie when attending the Trade Fair but when visiting your suppliers' offices and if you are invited to a business lunch (mostly linked together) or more likely a business dinner, a necktie is appropriate.

If your business trip takes place during the Trade Fair season (April & October) which is also the warm season, you will want to wear light clothes, especially when you are outside of the air-conditioned hotel rooms, suppliers' showrooms, and exhibition centers.

Chapter 18 - Check the Actual Local Weather Forecast Before You Pack Your Suitcase

Here is a link from the **Hong Kong Observatory** providing instant weather and climate information for Hong Kong

Hong Kong Weather and Climate

<http://www.hko.gov.hk/contente.htm>

Here are links from the **World Meteorological Organization (WMO)** and **World Climate Index** providing updated weather information and information about the climate for the following Chinese cities:

Guangzhou Weather

<http://www.worldweather.org/001/c00241.htm>

Guangzhou Climate

<http://www.climate-charts.com/Locations/p/PC59287.html>

Shanghai Weather

<http://www.worldweather.org/001/c00240.htm>

Shanghai Climate

<http://www.climate-charts.com/Locations/p/PC58367.html>

Ningbo Weather

<http://www.worldweather.org/001/c00564.htm>

Other cities in China

<http://www.worldweather.org/001/m001.htm>

Chapter 19 - Meeting Punctuality Counts With Your Suppliers

Contrary to what you may have heard from hearsay, suppliers in Asia are relatively punctual considering the long distances they sometimes have to cover to meet you.

Therefore, you are also expected to be punctual for your meetings. I did mention before that it is a matter of courtesy to inform a waiting supplier of any delay that may be out side of your control.

Chapter 20 - What You Should be Looking for At Your Supplier Meetings?

First Impressions

When visiting your suppliers' offices the meeting normally is held in their showroom. Taking a close look at their presentation 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 such 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 still may 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.

Opening the Meeting

Ask the person you are meeting with for their business card if it is not offered. Ask then if all the information on it is current and accurate. Make notes if you are told some information has changed. Also, ask if he or she will be your contact person for future communication. Of course, this would be very helpful since you are already getting to know this person.

If they will not be your future contact, ask him/her whom you should be contacting instead. Knowing the name is vital because larger companies often have dozens of marketing people working for them and organized into marketing regions or product divisions. You may be speaking to someone that represents the entire company to prospective customers.

Effective Questions for the Supplier

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

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

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.

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 the 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 misunderstandings later.

Specific Discussion Points

Goal 1

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 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 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 prepared some copies for the supplier, you can focus on the main points in the meeting. Be sure to ask them to study all the details and get back to you if they have any questions.

Goal 2

Visiting a supplier/factory 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. This is a time when money is well spent on an interpreter. Even if your interpreter does an excellent job translating your discussion, the supplier'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 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 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

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.

Goal 3

Visiting a supplier/factory 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 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, 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.

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 1st 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.

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

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 what lead time is needed when placing purchase orders.

Something else that needs to be asked is their present 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 will not 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.

You may have already received an impression about backlog during your visit to the different factory areas. Little material in the incoming area means they do not have much backlog. A large amount of incoming material means a lot of backlog.

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 volume 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.

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 requirement. 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 requirement.

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 to each factory a piece that is a reasonable size. 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, or 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.

Discussing Your Purchase Order (P/O) Details

In China as anywhere else, people are highly regarded if they take definitive action. If you visit the same factory 5 times without placing an order, the factory will conclude that you are not sincere about purchasing

from them. The consequence will be that decision makers will stop attending your meetings and you will not have anyone in attendance with the authority to negotiate. The attending staff will quote higher prices to discourage you from returning.

During the second meeting, the factory will request that you send them a purchase Order and open your L/C. They will also request that you provide the detailed graphics for your packaging, your instruction manual, and your export carton.

If the graphics or artwork has not been finalized, the factory will include a clause in their proforma invoice (P/I), which is their counterpart agreement to your purchase order, stating that the final delivery date will only be confirmed after all required documents have been received.

This probably will not be to your liking since you want a firm delivery schedule. However, it is an understandable action on the part of the factory. They cannot take the risk of producing the goods without having the packaging to protect them when they come off the conveyor belt.

It is however understandable, that the factory cannot start their production without first receiving the necessary packing material and that depends on the receipt of your artwork. Beside the possibility of damaging the goods, there are additional costs involved with handling the goods several extra times to store them, retrieve them from storage, and completing final packaging at a later date. Although some importers do make this request it really is not practical.

It will be helpful if you know something about how the factory plans their production schedule. Besides the limited capacity of the injection mold

department, there are a limited number of production lines that are allocated to customer projects several weeks ahead of time.

Before they can begin production, they must also procure raw materials and other components, which also takes time. Due to a wide spread shortage of raw materials, this process has changed over the last couple of years. Nowadays most factories have to pay for the raw materials upfront or upon delivery to their warehouse. "Guanxi" dominates here. Without a good business relationship with their raw material vendors, factories may end up receiving the materials much later than anticipated. This means customer orders are not produced on time. If they are lucky and that indeed depends on "Guanxi", they can pay for their raw materials and components in the traditional 30 days.

Based on that, you should realize that the factory's cash flow depends on punctual payments from customers and their relationship with their bank. This bank relationship is often more important to their long-term survival than any single new order. Keep this in mind when negotiating production start and completion dates.

You should also realize that the factory has the discretion of who gets their goods first. This is primarily an economic decision but a good relationship between the factory and your self can influence the decision. If you push too hard for lower prices, you will be allocated a later production slot but with this knowledge, you can make the decision between price and schedule.

The Chinese do not appreciate using a sledgehammer approach to obtain better prices although they do not confront it openly. Remember that negotiating through all the details is the preferred approach.

When you issue the P/O to the factory, it is usually your last chance to negotiate prices. At this point, all of the information in the P/O needs to be final and all of the details included. Everything should be fully known by everyone and the final price agreed to.

Something else about Chinese business culture is that amending the P/O at a later stage demonstrates to the factory that your company was careless when originally issuing the P/O. They will conclude that dealing with your company is somewhat risky for them. Therefore, spend the time drafting your P/O to get it right before asking the factory to sign it. You should consider providing the factory a draft for them to review. This helps save time amending it later on.

What Should Be Included in a P/O?

This list summarizes what I suggest you include in your P/Os, regardless of the kind of products you are purchasing:

- Clear and detailed product description including color, measurements, sizes etc.
- Clear and detailed packaging information including barcodes and shipping marks
- Order quantity
- Delivery date
- Port or airport of loading
- Port or airport of landing
- Price
- Payment terms
- Spare parts or spare units if any
- Agreed defective rate
- Guarantee clause
- Indemnification clauses
- Late delivery clause

- Transshipment clause
- Clause for compliance with requirements in your home country
- Information whether goods must be inspected and if so by whom
- Clause that mass production must comply with the submitted and approved samples

However, do not overdo the P/O. I have seen some that read as if lawyers issued them. The factories do not have the time or money to employ lawyers for the sake of reviewing customers' P/Os. Remember, this is all about partnership. If you are afraid that the factory will cheat you, then you have not conducted a thorough evaluation of the factory.

Here are other things to consider when writing your P/O.

1. Order quantity - This should match the container loading capacity or the total quantity of all products if you are purchasing several different products from the same factory and plan to ship them in one container.
2. Packaging information - This is very important because it is a cost to the factory and when not clearly spelled out they will use lower cost materials. For instance, there are several grades of corrugated cardboard that are measured in grams per square meter. If you did not specify the weight, you could end up with a 2-layer corrugated cardboard sheet that is so thin you can easily punch a hole through it with your fist. This quality is unacceptable because you cannot stack sufficient cartons on top of each other. The barcode information is also very important because the inspector has to verify it during the inspection. If the barcode cannot be read by a barcode scanner properly, the product will not register at a hypermarket/supermarket checkout stand. Companies like Wal*Mart consider this a major defect and do not accept the goods.

3. Spare parts or spare units - This depends on what kind of products you import. For technical products, you can negotiate 1 or 2% of free spare parts/spare units included in the buying price. The factory will of course calculate it. If these goods come without a guarantee or service agreement, you had better negotiate net prices.
4. Defective rate - Putting a clause in your P/O will help protect any compensation claim in case of epidemic defects or overall poor product performance. It splits responsibility between the factory and your company. Nobody can demand that production be completely without faults and defects. Therefore, it is fair enough to allow the factory a certain percentage of defects as an upper ceiling limit. You have to negotiate this and usually the factory will have some historic figures in mind. Everything exceeding this percentage will be the factory's responsibility. You may say, I will employ a good inspection company, which will help me to protect my interests. That may be true but there is still a risk that something has been overlooked or a defect shows up later in time. You can imagine that this could become very expensive because there will be compensation claims from your customers or demands for price reductions.
5. Guarantee clause - Most countries have laws protecting the end consumer's rights and provide them with a guarantee period of anything between 1-2 years. In some cases, retailers even have extended this guarantee period by another year. Three years is a long time for some products with a limited life cycle. Because it is a legal requirement (except the additional year offered by retailers), you must comply and protect your interests by adding a clause in your P/O. This gives you the right to ask the factory for compensation. Most factories however will not accept these clauses

and you may have to negotiate to find a way around it and still protect your company's interest.

6. Indemnification clauses - This is another important clause that helps you if you become entangled in copyright claims or patent infringement claims. Unfortunately, Chinese manufacturers have a different understanding of copyright and patent infringements from western societies. They think, if they copy a successful product and apply some design modifications, it is their own design and they even go so far as to have it registered at the Beijing Patent Registry under their company name. If you ask them, you will usually hear "No problem - it is our design and we have already registered it". This will be of no help if the original designer sues you in your home country. Without an indemnification clause you would be in deep trouble and pay everything yourself.
7. Late delivery clause - This is relatively easy to understand. If your goods cannot be shipped on time due to the factory's fault, they will probably arrive too late for your customer's promotion and that can become expensive as well. You have to be careful here because sometimes it can be your own fault because you failed to give the factory needed information, documents, or approval to start or finish production on time. I cannot provide exact figures because they vary from product to product and company to company but you should at least request the factory use an express vessel at their cost to make up the lost time. In a worst-case scenario, the factory should share or completely pay the compensation costs your customers negotiated with you. Some importers may even include a clause that asks the factory to ship goods by air but in all my years, I have seen very few cases where this has really happened and usually factories will not agree to such a clause.
8. Clause for compliance with requirements in your home country - This is another important clause because if the Government

Authorities in your home country perform random checks at retail outlets, you may be in for a surprise when they find that the goods you supplied do not comply with local directives or laws. You should not assume that all factories are fully aware of all requirements in your home country. The opposite is mostly true. You, as the importer, are responsible to import only goods that comply with your country's laws and you must protect your company from damage for non-compliance by adding a clause in your P/O.

9. Information whether goods must be inspected and by whom - This clause is easy. If you want the goods to be inspected, which I strongly recommend, then you have to inform the factory about the details.
10. Information that mass production must comply with the submitted and approved samples. As already mentioned several times, you set the quality standard by approving the samples and must enforce it now by not allowing the factory to produce anything else. If you are lenient in this request, your efforts evaluating the samples and factory will have been a waste of time.

Your specific product requirements may deem other P/O clauses be included. For instance, the garment or textile industries differ from home appliances. In general, you are supposed to be the expert for your products and should have the knowledge to figure out any other needed clauses.

Please be aware that any P/O is only legally binding after an authorized factory representative signs it. Sometimes factories delay signing for quite some time. In that case, the best solution is calling the person in charge to ask what is going on. There could be a reason for the delay but the factory will try to change the delivery date. Therefore, act immediately rather than waiting in good faith.

Other than adding your specific terms, try to write P/Os that are easily understood and are no longer than 2-3 pages. Anything else becomes too complicated and requires too much effort on both sides to read and comprehend. You should be able to establish the P/O format one time and then copy and paste the contents for other products without starting from scratch.

Do not underestimate the importance of this section. If you make mistakes here, it usually will cost you money and respect.

It is a good idea to discuss your P/O content with the supplier/factory management during your visit. Trying to explain what you intended with a contract clause proves much more complicated once you are back home.

You can shorten this whole process by giving a copy of your standard P/O to management during the meeting or having it sent in advance if you are sure that you are going to work with the supplier/factory.

Chapter 21 - Ordering Samples

After making your decision about which supplier/factory to contract with, order your product samples but plan to evaluate them once you return home.

Sample preparation, depending which kind of products you want to import, can take considerable time. Contrary to what many people think, factories usually do not keep samples in their warehouse that can be sent right away. The more complicated a product is (for instance home appliances or consumer electronics products) the longer it will take and the more diligence needed from the factory side to prepare the samples according to your specific requirements.

You have reached a turning point in your own quality control. The first step was your scrutiny of each supplier/factory visited during the trip. You should have a good idea how each supplier/factory will perform and how talented their management is.

Providing them with detailed information about your sample requirements could become the key to your success. Why is this so important?

Imagine that you did not pay adequate attention to instructing the supplier/factory about your sample requirements and they prepare the sample according their own factory standards. As mentioned before, timing is important and you need the samples checked for compliance with your requirements in your home country. It needs to be right the first time.

If the first sample is incorrect, you could take a risk and place your order in hopes that the supplier/factory will get it right the second time. It is not a good idea to take the risk because there cannot be a guarantee that the supplier/factory will actually follow your new instructions.

It is best asking the supplier/factory to manufacture new samples. Time starts to become an issue as you wait for new samples to be made and it will take 3-7 days delivery time to ship them to your home country. Add everything up and you have possibly lost a month. This could be crucial if your goal is to be among the first to promote the new products in your home market.

Never place any order with new suppliers before you receive acceptable samples with the proper quality and they have been approved by your QC people or an authorized lab. Anything else is a gamble and you do not want to begin production with that level of risk. Only after establishing a sound business relationship with your suppliers, can you be confident the factory will closely follow your instructions. It is important to set things right from the very beginning.

When asking for samples, be sure to request they be packaged according to your specifications. This should be the same packaging the end consumer receives. At this point, they should workout the details to determine how many pieces fit into one 20' or 40' ocean-going container. Along with this comes the details of how many fit into one export carton and if any inner packing needs to go into the export carton.

With this information, you can calculate the freight cost. It may be necessary to change the sales packaging size in order to fit more pieces into one container and save substantial freight charges. It makes a big difference if you can pack 1,400 coffeemakers in a 40' container instead of only 1,200 pieces and it will certainly affect your selling price.

Samples are seldom free which is understandable because they are handmade and very labor intensive. Even if they are simple plastic products, the supplier/factory has to follow your instructions and injection mold them in a certain color which is very time consuming because the plastic injection machines are usually running at full capacity and the injection is limited to one color at a time. If you ask for several different color samples, they can only make them when they have production in the requested color. Naturally, this can increase the time it takes to receive the samples.

An alternative is painting the samples but the surface of a spray painted object looks different from an injected one and may mislead you to approve something which later proves imperfect.

Do not make the error of ordering a single sample per product/color because you need reference samples for several purposes. Common sample needs include:

- Samples for your showroom
- Samples for lab testing
- Samples for photo shooting and gift box preparation
- Samples for your inspection company
- Samples for your sales managers to show to customers

That is only the beginning of a long list and believe me, large buying offices like hypermarkets, department stores, and other large volume importers ask for even more samples because they are aware of the extensive need when introducing a new product.

The worst-case scenario is if you give the only color reference sample to a key customer after they place an order with you, you cannot determine which specific color to instruct the factory to begin with. It is a good idea

always to keep one or more samples per color locked up in a safe place to avoid embarrassing errors. Due to the limited storage space, suppliers/factories may not keep their reference samples at all after completing production.

You now have the information to better understand why suppliers/factories are reluctant to provide free samples to new customers. In many cases, you can convince the supplier/factory to refund the sample costs after you reach a certain order volume. It is good business to negotiate this in the beginning.

Besides the sample charges, you will be asked to pay the freight charges for the sample delivery. This can get expensive because samples are usually sent by air courier in order to make up lost time and stay on schedule. Suppliers/factories do not want to pay these charges and it is often difficult to convince them to do so. If they do so, it is usually only after a successful business relationship has been established.

If you need the samples urgently, and that is usually the case, you are better advised to look for a compromise, otherwise you may lose the competitive edge in your home market.

Chapter 22 - Have a Meal with the Company Owner and Senior Managers

If you have a positive impression of the company, are already working with them, or are intending to do so in the near future, having lunch or dinner with the company owner and his senior managers could be a great way to cement your relationship with them.

More Than Mere Entertainment

Bear in mind that business lunches and dinners in China are more than mere entertainment. Lunch or dinner is a place where business is discussed, but it is typically secondary to the enjoyment of the meal and getting to know each other.

I have found that these meals have a way of slowing things down and helping to decompress from a busy day of work in the factory. A lunch or dinner with the supplier/factory management can often distill what really happened that day, as well as what needs to happen later in your relationship. A lot of times, you may learn business details at lunch or dinner that you never find out in the supplier/factory office.

It is a place where you can measure each other in a different way. Often, for example, you may meet new people who are friends of the factory owner or relatives running other factories that are an important part of your local area's production network of suppliers. These side meetings may prove useful later.

Remember your hosts are probably just as worried as you are about doing something discourteous. If you are at ease during lunch or dinner, it will go a long way toward helping your host become more comfortable too.

Whether you are just getting acquainted, working together on a production run, or celebrating an achievement, building a deeper personal bond at lunch or dinner will always benefit you and your business associates.

The Food

Depending on the region of the country you are in, and how formal the lunch or dinner arrangements are, you will find considerable variation in what is expected during the meal. Still, you can expect a few common formalities and courtesies that are commonly observed.

When going to the restaurant, you will often find yourself in a private dining room and you will not be seated in the general serving area. This is a show of respect for you as a guest.

As a guest, you may be asked to sit prominently at the table in the so-called "seat of honor". Usually, this seat is facing the door of the dining room. Your back will be to the wall or window of the room as a show of courtesy and respect.

You might notice that one of the napkins is folded differently than the others; this designates who is paying for the dinner. Napkins are typically placed beneath your plate and then draped onto your lap from the table.

Generally, the courses are: cold dishes, followed by hot soups, vegetables, meat and fish dishes. Next, comes rice or noodles if more food is desired. Finally, a fruit selection might be served at the end of the meal. As the guest, everyone will be waiting for you to taste something at the start of each course before others begin, so do not be shy.

It is more polite to try a little bit of everything, even in small portions. If you find something you do not like, just leave it on your plate and move on to what you do like. You get extra points for trying more adventurous tastes when dining out, and, typically, there are more good surprises than bad.

Toasting

Toasting with drinks can be a random free-for-all at times. Or it can be a very formal circle of toasting where the guest toasts everyone at the table individually. You do this by working around the table, alternately from right to left. Toasting may also move around the table when you are toasted by your host and then a short time later you will toast that person back before moving to the next person.

After the toast, especially if you have finished your drink, you may see your host gesturing towards you holding the empty glass with both hands; you should do the same back as a way of ending the toast.

Group toasting is often done by simply clinking your glass on the table, and then raising it with both hands in a toasting gesture.

Regardless of where you find yourself in China, lunch or dinner should be fun and a chance to relax for a few minutes from the cares of the day. More often than not, it is one of the best ways to build the foundations for your relationship with the factory.

Chapter 23 - Concluding Your Visit

Depending on your goals for the supplier/factory visit, you may end up with different conclusions. After spending several hours with your supplier/factory you should know if this supplier/factory will make an ideal business partner.

If you came to negotiate a contract, management at this point should sign it. You have come a long way and put in a lot of energy. You do not want to leave empty handed. Occasionally management will delay making a decision and tell you they will get back to you.

Do not fall for this trap. After you leave, it will be more difficult to influence their decision or they may never get back to you. They were well aware this decision was coming and you deserve an answer. If you determine you will not receive a decision, you have a couple of options. You can try negotiating a contract they will agree to or you can move on to another factory. Certainly, you do not want to leave China without having a factory lined up.

Chapter 24 - Proceed to the Next Supplier/Factory Or to Your Hotel

Hopefully, you have concluded your evaluation and meetings in a timely manner. It is now time to go to the next supplier/factory or return to your hotel depending how you planned your day. If you have finished your evaluation and meetings with the first supplier/factory on time, you may proceed from there to the next supplier/factory to finish the day.

Now, your trip planning should pay off because the next supplier/factory should be in the neighborhood and since you are familiar with the process, it will take less time at the next supplier/factory.

If you spend more time at the supplier/factory than expected and are still confident that they will be your new supplier, you may want to accept a dinner invitation or it might be more important to return to your hotel. You probably still have some homework to do.

Your home office may be waiting for your decision. Besides, a supplier/factory visit can be exhausting considering the change in climate and environment along with being in a different time zone. It may be a good idea to get some rest and start tomorrow's factory visit reinvigorated after a good night's sleep.

Chapter 25 - Epilog

I sincerely hope that my eBook helps [Preparing for China Business Trips More Effectively](#) for you.

With the help of my eBook you will also be better prepared when visiting a new supplier in China for the first time.

You do not necessarily need legal assistance but you should at least have a general knowledge of most import related subjects you will encounter during your meetings with Chinese suppliers.

As an importer, it is essential to learn how everything is interconnected and how to get the best results at each step of the process.

I would like to express my gratitude for buying this eBook from me and hope that you will consider some or all of my other eBooks as well.

Klaus-Dieter Hanke