

The Ins and Outs of Importing from China

Many small new business owners who are looking to outsource manufacturing and interested in the idea of committing to a supplier in China, need to fully comprehend and understand the legal requirements, quality assurance and manufacturing standards within China.

Before you commit to confiding in a supplier from China, all new importers should thoroughly research and read about best practices, quality control plans and production methods and standards within that country. This will be the pinnacle point and guide you to your decision whether or not to source from China and if this option is beneficial for your business.

To assist you with your research, here are some common mistakes made by purchasers in countries like China or India.

1. Looking for the lowest price

Searching for cheap manufacturers can cause you more harm than intended. If you purchase something below market price, you are taking very high risks. Nearly, in every case where a buyer strikes up business with a supplier insisting on producing cheap products, the quality will either not be up to your standard/Australian standards, or you are about to get scammed. Don't be afraid to find a more expensive manufacturer to ensure and guarantee your goods will be produced with higher quality.

2. All the companies listed on alibaba.com, or exhibiting on trade shows, are manufacturers.

Simply sourcing manufacturers from the internet is not sufficient. Most suppliers listed on Alibaba.com do not own their own manufacturing facilities but are in fact intermediaries or middle men/third parties. In a recent article, written by Lisa Goodhand, exploiting Alibaba for their 'fraudulent online activities', expresses the concern of their sales team taking illegal cash payments. All in all 'shop around' for a well known or trusted supplier and ask yourself "is my business attractive to this supplier, and is he capable of delivering as needed?" Research these potential manufacturers, conduct factory audits and backgrounds checks and begin to create a repour with them – this will benefit you in the long run.

The only exception to using a third party would be for very small orders, small manufactures are very disorganised and don't have English speaking staff.

3. Hoping that an unsatisfactory manufacturer will get better over time

This typical cliché moment when a buyer believes that their manufacture will either produce higher quality goods or become more time efficient in the future – the 'take back scheme'. Do not get sucked in. It is a bad idea to give a second order to a factory that just produced substandard quality. If you are not 100% happy and satisfied with your supplier, nurture a back up manufacturer.

4. Not registering one's trademark when buying from China

Ever had a great idea or an invention and someone adapt it, makes it better and is more successful? When buying from China ensure you trademark your product and register your IP. This restricts competitors sealing your products and stops your supplier from selling your goods on the local market.

5. Not keeping two weeks of padding in the shipment schedule

Your supplier will promise you a shipment date. But there will often be delays. So plan for it. Keep at least 2 weeks of safety in your planning and don't leave everything to the last minute. Be organised otherwise you will struggle to find space on a vessel to ship your goods. Your freight forwarder cannot ensure your shipment will go to plan i.e. shipping transit times may vary and be delayed. Remember, rushing production will usually affect product quality.

6. Letting the supplier ship without checking product quality

Check, check, check. Once a production batch is on a vessel, it's too late.

There are several ways of checking product quality before shipment. Inspections by external inspector(s) in a factory are the most common type of quality inspection service. This process involves an inspector to enter the factory, take samples at random and draw conclusions about the whole batch. This system is relatively easy to set up and is moderately inexpensive, even with many different suppliers in many different places.

Final inspections on a platform are popular with some larger buyers, mostly from Japan. Platform inspections are conducted either on a randomly selected set of samples, or on 100% of the goods. However this system is not suitable for small and irregular volumes.

If you want to check 100% of production, piece by piece inspection in the factory might be a good idea. The defect rate in the shipment is very close to zero after this 100% check.

Insist on getting a 'perfect' sample, Made-in-China products are inadequate about 20% of the time. The best practice is to get at least two samples, and send one back to the factory with your signature/stamp on it.

7. Paying everything in full while one still needs leverage

In a nut shell, do not agree to wire 100% of the order amount before shipment – otherwise you are left with no leverage. Payment terms are very important because you are in a position of power as long as you owe money to your supplier. The 'golden rule' of payment: do not wire 30% deposits before you get a perfect sample and do not pay the remaining 70% before shipment. You should avoid at all cost to settle the payment before the quality of bulk production is approved.

It is better to pay after the Bill of Lading is produced and an inspection has occurred.