

How To

Make Chinese Factory Visits More Successful

Volume III



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Chapter 1 - Factory Visits in China are Very Important

Would you send a substantial amount of your hard earned money to someone you have not met before with only a hope that everything will be fine later - **of course not!**

So why are you doing this with your newly hired factories in China?

To make a fine point, visiting your Chinese factories on a regular basis is a must for all importers if you want to minimize your risks. From my first hand experience, I know Wal*Mart's policy is for vendors to visit every one of their factories in 3 months intervals. Wal*Mart is a cost conscious company that would not require these visits if they didn't believe them necessary.

Why You Should Visit Chinese Factories

You regularly take precautions to protect your company's interest and visiting your suppliers' factories needs to be included as an insurance policy.

As an importer, you are liable if something happens with your products. If it comes to a legal battle, it is essential that you can prove to the court that you took all necessary precautions, including evaluating the factories on a regular basis. It is just as an important task as inspecting goods before shipment and inspecting them again upon arrival at your warehouse.

Even if the court concludes you do have product liability, they will not be able to add a negligence charge that can lead to punitive damages or even criminal liability.

Another important reason is maintaining a good relationship with existing suppliers and building new ones. The Chinese business culture favors frequent personal contacts with their overseas trading partners and meeting at their factories is one preferred method.

At a minimum there are seven main reasons why you want to visit Chinese factories:

1. You want to see whom you will entrust with your precious orders **before you place them**
2. You want to meet the factory management and determine whether it is trustworthy and competent
3. You want to see first hand which technical standards and quality management standards have been implemented
4. You must assure the factory is complying with the Chinese Labor Laws that prohibit Child Labor and excessive working hours
5. You want to learn which other companies are working with that factory
6. You want to find out what the factory's actual production capacity is as opposed what you have been told

7. You want to see whether the factory is subcontracting part of their production to other factories and decide if you approve of the subcontractors

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 business but lacking the necessary experience to do so.

Chapter 2 - When Should You Visit A Factory?

The timing of your visit is defined by the main reasons you are visiting the factory.

1. Combining your visit with visits at Chinese Trade Fairs - *It is obvious that your visit will be before or after the Trade Fair period*
2. Visiting new factories for the first time for a detailed evaluation - *Could be anytime but maybe limited due to the high cost of travel*
3. Visiting a factory to discuss a new high cost or large volume project - *Not much choice here because the project dictates your timing*
4. Visiting a factory when you are experiencing major problems with quality and/or delivery - *Also not much choice if you want to take timely action*
5. Visiting to negotiate conditions and prices for new high cost or large volume orders - *If you must meet target prices from your customers, you don't want to delay negotiations which could endanger your customer's timely order placement*

Chapter 3 - How Often Must You Visit a Factory in China?

This is often an economic decision because overseas trips are expensive. I would say that you should visit each of your factories at least once a year. Combining it with Trade Fair visits helps you save on costs.

Certainly, it also depends on the current quality and performance of your factory. A factory continuously causing problems for you should be abandoned. If you cannot walk away from them because they have unique products that you must have, you will have to visit them more frequently.

A Cost Effective Alternative to You Personally Visiting

Another choice which I can offer to you is using our company's **Consultancy Service** which covers all of the points found in Chapter 2. Problems are often created by the language barrier and cultural differences, which can be easily overcome by a face to face meeting. We can take quick action to protect your interests. Please contact us for further information. Here is the link to our website:

<http://www.webmediabiz.com/consulting.php>

Fast Paced Change at Chinese Factories

Do not try to convince yourself that a single visit to your factory is enough. China is changing so fast that you would be surprised how much change occurs at the factories in a year.

A new factory manager can turn an inferior factory around and make it more competitive. The opposite can happen when a good factory manager leaves your factory and the successor fails to maintain control of operations.

Sometimes a factory experiences huge problems when a complete team of engineers leaves. The problem is twofold, because both the manufacturing and QC process are seriously compromised. A factory's sales often plummet when their engineering or management team moves on to a competitor.

Unfortunately, this happens more often than you would expect. Usually the only way to find out is either to wait until the effects are felt or be proactive by finding out during your factory visits.

This knowledge is essential to you because your business and reputation will suffer if you are unaware of the changes. You can always inform your customers at home about problems you are facing, but if you let them down, it will likely cost you serious money.

Since you will be visiting several factories during your trip, it is very likely that one of your factories will hint about other struggling factories. Rumors spread very fast in China but they will not reach you if you stay at your home country all the time.

In other words, "been there, done that" would be a totally wrong approach since everything could have changed in the meantime.

Chapter 4 - Multiple Factory Visits Save Time and Money

For economic reasons and to collect more information, it is advisable to visit several factories in the same area during your trip.

Gaining Competitive Knowledge

As I mentioned before, factories keep track of details about their competitors due to the frequent change of engineers and managers. They usually stay in contact with previous colleagues and know exactly what is going on in their old factory long after they have left.

Over the years, you will receive frequent invitations from factory managers that have moved to new factories and want to regain you as a customer. It is often a good chance to obtain better prices as an incentive to buy from them.

Throughout this book you will learn ways to evaluate a new factory to avoid becoming a victim of inferior products and poor quality management. A lower price can be an incentive to change factories, but it will not make up for the customers' returns in your home market if the goods are unacceptable.

You can only determine a factory's quality and capacity by visiting the new factory and properly evaluating it. Keep in mind, a new factory manager can turn an inferior factory around, but you are better off waiting until that has happened before placing your purchase orders.

Start Planning Your Travel Time in China

It can be tempting to invite managers from several factories to meet with you in the comfort and convenience of your hotel. However, it makes

much more sense to visit your suppliers at their factory. You need to meet the full factory team and survey the operations.

China is a vast country. You will want to visit several factories in the region you are visiting. It is common for people to underestimate the travel time between their hotel and the factories, as well as from one factory to another. Here are some general travel times for you to use as you begin planning a trip:

Greater Ningbo Area

After arriving at the Ningbo International Airport you can expect another 1 ½ hours by car to reach your first factory. Take this in to consideration so that you do not waste precious time in a car. Further on, I will give you some tips to maximize the use of your travel time. Car travel is generally the only way you can reach factories in this area.

Foshan/Shunde Area

This is another industrial area, which is located in the Southern China Guangdong province. You can reach it conveniently by ferry from Hong Kong. Upon arrival, you still need to ride 30-45 minutes by car to reach your first factory. Knowing that the ferry takes 2 ¼ hours lets you easily calculate that it is impossible to visit more than 2 factories per day if you want to evaluate them **thoroughly**.

Since travel occupies a lot of your time, it is advisable that you make inquiries with each factory ahead of time. Learn their exact locations and ask for scheduling suggestions. Following their suggestions will save substantial travel time that is better spent in meetings and evaluating the factories.

Another tip is for you to ask the factory to arrange for your ground travel including onward travel to the next factory. They are usually happy to accommodate you.

Chapter 5 - Making Your Trip Preparations

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 which I already 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 have electrical power available may seem a little strange, but you may not know that most Chinese factories are forced by the government not use electrical power one or two days per 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 name 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 3 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 catalogs. 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 don't have the new number yet and cannot reach you after you have changed to a SIM card.

Depending 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 you can be reached by the staff at your office and suppliers 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 from details which cannot be seen in a catalog.

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 saves 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 adapter to.

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

That is especially important if it is a new development and no samples or catalogs 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 exercises, 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, catalogs, notebooks etc.). Catalogs 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 Catalog

If you have your own company catalog, bring a few sets along with you for the meetings with key suppliers. You don't 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 may be 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 re-worked or re-produced.

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.

Visiting New Factories for the First Time - Detailed Evaluation

There will likely be factories that you learned about during one of the Chinese Trade Fairs or factories that you contacted from your home country but have never visit in person. Naturally, you want to spend more time evaluating these factories to make sure they comply with your requirements.

Visiting a Factory to Discuss a New Large Volume Project

These pre-visit preparations mostly focus on the details of your project. If you are placing a large volume order, most likely you have visited this factory before and know their background.

The wise importer will not place a large order with a factory they personally or their **Importing Consultant** have not fully evaluated. It is preferable to follow the evaluation with a small order to see if any surprises appear before moving on to a large order.

Visiting a Factory Because of Quality and/or Delivery Time Problems

You are having quality and/or delivery problems and want to know what the root cause is. You will also want to know if the problems have been satisfactorily resolved or if it can be resolved before it costs a lot of profit or time.

The reasons and solutions given by factory management may not be the full story. In fact, the biggest problems may not have been identified to you at all. There could even be a cover-up going on. You want to get these resolved in short time. Visiting the factory to directly apply your skills, digging deeper is often the best answer. This is a good time to bring your own interpreter along. You probably want to talk directly with the factory's engineers. They often have the best background information and possibly already know the best solution.

Negotiate Terms and Prices for New Large Volume Orders

These pre-visit preparations mostly focus on the details of your project. If you are placing a large volume order, most likely you visited this factory before and know their background.

When you have large volume orders in your hands, you have stronger bargaining powers. Factories like large volume orders for several reasons. For one, they can buy raw material and components at reduced bulk prices. A long production run means less frequent production line changes. Also, tooling costs can be spread over the larger quantity. Once the goods are engineered and in production, it means less engineering

effort is needed. Often, long production runs reduce the frequency that production workers need to be trained how to manufacture new products. Keep all of this in mind during your negotiations.

In my expert opinion, this is one of the few opportunities to negotiate better terms and pricing. While still remaining competitive with other factories, the fact is increasing costs for raw materials and components makes negotiating the price for smaller order quantities difficult. Another fact to keep in mind is these same increasing raw material and component costs mean the factory will not place orders with their suppliers until your L/C is received. However, in exchange for the large order they will pass some of their costs savings on to you.

Chapter 6 - Bringing a Chinese Interpreter Along

I have mentioned in this and other books a few occasions when it is a good idea to bring your own interpreter along. An independent interpreter can be key to successful communications.

This is especially true if you are trying to solve existing problems or have another reason to talk directly to the factory's engineers. You may decide to bypass the factory's English speaking sales manager because he is not be able to translate your requests adequately or may be unwilling to do so in order to protect his own interests.

It will also give your negotiations more weight if you can talk directly to the decision maker who could be the factory owner or one of the shareholders with help from an independent interpreter.

The interpreter should be a neutral person without any direct interest in your business activities.

In Chapters 11 and 25, I will provide more information about who will attend the meetings from the factory's side and what roles they play. You can use this information to decide when hiring interpreters is a good idea.

Tips When Working With a Chinese Interpreter

Here are some helpful tips that you should observe when working with a Chinese interpreter:

- Familiarity with the subject matter is highly important. Try and make sure that your interpreter is familiar and comfortable with the topic or subject being covered. Always ensure that your interpreter has a copy of the any planned speech or talk you will be delivering. Every company and industry has its own specialized language,

terms, and even jargon. Interpreters may not necessarily be familiar with this before working with your company. Make sure that interpreters are given a selection of any printed materials in both languages that they can study prior to the event. Technical materials can be especially important. Inform them about any complicated words or terminology and inquire how familiar they are with the meanings. Prepare them to deal with any tricky subjects or issues so that they can deliver with ease.

- Time management is crucial so plan your time carefully. Remember the conversation will be twice as long. A forty minute speaking slot with consecutive interpretation leaves time for a twenty-minute speech. A Twenty minute Q&A with consecutive interpretation is really a ten-minute Q&A. And so on.
- Never do a rush job; always speak slowly and clearly. If you are stressed or rushing it will affect the quality of the translation.
- The interpreter is there to simply translate what is being said and must never attempt to translate emotion. If the speaker is happy or annoyed for example, then this will be apparent through his/her body language and tone of voice.
- An interpreter must never undermine your position by answering questions on your behalf without consulting you. Even if the response is very simple or predictable they must always convey the question to you first.
- Don't be surprised if the interpretation isn't totally exact. Interpretation is not an exact science, especially as it is a "live" process. An interpreter at an event, who can see facial expressions and sense the atmosphere of an event, might translate differently than someone working from a written transcript of an event. Fast speakers may also find that details get filtered out in favor of a few key points. Although interpretation is inexact, you do have the right

to demand accuracy. Don't work with an interpreter who is error prone or introduces their own bias or ideas into the interpretation. Also, pay close attention to see what you can do to make the interpretation work successful. If the interpreter seems stuck on a particular point, ask for clarification and try restating the information in a different way. Often an example can help clarify a point.

- Never assume the audience doesn't speak your language. Just because you are working with an interpreter don't assume no one in the audience speaks English, Spanish, Japanese, and German etc. Many Chinese people, especially in professional circles, understand English or one of the other major languages. They may understand it much better than they can speak it. Even when working with an interpreter, assume that the audience understands you.

Here are two links to Chinese interpreter services. You have to contact them and find out which of them is most suitable for your specific requirements.

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

<http://www.interpreter.chn.biz/>

Chapter 7 - A Secret to Efficiency - Hire A Driver

I discussed that the factories will provide a car and driver for you including pickup from the airport. The problem is that you are not really the master of your time in this situation. Often the company drivers are not around when you want to leave and you spend valuable time waiting. If you are visiting factories that are far away from each other, and value your time visiting factories, consider hiring your own car and driver. If the factories are closer together, you might get by hiring a taxi if you get stuck at one factory.

The low Chinese labor costs make it affordable to hire a car and driver for a couple of days. You will be assured that you can travel from factory to factory efficiently. Before leaving your hotel in the morning, have the driver map out the best route to your first meeting. While you are visiting the first factory make sure the driver has enough information to map out the fastest routes for the rest of the day's trips.

There is of course a cost involved and only you can decide to spend the extra money for the convenience and flexibility. Now you at least you know that this option is available for you when visiting factories in China.

Chapter 8 - Book Hotels Near the Main Factory Area

Since you do not want to spend most of the time sitting in your car, you are better off booking a hotel near the major factory area.

If you choose to stay in one of the city hotels, you have to pay more and have to return every evening to the city. It will probably cost you an opportunity to have dinner with your hosts. A social evening with the factory management is a great chance to strengthen your business relationship and might produce valuable information about a competitor or another factory in the area.

Your Factory Contact Can Help

Ask your contact at the factory to recommend a local hotel. Let them know if you have any special needs that the hotel will need to accommodate. Once you decide on a hotel near the factory, have your contact book a room.

If you try to arrange that through your travel agent at home, you will end up in a hotel that is far away from your desired area. Only the most specialized travel agents have knowledge about Chinese hotels in the industrial areas.

The experienced local people know which hotels in the area are suitable for Westerners. Following this simple formula saves you the grief of figuring out a proper accommodation and then working through the language barrier to correctly book the room, you are better off accepting their help in finding one. In my 24 plus years of experience, I have never been booked into a substandard hotel by a factory contact. For one thing,

they don't want to lose face by placing you into one of the hotels catering primarily to local travelers.

Of course, there may be exceptions if you are visiting some rural areas without a city nearby. Even if that is the case, you can depend on a factory to select the best option available to you.

Chapter 9 - Arrive at the Factory Early

Factory visits are not a holiday trip. They differ from Trade Fair visits where you have time until the exhibition opens the gates. The factory starts early and you should take full advantage of it.

If you have your own driver, you can leave the hotel at any time. Otherwise you will wait until the factory driver arrives with his car to pick you up, assuming that you made prior arrangements with the factory.

If you followed the advice given in this book by staying in a hotel near the factories you plan to visit, it should not take you more than about 20 minutes to reach the first factory. Try to arrive no later than 9:00 AM.

Why is It Important to Arrive Early?

Production at most factories begins at 8:00 AM. Workers take an hour lunch break starting at 11:30 AM or at the latest noon. For the most part, management follows the same lunch schedule.

During the lunch break, the lights will usually be switched off to conserve energy and save costs. Even if you wanted to continue working without any factory assistance, you would find it hard to work in the dark. If you do not arrive at the factory until 10 or 11 in the morning, you won't get as much accomplished as you want.

Arriving early gives you enough time for a meeting, followed by a tour of the different factory areas, and concluding by joining factory management for lunch. Your afternoon can be spent at a second factory or in a second meeting.

Chapter 10 - First Impressions of the Factory

Immediately after arriving at the factory, you begin taking in information about how well it is or is not run. Of course, this is only a first impression but this is where the whole picture begins developing.

The Front Gate

Some larger factories have uniformed guards at the gates. Often the uniforms are nearly perfect replicas of the police. I mention it here because this can lead to confusion or a misunderstanding that the factory is involved with a police incident.

If you do not see any guards or only a single lonely guy guarding the entrance, you can bet that the factory is not paying much attention to security or wants to save money.

Finding waste material near the entrance area it is an indication that factory management is not concerned about cleanliness and tidiness. It can also indicate that they may not have many customers visiting. Otherwise, the area would be cleaned up on a regular basis.

The Factory Grounds

You should be also concerned if you see finished goods stacked outside the factory building, especially if the goods are not even covered by a roof. The Southern China coastal area is prone to frequent showers and you do not want your goods loaded into a shipping container with a wet outer carton.

After 4 weeks in the container, most of the products will be nothing but garbage. I am not exaggerating. Unfortunately, I have seen many such scenarios, which is why I mention the subject. To be clear, I am not

talking of goods in the process of being loaded into a container, but about goods that are being stored outside.

It is not just rain that damages unprotected goods. Sunshine bleaches the corrugated cardboard material and high humidity will soften it.

If you find both a lack of security and weather battered goods, you may already have as much information about the factory as you need.

Entering the Factory

Your next impression might be a surprise if you find that the factory is much smaller than expected. You could also find that the factory buildings are in a very bad condition. An indication that the factory lacks funds to modernize.

You can expect the guard to alert management of your arrival and somebody should be sent to pick you up. If that does not happen and they let you stroll around the factory area without anyone's attention, it is another sign of poor management.

Some factories are very large and you will definitely need assistance to find the management office. The better organized and large factories have a separate reception desk to welcome visitors. You will sign a guest register and be given a visitor's identification badge.

It should not be normal procedure for visitors to wander around the factory unaccompanied. If somebody visits your home, you would not appreciate finding him or her coming and going from your rooms without your knowledge.

The front desk staff can communicate in English. Normally, the larger the factory, the better the command of English. Once you are registered, the

receptionist will contact the management office to send somebody for you.

Remember some factories cover an area exceeding 100,000 square meters. Without assistance, you will be lost in no time.

If the factory is really well organized and experienced at receiving visitors frequently, everything will work like a breeze. They may even have a welcome sign on a reader board with your name and your company's name on it. Something like a small marquee. Take a moment to admire and praise it, which will please your hosts. Taking a photo of it would be even better.

The Showroom or Conference Room

Your next stop will probably be the showroom or conference room, take your time to observe how the office is organized. If there are many empty cubicles, it is an indication that either the factory does not have enough employees or it is lacking in purchase orders.

You can also see whether the employees are playing computer games or chatting online. Hopefully they are really busy with purchase order related work. Of course, you are not visiting the factory as their supervisor but it is always good to study as much as you can for your own good.

After a few factory visits this will all become routine for you.

Chapter 11 - Meet Your Welcoming Committee

As soon as you arrive at the conference room you will be welcomed by a group of people, which I would like to refer to as your welcoming committee.

It will be the sales or marketing manager (mostly female) one or two assistants and if your visit refers to technical issues one or more engineers. Normally, the factory owner will not be present because he is a very busy person. You can be sure that it will be orchestrated for you to meet him sometime during your visit.

Meet the Company Owner

If it is a small company, he may join the meeting at a later stage. Otherwise, he will meet you during your visit in one of the factory areas. It may seem that you met by chance somewhere on the staircase or any other place, but of course it was orchestrated by the company so that both sides will not lose face.

By watching how well these events are arranged, you gain another perspective about how well the factory and management team are organized.

The obvious question becomes, if a factory cannot make proper arrangements for visiting customers, that their livelihood depends on, how much attention will they pay to your orders after you leave?

About Showroom Product Models

When entering the conference/showroom you will learn how much care the factory takes displaying the products they want to sell to you.

In many cases, you quickly realize that very old models are displayed together with their latest models. The factory may still be selling these older models to less developed countries. There is good reason not to discontinue the older models. These old models can be good business for both the factory and the developing country that is buying them. The factory recouped their original investment long ago. Everything they sell today has a large profit margin. The developing country can buy older models for a fraction of what the newest technology costs. It is a win-win situation for both supplier and buyer.

I bring up this example to demonstrate that Chinese factories do not necessarily follow western ideals about presenting only the newest and shiniest products in a showroom.

On the other hand, if only old product models are displayed and the factory has nothing new to show to you, you may have come to the wrong factory and should begin planning to proceed to the next factory. Of course, it would be very impolite to leave right away but you should shorten your visit and spend less time on the evaluation of it.

Chapter 12 - Your First Meeting and Important Discussion Points

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

Beginning the Meeting

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

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

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

Goal 1

Visiting a new factory for the first detailed evaluation

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

You want to show them your **Company Catalog** and explain your company's policies. Part of your company's policies is your **corporate**

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

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

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

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

You want realistic price and delivery quotations from the factory. To accomplish this you must inform them about your required **Specifications**. Your quality requirement is a very important cost factor. The requested quality standard is defined by your **Acceptable Quality Level** (AQL) which sets the limits of the satisfactory process average.

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

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

Goal 2

Visiting a factory to discuss a new large volume project

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

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

Some technical issues cannot be understood by the sales managers because they usually lack a technical background. This stresses the fact that it is important having the right people attend the meeting. It never hurts to request engineers and/or production managers to be available when you first begin arranging the meeting.

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

and the engineers will receive filtered information. Undoubtedly, lacking vital technical information that will cause complications with your project.

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

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

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

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

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

Goal 3

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

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

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

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

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

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

The main point is that it is essential to visit the factory yourself or appoint a **consultancy service organization** like our company

<http://www.webmediabiz.com/consulting.php>, as soon as possible, when you are facing major problems. Problems with large volume orders cannot afford delayed solutions. Not only does this solve the immediate problem but it also demonstrates that you mean business and expect the factory to take any problems with your orders seriously.

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

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

Goal 4

Detailed negotiates of conditions and prices for new large volume orders

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

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

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

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

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

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

The plastic material becomes softer and the surface less glossy. It also leads to a lower melting point for the plastic. If it is used for home electrical appliances (toasters for instance) it can more easily deform 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 they might resort to illegal methods if you push them too hard. Your working relationship should be a partnership that seeks a compromise rather than to continue squeezing.

Chapter 13 - 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 14 - Quality Management System ISO 9000

Some of the factories will point out to you that they are ISO 9000 certified.

What is ISO 9000 and What Does It Mean to You?

The term ISO 9000 refers to a set of quality management standards published by the **International Organization for Standardization (ISO)** located in Switzerland. ISO 9000 currently includes three quality standards: **ISO 9000:2005**, **ISO 9001:2000**, and **ISO 9004:2000**. ISO 9001:2000 covers requirements, while ISO 9000:2005 and ISO 9004:2000 provide guidelines.

All of these are **process standards**, not product standards.

Normally for you, it means that the factory is claiming to have a Quality Management System meeting the requirements of ISO 9001:2000, the only standard in the ISO 9000 family that can be used for the purpose of conformity assessment.

What ISO 9001:2000 Covers

The objective of ISO 9001:2000 is to provide a set of requirements that, if they are effectively implemented, will provide you with confidence that the supplier can consistently provide goods and services that:

- Meet your needs and expectations
- Comply with applicable regulations

The requirements cover a wide range of topics, including:

- Top management's commitment to quality
- The company's customer focus
- Adequacy of its resources

- Employee competence
- Process management (for production, service delivery, and relevant administrative and support processes)
- Quality planning
- Product design
- Review of incoming orders
- Purchasing
- Monitoring and measurement of its processes and products
- Calibration of measuring equipment
- Processes to resolve customers complaints
- Corrective/preventive actions
- A requirement to drive continual improvement of the Quality Management System.

Last but not least, there is a requirement for your supplier to monitor customer perceptions about the quality of the goods and services it provides.

ISO 9001:2000 does not specify requirements for the goods or services you are purchasing.

That is up to the company to define. Your responsibility is to make clear your own needs and expectations for the product and get the factory to agree to meet them. This was previously touched on in chapter 5 under specifications and AQL requirements.

What does “Conformity to ISO 9001:2000” Mean?

This means that your supplier has established a systematic approach to quality management, and is managing its business to ensure that your needs are clearly understood, agreed to, and fulfilled.

A statement of conformity to ISO 9001:2000 should not, however, be considered as a substitute for a declaration or statement of product conformity.

How Does ISO 9001:2000 Help You in Selecting a Supplier?

ISO 9001:2000 provides some requirements in the purchasing process that include you, as the customer. These requirements address the following topics:

- Requirements regarding the purchasing information that should be provided so that suppliers clearly understand their customer's needs
- The ways in which supplied products can be verified as meeting the requirements of the customer (Note that whenever ISO 9001:2000 refers to "products", this also includes intangible products like services, or software)

You have an important role to play, by specifying to your supplier what you actually want. This is often underestimated by importers and must be addressed during your meetings with the factories.

It also has to be included in your P/O and should be as detailed as possible.

You may need to consult with your own technical staff in this process. If you do not do this, you might find that you receive a product that meets all your stated requirements and the applicable regulatory requirements, but which is absolutely wrong for your intended application. So, first of all, you should concentrate on specifying your needs specific to the intended use of the product.

To help with this task consider the following:

- What is the specific product (goods or service) you are buying?

- What impact does this product have on your own business?
- What are the risks to your business if you experience problems with this product?
- How can you be sure that the product you receive will actually meet your requirements?
- What do you know about the reputation and historical performance of your supplier?
- What level of confidence do you need in your supplier's ability to provide you with conforming products on a consistent basis?
- If you decide that conformity to ISO 9001:2000 is important, (based on your assessment of the risks associated with the goods and services you are buying) how can you be sure that your supplier does have a Quality Management System that meets ISO 9001:2000 requirements?
- Are the goods and services you require covered by your supplier's Quality Management System? (You may need to ask for a copy of your supplier's actual certificate or declaration of conformity to find this out!)

How Can You Have Confidence That Your Supplier Meets ISO 9001:2000?

There are various ways in which your supplier can claim that its Quality Management System meets the requirements of ISO 9001:2000. These include:

- **Supplier's declaration of conformity:** A declaration by your supplier itself affirming that its Quality Management System meets ISO 9001:2000 requirements, usually supported by legally-binding signatures. This declaration can be based on your supplier's internal audit system, or on second party or third party audits.
- **Second party assessment:** Your supplier has been assessed directly by its customer (for example by you, or by another customer whose reputation you respect) to check if its Quality

Management System meets ISO 9001:2000 requirements and your own requirements – sometimes used in contractual “business-to-business” transactions.

- **Third party assessment:** (Often referred to as **certification** or **registration**) Your supplier hires an impartial third party (a certification body, or “registrar”) to conduct an assessment to verify conformity to ISO 9001:2000 requirements. This third party then issues a certificate to your supplier describing the scope of its Quality Management System, and confirming that it conforms to ISO 9001:2000.
- **Additional confidence** may be derived from the fact that some certification bodies (“registrars”) are accredited by nationally or internationally recognized accreditation bodies, who verify the certification body’s independence and competence to carry out the certification process. Many accreditation bodies have multilateral arrangements under the umbrella of the IAF (International Accreditation Forum) to promote worldwide mutual recognitions in support of WTO (World Trade Organization) free trade principles.

Can Suppliers Claim Their Goods or Services Meet ISO 9001:2000?

The answer is no. The reference to ISO 9001:2000 indicates that the supplier has a Quality Management System that meets the requirements of ISO 9001:2000. As previously mentioned, this should provide you with confidence in your supplier’s ability to provide consistent, conforming goods or services. ISO 9001:2000 requires your supplier to monitor the levels of satisfaction of its customers (this includes you!) and use the feedback to improve the effectiveness of its Quality Management System.

What To Do If Things Go Wrong?

In the event you are not happy with specific goods or services you receive, you should first of all bring the concern to your supplier’s attention. You will typically do this via the normal technical and/or

commercial communication channels that have been established. Your supplier is obliged to investigate your complaint, and should take appropriate actions to avoid or reduce the chances of it happening again.

If, however, you are dissatisfied with the overall performance of your supplier, (for example if they continue to provide non-confirming products, do not address your complaints, or are not taking appropriate corrective actions) then this is an indication of problems in their Quality Management System. Depending on the response you receive, you should be aware that you can escalate concerns as follows:

- If your supplier has a Quality Management System that meets ISO 9001:2000 requirements, they are required to have nominated a person (the “management representative”) with the responsibility and authority to ensure the system is working properly. You should find out who this is, and make a formal complaint.
- If you are still not satisfied with the response from your supplier, and they are certified by an independent (third party) certification body (“registrar”), you should bring the matter to the certification body’s attention. You can find the certification body’s name by reading your supplier’s certificate. The certification body will investigate the problems during their surveillance audits of your supplier’s Quality Management System, or, in critical cases, may decide to carry out an additional specific investigation.
- If you do not receive a satisfactory response from the certification body, and if it is accredited, you should complain to the relevant accreditation body. Details of such accreditation will appear on your supplier’s ISO 9001:2000 certificate. If you have difficulty getting this information, you can consult the list of accreditation bodies who are members of the International Accreditation Forum on the IAF website <http://www.iaf.nu>

- If you feel that you have not received a satisfactory response from the accreditation body, and if it is a member of the International Accreditation Forum, you can complain to the IAF <http://www.iaf.nu>

Remember that none of the above will affect your statutory rights as a purchaser, and it may be appropriate to take legal actions against your supplier instead of, or in parallel with the above channels. The way in which you do this may vary from one country to another.

Chapter 15 - Notebook Computer Uses

Chapter 5 mentioned bring along your notebook computer to the factory meetings. It is very convenient because once the information has been entered, it can be retrieved, printed, or e-mailed to anyone needing it.

It may take a little more time than writing in a paper notebook but this time is offset by other time-savings and the possibility to edit, delete, or copy the saved information at any given time.

You can even create individual questionnaires for each supplier meeting in advance and input the answers during your meeting. This method may be even less time consuming than writing in a paper notebook.

Chapter 16 - Inspecting the Manufacturing Areas

You got your first impressions of the factory upon arrival and learned more at the first meeting. Next, your job will be to look at the different production and storage areas in detail to find out if the factory complies with your company's quality expectations.

In the previous chapter, I referred to the ISO Quality Management System, which the factory will claim to comply with. It is however best if you take a tour of the different factory areas and verify whether the factory is indeed practicing an effective Quality Management System.

Quality Control for Incoming Material and Components

Let's start where materials first enter the factory. This provides a clear indication if the factory takes quality control seriously.

A busy factory will receive materials on a daily basis. These include raw materials, components, packing materials, and anything else needed from different vendors to support production. Ordering the materials took place week's ago and normally coincides with when the factory receives the L/C for a particular purchase order.

The most important quality control starts with either a random or a piece-by-piece inspection conducted by a specially trained QC staff.

Your task is to check whether the factory has established a systematic and effective incoming material/components quality control system. Ask your factory representative to take you to the incoming area to observe the Q.C. staff conducting the incoming inspection.

A piece-by-piece (100%) inspection should be performed on critical components. An example is a thermostat that will be installed into a portable space heater. It is a critical component that will either leave the heater useless if it fails or in a worst case scenario could start a fire. This type of component is not suitable for a random inspection of only a few parts.

The factory will of course tell you that they only buy from trusted vendors with a long established business relationship. It is their opinion that a piece by piece inspection is not necessary. Do not buy into this rationale.

To understand what can happen, be sure to read about the failed example.

A Failed Example

A large German customer ordered more than 100K electrical fan space heaters. The specifications called for a special feature to be included. It was a "Frost Guard" function. The Frost Guard function allows the space heater to be placed in an unheated room where the temperature cannot drop below a certain level. The purpose is to protect growing plants from freezing.

If the temperature reaches the critical level the Frost Guard thermostat is supposed to switch the space heater on. This occurs at temperatures much lower than typical space heaters operate. All of the information was included in the P/O.

Our manufacturer did not have a climate chamber in their factory to simulate the low temperature to assure the thermostats from their vendors complied with our customer's request. They trusted their thermostat vendor and delivered the goods on time for our shipment.

The inspection company that we employed to inspect this large order was not able to check this function either, so the goods were shipped to our customer without being fully inspected.

Back in Germany, our customer did have a climate chamber in their lab. During their incoming inspection more than 30% of the Frost Guard thermostats did not function at all.

The customer was running a promotion that became threatened when the thermostats failed. There was no time to ship more than 100K space heaters back to the factory for rework. The factory's only choice was to send technicians to Germany to perform the rework. The customer's promotion was saved but at a much higher cost than if those thermostats had gone through a piece-by-piece inspection at the factory.

Keep this example handy when the factory tells you that a piece-by-piece incoming inspection is not necessary. After all of that, the factory decided investing in a climate chamber was a good idea.

Rejected Materials and Components

Here is another way to check up on the factory's incoming QC process. If the factory assures you they have an incoming materials/components QC process in place, ask to be taken to where the rejected materials/components are kept before being returned to the vendor.

If they try to tell you that they do not have any rejected materials or components, you can be sure that either the QC staff is either not being thorough enough or they are lying and they don't have an incoming QC process. It is impossible that they have not discovered any rejected materials or components over an extended period. Normally, every shipment will have at least a few rejects.

By the way, ISO 9001 requires that rejected materials be segregated from approved production materials. They should be under lock and key to prevent them from entering the production stream.

If the factory is producing electrical products for EC countries that require **ROHS** compliance, these components must be also stored separately and the storage area must be marked with **ROHS** in order to avoid becoming mixed with non **ROHS** compliant components.

Visiting the QC Department and Testing Equipment

Now let's go to another section of the factory that is important for maintaining a high quality level during production.

Do not ever skip a visit to this department in order to save time. The QC department is management's method for constantly monitoring the production quality of the factory. Here, you really want to find out if you are in good hands or not.

Larger factories have their own QC lab, which may even be certified by an internationally recognized certification organization. This enables them to perform their own tests without using any outside laboratories.

The average factory has a separate room with testing equipment and of one or more engineers to running it. When you enter this room, take note of how well they have organized themselves. You may find anything. It could be a complete mess or a well laid out testing room.

If the factory is producing more sophisticated products, they must have an adequate number of testing instruments. These should be in good working condition and must be calibrated on regular basis.

The room should be tidy and well organized. If tests are being conducted, you should find the test samples properly labeled and data sheets for the results nearby.

If the room has not been dusted for months and is cluttered with old test samples, you should assume that the factory does not take their QC duties very serious.

Why Does the Factory Need a QC Department?

It's all about money. Every time goods have to be reworked or remade it costs the factory a substantial amount of money. Only constant monitoring of internal quality standards assures the factory that a major rework or remake will be avoided.

It is also necessary for obtaining ISO 9000 certification.

Separate QC Rooms for the Customers' Inspectors

It is common for customers to send their own inspectors or hire an outside inspection company to perform at least a random final inspection before the goods ship. The factory is expected to provide a separate QC rooms for these inspectors.

It must be separate from the production area and must have all the equipment for the inspectors to perform their work properly. If the factory has a lot of orders in work at the same time it is very likely that you will meet several teams of inspectors in these QC rooms when you visit.

This is one time it might not be appropriate to take photos. The factory has an obligation to protect their customers' confidentiality. Sometimes the inspectors may be inspecting OEM products where the design belongs to the customer and cannot be disclosed to third parties.

Molding Defects	Alternative name	Descriptions	Causes
Blister	Blistering	Raised or layered zone on surface of the part	Tool or material is too hot, often caused by a lack of cooling around the tool or a faulty heater
Burn Marks	Air Burn/ Gas Burn	Black or brown burnt areas on the part located at furthest points from gate	Tool lacks venting, injection speed is too high
Color Streaks		Localized change of color	Master batch isn't mixing properly, or the material has run out and it's starting to come through as natural only
Delamination		Thin mica like layers formed in part wall	Contamination of the material e.g. PP mixed with ABS, very dangerous if the part is being used for a safety critical application as the material has very little strength when delaminated as the materials cannot bond
Flash	Burrs	Excess material in thin layer exceeding normal part geometry	Tool damage, too much injection speed/material injected, clamping force too low
Embedded contaminates	Embedded Particulates	Foreign particle (burnt material or other) embedded in the part	Particles on the tool surface, contaminated material or foreign debris in the barrel, or too much shear heat burning the material prior to injection
Flow marks		Directionally "off tone" wavy lines or patterns	Injection speeds too slow (the plastic has cooled down too much during injection, injection speeds must be set as fast as you can get away with at all times)
Jetting		Deformed part by turbulent flow of material	Poor tool design, gate position or runner. Injection speed set too high.
Polymer degradation		polymer breakdown from hydrolysis, oxidation etc	Excess water in the granules, excessive temperatures in barrel
Silver streaks		Circular pattern around gate caused by hot gas	Moisture in the material, usually when hygroscopic resins are dried improperly

If the factory does not have a separate QC rooms for customer inspectors, you have to refrain from working with them because they certainly do not meet the minimum requirements for quality control.

Visiting the Factory's Mold Shop

*Are you aware that the plastics industry just turned 100 years old, thanks to the ingenuity of Belgian chemist **Leo Henrik Baekeland**? He invented the moldable, phenolic resin Bakelite in 1907, thereby ushering in the Age of Plastics and forever transforming how we all live.*

Larger factories usually have their own mold shops where following different types of molds are made:

- Die casting molds
- Forging molds
- Injection plastic molds
- Stamping molds
- FRP (Fiberglass Reinforced Plastic) molds

Mold making quality is not all about hardware and software. The most important area of the mold shop is the workbench area.

Molds will be designed and built by true craftsmen using CAD/CAM software, and CNC (Computer Numeric Control) and EDM (Electrical Discharge Machines) equipment. Good communication between mold makers at the bench and designer/programmers in the tool shop is important.

You should inquire whether the mold maker's design work is in-house or farmed out because mold designs performed on the outside can lead to inconsistent quality, depending on whom the job is given to.

Nowadays, you will find more EDMs (Electrical Discharge Machines) in modern mold shops. They are more precise and create less process waste.

Typical mold classes available:

- Class 101 molds – Built for extremely high production rates, and made with only the highest quality materials. Guaranteed for 500,000-1,000,000 cycles
- Class 102 molds – Built for medium to high production rates. Good for abrasive materials such as glass or mineral filled polymers. Guaranteed for 200,000-500,000 cycles
- Class 103 molds – This is a popular mold build for low to medium production, and has the best price range. Guaranteed for 100,000-300,000 cycles
- Class 104 molds – This is a low production rate mold, and is used for a short product life with non-abrasive materials. Guaranteed for 5,000-10,000 cycles

Typically P20 or H13 hardened tool steel is used for the construction of the molds.

I assume that you are not an engineer and therefore maybe not very familiar with mold design and construction. It should be adequate for you to see if the factory has a mold shop at all and learn a little something about the technical equipment they are using. Since product quality depends heavily on the precision of the mold, you should be very concerned if the mold shop is using old and outdated equipment.

When the factory shows you a new product design and tells you the lead time for mold finishing, there might be a few surprises before production actually begins. Sometimes there can be a 1 -2 month difference between the mold's estimated lead time and the actual finish date.

The delay could be caused by long hours of hand polishing instead of using a machine tool that cuts a better surface finish. You do need to consider the mold shop's performance when selecting a new factory. A 1 – 2 month delay in the mold shop will also mean a long delay before your order is shipped.

Example of a Two Plate Injection Mold



The Old “the mold got broke in production” Story

Sometimes factories will offer an excuse for production delays by saying “their mold was damaged during production”. I have heard this so many times that if that was true there should not be an undamaged mold left in China. It is mostly an excuse to cover up other shortcomings because you cannot check it out.

However if you appoint a consultant like our company:

<http://www.webmediabiz.com/consulting.php>

We can immediately verify for you if the factory's information was correct or get to the bottom of the issue so that the problem gets corrected.

I don't want to say that all factories are notorious liars but molds usually wear out gradually and don't break easily. Therefore, the factory could have taken action well in advance instead of waiting until the inevitable happened.

If the factory does not have a second mold and the only mold was truly broken during the production run for one of your customers, you may be in real trouble because a new mold cannot be built in less than 2-3 months time.

Sometimes Molds do develop defects. For a better understanding, I have included the following chart that summarizes the most common defects.

As you can see, it often depends on the skills of the experts performing the injection molding whether a defect occurs.

Here is a link to a very informative **YouTube** film covering mold making and plastic injection molding from a factory visitor's point of view. The film is without a narrative but the content speaks for itself.

<http://www.youtube.com/watch?v=1aabEcaII7k&feature=related>

Here is another **YouTube** film with the title "Chill Mold Start To End" It is more professional and shows many of the mold making details.

http://www.youtube.com/watch?v=vbRXjRDf_iU

Now let us move on to another factory area.

Metal Punching Area

This area (usually a very noisy one) is home to Metal Punching, Shearing, Bending, and Forming Machines.

Similar to the mold shop, not every factory will have or need this equipment.

If they have it, it helps them control another part of their cost equation.

Examples of Factory Metal Presses



If a factory is using as 20 or more of these machines, you can imagine that their volume must be quite high, otherwise they would not have invested the money.

All these machines, including the Electrical Discharge Machines (EDM) mentioned earlier, are extremely expensive.

In this area, you may see borders marked on the floor. They are there for safety reasons. When visiting this area you should always keep a safe distance from any running machines. If the factory does not use border markings, it is a clear indication that they are not completely following ISO 9000 requirements.

In general, you should see these border markings all over the factory floor. They can mark off a dangerous area or indicate the path for transportation equipment along with having several other useful applications.

This area is noisy and there is not a lot to see. We will move along to the next area.

The Injection Molding Department

After you have seen the mold shop and learned how molds for the injection machines are made, you can now see them in operation.

Injection machines are also very expensive and some of them are as big as a large truck if very large plastic parts need to be injected.

Example of a Plastic Injection Molding Machine



So What is Injection Molding?

It is a manufacturing process for making parts from both thermoplastic and thermosetting plastic materials. Molten plastic is injected at high pressure into a mold, which is the inverse of the product's shape.

The most commonly used thermoplastic materials are:

- **Polystyrene** (low cost, lacking the strength and longevity of other materials)
- **ABS** or acrylonitrile butadiene styrene (a ter-polymer or mixture of compounds used for everything from Lego parts to electronic housings)
- **Polyamide** (chemically resistant, heat resistant, tough and flexible – used for combs)
- **Polypropylene** (tough and flexible – used for containers)
- **Polyethylene**
- Polyvinyl chloride or **PVC** (more common in extrusions used for pipes, window frames, or as the insulation on wiring where it is rendered flexible by the inclusion of a high proportion of plasticizer).

Why You Cannot Get Your Sample in a Specific Color

The plastic injection machines are very expensive and at the heart of production. At some companies, these machines run 24 hours a day injecting parts with a single color. When you request samples in a different color, they have to stop the injection process, clean the mold of plastic remnants from the previous run, and then inject a few samples in the color you requested.

Of course, this is not feasible. You have wait until the color you requested is used in another production run.

How Injection Molding Works

After the molten plastic material has been injected it needs a predefined period of time to harden before the **A** and **B** parts of the molds separate and release or eject the ready plastic part(s). One mold can inject several plastic parts at one time if it was designed for it.

The ejected plastic parts have to be separated from the frame which is composed of the **sprue** (main channel from the reservoir of molten resin) and **runners**, which are perpendicular to the direction of draw, and are used to convey molten resin to the gate(s), or point(s) of injection.

The **sprue** and the **runner** system can be cut or twisted off and recycled, sometimes being granulated next to the mold machine. You can see this clearly in the first YouTube film that I provided the link to.

Workers use a sharp knife to remove sharp edges from the plastic parts. Since this job depends on the people skill, you will sometimes find uneven cut marks on the surface of the plastic object.

It is important that you understand the factory's injection molding capacity. Often the injection capacity **defines the factory's total capacity**.

Assuming the injection capacity is 2,000 pieces per hour and the injection machine is running 24 hours a day, you would guess that the daily capacity is approximately 48,000 pieces. However, that is not quite accurate. After deducting time for maintenance and mold changes you end up with a lower figure.

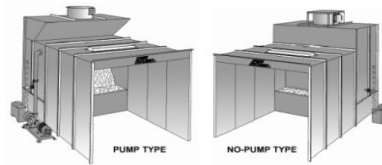
If the factory has only one mold for your product, the maximum rate it can be injected becomes the maximum rate your product can be produced at. We already discussed that the molten plastic material has to cool down before it can be ejected. There is little room for variation in this process or the quality of the final plastic product will deteriorate. These are the factors that defining the production rate.

That concludes our visit to the Injection Molding Department. Next up is the paint department.

Spray Painting Department

The surfaces of some of the injected plastic parts may need to be further processed by spray painting them. This can be anything from sophisticated automatic spray painting tunnels to spray painting by hand using simple spray guns.

Example of Water Wash Spray Booths



Examples of Coating and Spray Booths



The following methods are commonly used in Chinese factories:

Spray Booths

Spray booths and coating booths are enclosures to contain spray-coating processes such as painting, powder coating, thermal spraying, and other finish coating methods.

Spray painting equipment atomize paints or liquid materials in order to apply coatings to discrete products or components.

Spray guns and applicators are used with both air and airless processes. Air spray guns atomize paint with compressed air. Forcing the paint particles into a high velocity air stream atomizes the particles into tiny droplets.

The shape and paint density of the resulting droplet cloud can be controlled by air pressure, paint viscosity, and gun tip geometry. Air assisted spray guns alter the paint pattern, but do not atomize the paint.

Airless paint spraying uses high fluid pressure to atomize paint by forcing it through a small orifice. Because less air is used, airless paint spraying poses fewer dry spray and paint bounce-back problems than air-assisted spraying.

Spray painting must be done in a spray booth that can control the emissions of particles and solvents.

Spray booths are usually classified by their types of construction and exhaust filtering systems.

Baffles placed in the ducts will remove some over-spray but require regular cleaning. Baffles are acceptable only for small paint rates or if the paint is applied electro statically. If the spray booth is used more or less continuously, the extracted air should be passed through an efficient filter or water scrubber to remove the bulk of the excess paint particles.

If spray painting is done only a few times each week, an air extraction system is adequate to dilute the solvent fumes.

To my knowledge it is however very unlikely, that Chinese factories will use their spray booths only a few times each week. You can expect they are used every day.

Another option is to install an activated carbon absorber in the exhaust duct. These cartridges will absorb solvents until they are "full" and then must be desorbed by steam or heat. The solvent can be collected and recycled and the cartridge used again.

If a wet scrubber is used to remove paint particles and solvent vapor, the spray nozzles should be checked regularly and the water maintained at the correct level at all times.

If a process requires large quantities of paint to be sprayed, as is mostly the case in Chinese factories, a spray booth incorporating an efficient **wet collection device** will be needed. An efficient wet collector incorporates a spray chamber containing enough spray nozzles and with enough water circulation to remove excessive paint particles. (Please refer to the above drawings and pictures).

An alternative to the spray chamber is the “No-Pump” Collection Device, in which water flow is controlled by air movement. To obtain maximum filtration efficiency with this type of collector, it is important to maintain the correct water level recommended by the manufacturer. An automatic water level control device must be fitted to all spray booths of the “No-Pump” type.

A water curtain is useful only to maintain booth cleanliness; it is not acceptable as a collection device. The efficiency of any spray booth is related to its cleanliness.

Another method for spray painting is **Powder Coating** which is used to spray resin powder onto the surface of a pre-heated component, where the powder fuses and cures producing a protective coating.

Powder coating equipment includes electrostatic coating equipment and fluidized bed systems. Electrostatic coating charges paint droplets or coating powder particles and then sprays them toward a part with an opposite and attractive electric charge.

Since the charged powders in the spray stream are attracted toward the part, the electrostatic process help minimize over-spray and waste.

Health Risks and Effects of Paint Overspray

You may find during you factory visits that some workers in the spray booths are not wearing a protective mask at all.

This alone will cause very serious health risks for them because when inhaling paint components and spray drift, humans can develop respiratory irritation and metabolic toxicity, particularly from paints incorporating isocyanates.

Solvents such as toluene and xylene are considered to be air toxic, and could cause health problems in humans.

If you don't want to work with companies using child labor or forced labor, you really should not want to work with factories that do not care about their workers health.

Please consider that you will spend only a few minutes in this environment during your factory visit but the workers spend their whole day spray painting and cannot simply walk away.

Now that you have seen most or all of the fabrication areas, let's move on to the assembly lines.

Production and Assembly Lines

This part of the factory tour is preferred by most visitors. There is so much to see including the lot of beautiful girls from all the different provinces of China. They are much more attractive than a metal punching machine.

1. Assembly Line (Pre-Assembly)



2. QC Inspector Testing Finished Parts



3. QC Inspector Online Testing



4. QC Inspector Online Testing



5. Injected Plastic Parts Wrapped for Protection



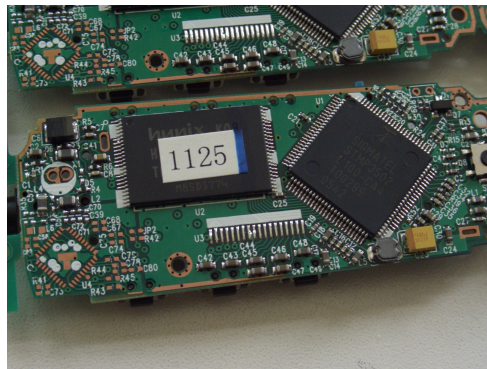
6. Injected Plastic Wrapped for Protection



7. Plastic Part Sorting



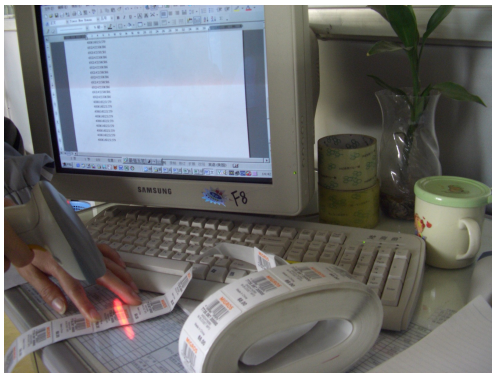
8. PCB with IC Components



9. Special Storage Boxes



10.Bar Code Scanner



11. Production Output Chart

F8A拉生产进度时报表

DATE: 2011.12.2. MODEL: MP-3301 OR/NO: 99051120 M1Y: 1

指标 2500 的产地: 德国 总投入数: 2

序号	机板投入	面壳投入	壳投入	不良率	备注
1	250	250	250	10%	
2	300	300	300	5%	
3	220	220	210	6%	
4	240	240	250	4%	
5	250	250	220	7%	
6					
7					

12. Power Supply



Explanations to the Photos

In photos 1 through 4, you can see that the workers are wearing working coats in different colors which are provided by the factory. This is mostly standard in all Chinese factories.

The different colors distinguish between different jobs the factory workers have. Blue coats indicate workers assigned to the conveyor belt while the pink coats are for **QC inspectors** checking the work on the conveyor belt.

The red color coats are for **QC inspectors** checking finished products. Their job is most important because they actually control the overall product quality. Final inspection is only assigned to experienced workers. These people are very important to the factory because they cannot easily be replaced.

You will also find some workers are wearing white cotton gloves. This should be a requirement in a well managed factory for workers who frequently touch the surface of products that are sensitive or easily damaged.

In photos 5 and 6, you see that the injected plastic parts are packed in separate PVC bags. Keep in mind that as your parts progress through the factory, they need sufficient protection until they are assembled on the conveyor belt.

Sometimes, this good practice is ignored by factories to save cost (extra packing costs time and money!). The result is scratches on the parts that later need an extra polishing job or cannot be buffed out at all.

In photo 7, you can see that the worker has placed some extra cloth between the conveyor belt and the plastic parts. This is another way to

protect sensitive plastic part surfaces or spray painted surfaces. It does not cost anything but a little time and makes a big difference maintaining the quality of the parts.

Photo 8, shows a PCB (Printed Circuit Board) with one main IC of a MP3 player. If you order a high performance Toshiba IC because your engineers recommended it, you really want to make sure that the factory is not substituting a compatible Samsung IC which may be much cheaper. The factories are always searching for ways to reduce their costs and replacing more expensive components or parts with cheaper ones is an easy to do this.

If you did not specify a requirement, it is appropriate for the factory to use the cheaper component, but if you order a specific component, they must comply. Asking for a pre-assembly photo provides you with good evidence of the factory's compliance with your specification.

Photo 9, shows some blue storage containers containing assembled products. Again, all products need to be protected with PVC bubble bags to avoid any damage, even when inside a protective container.

MP3 players are somewhat high tech products but factories producing cheap plastic household products may not invest the money for proper protection.

Whatever your product is, the factory must provide some type of interim protection until the goods are packed into their sales packaging. Of course it is best when the products can be immediately packed as they complete final assembly but that is not always possible.

Photo 10 shows a bar code scanner in operation. Readable bar codes are essential to almost all retail organizations today. If a retailer's cash register bar code scanner cannot read the code correctly, the product will not be recognized or it might register as a different product, which will cause havoc with the retailer's ordering system.

Typically, inspection companies provide a bar code scanner to their inspectors but factories should also have the equipment. Something else you want to check on during your visit.

Photo 11, shows something which you can find in all factories but may not have paid much attention to. It is a production progress chart displaying either the production progress per production line or of complete projects. The chart in the photo is from the very beginning of production and for us it was important to see the total daily output the factory was capable of. We learned that the assigned production lines for our order were insufficient and requested the factory add one or two more production lines. MP3 players are time critical and usually shipped by air. There was no time margin for a late shipment because everything had been planned for the customer's Christmas sales.

Photo 12, shows a stabilized power supply for testing the MP3 players. It is important that you check if the factory has **modern testing equipment and the specific equipment needed to inspect your goods.**

The required equipment is determined by your specific products but I am sure that the Chinese factory that used lead tainted paint on the **Toys 'R' Us** products did not have the right equipment to test either supplied parts or paint coming from a supplier. It makes a good example of why you want to make sure your factory is equipped with all devices needed for thorough and proper testing.

Closing Thoughts About the Production Areas

Check if production is arranged in a logical order. Common sense applies here but factories do not always follow common sense. Incoming material should be at one end of the factory, next should be the part fabrication areas, followed by the paint area. Coming out of the paint area should be either a temporary storage area or the assembly areas. A warehouse area should be at the end of the assembly areas or in an adjacent building .

If the daily injection capacity is much lower than the assembly capacity of the factory, the factory needs to begin this process early to build up a supply before beginning assembly. If this does not happen, other fabricated parts will need to be stored until the injection molding is complete. This causes another set of problems like storing parts in the production areas where they interfere with production and the parts are at risk to be damaged. Or in an even worse case, they will be stored outside in the weather that I warned about back at the front gate.

Workers are not typically allowed to talk to each other when working at the conveyor belt. If they are talking or arguing with each other and nobody intervenes, it is another sign of poor management.

Insist on seeing where finished products are stored. You want to be sure they are stored properly. The finished and completely packed products should be either stored in one of the factory's finished goods warehouses or if it is a small quantity order, kept in a separate storage area in the production building.

You may come across ongoing production of goods for other companies, even your competitors. It is a good idea to take notes and photos because this information can be important for your sales managers back home.

While examining the goods of other companies, you might uncover that the factory has lied to you about having exclusive distribution rights to the product in your sales region.

The factory representative should try to show you everything you request. However, they cannot bring production to a halt just to show a small detail to you. You will need to be reasonable with your requests.

Ending this chapter on a positive note, your factory visit could reveal that your products are coming off the same assembly line as some world famous brands. In that case, you have probably found a dependable Chinese factory.

Chapter 17 - Take Plenty of Notes With a Dictation Recorder

Your factory tour will be at a hectic pace with lots of information coming at you fast. You will not have enough time to take notes in either a paper notebook or a notebook computer. Nor will there be a convenient place to use the computer.

Still, you will want to capture all of the information. A dictation recorder is the perfect answer. Both a micro-cassette and memory card machines work fine for this. Between the digital camera and voice recorder, you should have no trouble capturing and organizing all the data. This will also help you remember what you saw at different factories so that you do not confuse the facts between them.

Another good choice is to use your cell phone that very likely has a recording function perfect for this use. Take as many notes as possible because you will not likely be coming back soon. At a later date, you will probably find this information comes in handy for another project being considered for the factory.

In the evening, at your hotel you can download the recording to your computer and match the audio files with your photos to keep well organized files about the factory.

Another advantage to keeping this information handy might come up when you visit another factory. If the first factory gives you some information that you want to verify, you can refer back to your notes and photos to ask another factory to verify it. Maybe the first factory told you that certain materials or components are in short supply but the next

factory does not mention it. You can refer back to your notes for the details and ask the second factory if they are having the same problem. I have had the experienced of factory staff disclosing information during the walking tour that they did not want to bring up in the conference room discussions that included their colleagues. Having a voice recorder along lets you capture the information immediately and accurately.

A common example would be finding products manufactured for one of your competitors and you asking the staff member about the projects details.

They will usually tell you the order quantities, the estimated delivery date, and, even the FOB price that your competitor paid, if you can believe that. The bad news is that the same thing will happen when your competitor asks for details your project during one of his visits.

If you have your own interpreter, this would be another important moment to get him involved. He can ask questions for you of anyone around. It does not have to be an English speaking staff member.

Chapter 18 - Shoot as Many Photos as Necessary

Your digital camera is at least as important as your dictation recorder and will support your recordings with photos of specific details.

Shoot as many photos as possible even if you end up discarding some of them later. Most digital cameras have macro functions that allow you to take close-up photos. Consider this if you buy a new camera for your trip.

Your visit to the factory may have more than one goal. If you will be discussing a claim or quality issues from a previous purchase order, you need to bring photos of the parts in question or even bring the actual goods if that is practical.

Most digital cameras or cell phones also have a video recording function. That is even better than still photos if you want to record a working process.

Chapter 19 - Watch for Labor Rights Violations

You have a requirement to find out if the factory violates Chinese labor rights. It is obvious that factory management will not willingly disclose the information to you. You need to find out yourself or with the help of an interpreter that can directly ask questions of the workers.

Some of the workers may appear very young to you but there may not be anything wrong. If you suspect they are too young just have your interpreter ask them their age. Surprisingly most workers usually do not lie. They will tell you that they are only 15 years old, which is below the PRC minimum working age of 16.

Other things that you or the interpreter should ask the workers is how much overtime they have to work and whether they are being paid for it.

A less known requirement is that the factory usually has to pay or reimburse workers the cost of their journey home during the Chinese New Year Holidays. This is an expense many factories attempt to avoid.

Of course, the length of your visit is limited so you will not be able to go into detail about labor rights. But a few questions will give you insight about management's attitude towards the workers.

A personal reason you are concerned about workers rights is because dissatisfied workers can cause havoc for a factory when they leave for better paying jobs. It takes time and money for management to train new workers and get them up to speed so they perform satisfactorily.

Chapter 20 - Observations About Quality Control

In chapter 16 you learned considerably about the factory's QC department and how important it is that they take it very seriously. Now that you are near the end of your factory tour it is time to further evaluate if QC is performing as required.

Ask to speak to a QC inspector and ask them what is done when a defect is found. The inspector should show you that they log the defect in a control book. Ask to see the book. When you look at the book you may find out that the same defect occurs repeatedly and all that happens is they continue to document it without taking corrective action.

A proactive QC management would take immediate action to find out which person continues to make the same mistake and what the reason for it is. It could be that the worker has not been trained sufficiently or is unaware of the problem or does not know how to solve it.

Only after the defect's cause is eliminated will production flow smoothly. Not only does quality improve but the factory's costs go down also because they no longer have to rework or scrap parts. Therefore, it is in the factory's best interest to take immediate action and this can be only achieved with the help of a well-trained and educated QC staff.

Other general observations to look for in the QC staff are their assigned workstations in the factory:

- Working directly beside the conveyor belt overseeing the workers
- Working directly beside the main packing area inspecting the finished goods immediately before final packaging

- In the production areas conducting quality tests at different stages of the production process
- In the QC room performing various quality controls best conducted there

If you only find an inspector at the end of the conveyor belt, they better have a large scrap bin handy because the factory is likely producing a lot of junk. You had better hope it is not going into the final packaging.

QC inspectors are valuable employees. They need years of working experience to become qualified and cannot be easily replaced.

Chapter 21 - Visit and Evaluate Any Subcontractors

As you visit each of the factory's various departments, you may learn a portion of the production is subcontracted to other factories. Unless special circumstances apply, the subcontractors are usually near by.

The factories find this to be a sensitive issue. I purposely placed it after the factory tour because now you are in a position to ask. If you did not see equipment needed to manufacture some of the parts going into the final assemblies, now is the time to ask where they are manufactured at. Although the factory is reluctant to disclose this information, it is almost impossible for them to avoid it at this point.

They may try pretending the other factory belongs to them and is an extension of the production of the factory you are in. There is probably nothing further from the truth. Often the other factories are run by relatives of your factory's owner and they are doing each other favors. It is very common in China.

The problem you are looking to uncover is if the subcontractor has a totally different quality standard (if they have one at all).

The main reasons factories use subcontractors are:

1. To save money by squeezing the subcontractor to accept lower prices than they are capable of achieving themselves
2. Overcome a temporary production capacity shortage
3. To do a favor for a friend or relative that does not have enough orders to run their factory efficiently
4. Cover-up labor rights violations
5. Access to production equipment such as injection machines, spray-painting, and mold shops that they do not have

The problem is you have no idea how well or poorly the subcontractor's factory is managed without visiting. Your factory might not make this visit easy but you should insist.

Possibly your factory has several subcontractors. The more subcontractors, the more risk you will be taking that some of them have quality problems. This is a very good reason to insist on visiting them.

You cannot simply go wandering into the subcontractor's factory. You are going to need cooperation from your factory. Most likely one of the staff will accompany you and your visit will probably be limited to the area of the subcontractor's factory that is performing work for your factory.

Be sure to apply the same stringent quality and performance requirements as you did to your own factory. It is the only way you can protect your own business interests.

Chapter 22 - Meet The Factory's Printing Company Representative

This chapter applies only if you already have work in your factory and there are some printing issues to be discussed.

To make things easier, I like to invite the printing company representative to the factory so that I cut out the middleman when discussing quality issues or providing instructions or have special requirements. It is often well worth the time to spend ½ hour with a printing company's representative to explain any special artwork, new concepts, or a quality problems that has been encountered.

You are the most qualified person to provide the information. It is much better to spend the extra time rather than waiting until a bad proof arrives back home. It is much more effective than relaying the information to your factory and in turn they relay it to the printer and everyone hopes it comes out correct.

The same applies to other external companies such as a packaging manufacturer. Time might be getting tight if you have other factories to visit but keep this option in mind.

Chapter 23 - Inspecting Production Samples and the Packaging

This also only applies if you already have work in the factory that is currently in production.

If that is the case, be sure you take your time to have a close look at production samples and their packaging. If the production is in an early stage it is even better because if you find something wrong, you can instruct the factory to take immediate action without losing too much time.

Expect the factory to take this opportunity to bargain with you and try to nail down the level of quality you are willing to accept. If you find samples that do not meet your quality requirements, the QC managers will attempt to obtain your approval at a level lower than previously agreed to. Whatever you agree to now automatically becomes the future quality standard the factory will refer to.

The factory will ask you to sign a sample. Then they will keep it as a future reference. If you bring up a similar quality issue in the future, the factory will quickly refer to that sample and there is not much what you can do about it.

The answer is taking your time examining the sample thoroughly before accepting it. Remember, you are in control because you pay the factory to work for you. Don't let them corner you.

If you must compromise on something, don't forget to take a second reference sample with you. Otherwise, after a while you may not recall what was accepted and what was not.

The same applies to the packaging. The factory may have used the wrong corrugated cardboard quality or made its own changes on the packaging layout. Be sure to look it over carefully.

Chapter 24 - Have a Meal with the Company Owner and Senior Managers

If you have a positive impression of the company or 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 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 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 don't 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 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 25 - The Second Meeting at the Factory's Conference Room; Attendees and Discussion Points

After a delightful lunch you need to use the remaining time at the factory for a second meeting. You have actually finished your factory evaluation at this stage and need to discuss your findings with the factory's management before you leave.

Who Attends?

Theoretically, you could leave right now but the factory management expects to hear your opinions and advice. It is in your interest to tell them about both any shortcomings you found and your positive findings during the tour of their factory.

The meeting will likely be attended by the factory owner, the QC Manager, and engineers if there are technical issue involved. The sales manager and his assistants will naturally attend. In fact, the factory owner may decide to call some other managers in for the meeting only when the discussion focuses on their areas.

The factory will not stop just because some of the managers are having a meeting with you. Meetings take place routinely; everything should continue to run smoothly.

Following are key discussion points you should addressed 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 won't talk about a low order backlog, there is a chance that their competitor knows which proves one more time how important it is to visit the factories in person.

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 don't 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 don't go over well in Europe or the USA.

Many importers use the Pantone Color Chart numbers to inform the factory about their color or color combination requirement. 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 which 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.

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 won't 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 to 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 be only 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 having received the necessary packing material and that depends on the receipt of your artwork. Beside the possibility of damaging the goods, there is 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 is 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" is dominate 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.

Using a sledgehammer approach to obtain better prices is not appreciated by the Chinese 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 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 can not 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 to 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 which 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 countries 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 before, 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 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 factory.

Ordering Samples

After making your decision about which 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 factory visited during the trip. You should have a good idea how each 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 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 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 factory will actually follow your new instructions.

It is best asking the 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 don't 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 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 to always keep one or more samples per color locked up in a safe place to avoid embarrassing errors. Due to the limited storage space, factories may not keep their reference samples at all after completing production.

You now have the information to better understand why factories are reluctant to provide free samples to new customers. In many cases, you can convince the 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 lead time and stay on schedule. Factories don't 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 usually the case, you are better advised to look for a compromise, otherwise you may lose the competitive edge in your home market.

Chapter 26 - Concluding Your Visit

Depending on your goals for the factory visit you may end up with different conclusions. At the least, after two meetings and a tour of the factory you should know if this factory will make an ideal business partner.

If you came to negotiate a contract it should be signed by management at this point. 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 27 - Proceed to the Next 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 factory or return to your hotel depending how you planned your day. If you have finished your evaluation and meetings with the first factory on time, you may proceed from there to the next factory to finish the day.

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

If you spend more time at the 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 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 28 - Epilog

I sincerely hope that my eBook helps **Making Your Chinese Factory Visits More Successful** for you.

With the help of my eBook you will be less overwhelmed by the magnitude of details when arriving at new factory for the first time.

You don't need to be the expert for mold making or spray painting but you need at least a general knowledge of the operations you will encounter during your factory visit.

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

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

Klaus-Dieter Hanke