

The 7 Steps to Successfully Sourcing Products in China



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The Opportunity

As a progressive business owner or purchasing manager, one of your most important jobs is to source products and materials at the right price. This helps you remain competitive and protects your profit margins.

With the emergence of China as an economic and industrial super-power, you've probably wondered, like many other business owners, if sourcing your products direct from the manufacturer in China is a worthwhile and viable option.

If you get it right, the rewards can be well worth the effort. If you get it wrong the consequences can be costly. Over the past ten years we've seen many businesses do very well from China. We've also see the others who weren't so lucky.

The purpose of this report is to give you an introduction to the best way to source products from China.

1. Use an Independent Agent

It is possible to “go it alone” when sourcing products from China – if you're prepared to visit the country yourself and spend time looking for suppliers you can trust. There are many risks associated with this approach – but it is possible.

The other option, and the one that most governments recommend, is to use an independent sourcing agent from the West, with local offices and staff in China. The key word here however is “independent” as there are many sales agents in China who pose as “independent” sourcing agents.

Most of these are ambitious, young Chinese people who become agents overnight and represent only a few carefully chosen manufacturers. This means that you're not getting real value for money as your job is not being distributed to several suppliers for quotations.

It also makes it less likely that you'll receive quality products, as this small group of manufacturers won't be held accountable for quality in the same way as they would be with a proper “independent” sourcing agent.

2. Check the Agent's Business Credentials

As with any new business relationship, when looking for an independent product sourcing agent for China, you should take time to check out their track record and their business credentials.

Here are a few areas to consider when looking for an independent sourcing agent:

- **Head-Office.** Is the agency a western company with a presence in China, or a native Chinese company? When it comes to doing business, it will be much easier for you to work with a company who originates from outside China. It will be easier to check out their credentials as getting accurate information on Chinese businesses can be very difficult.
- **Office in China.** Do they have a fully-staffed office in China? How long has it been there and how long have their staff been employed there? It is important to work with an established company with a proven track record of successfully sourcing products in China.
- **Experience in China.** For most people, China is a very different from what they are used to. The culture and the mindset are very different from the west. When vetting a sourcing agent, ask them how long have they been operating in China? Good representation will come from an agent who has been operating successfully in China for several years. Established working practices will help ensure that you get good service. They will also have built up a network of reliable contacts – which is a very important part of life and business in China.
- **References.** Can they provide genuine references from other businesses who have used their service? If they can provide references, you should always take the time to call to them. We've seen cases of elaborate hoaxes to deceive western companies sourcing products in China. Ask how long they've been in business, how long they've been using the agent, what products they've sourced, what is the quality like, and can they recommend the agent. Take time to check out their website also.
- **Documentation.** Ask the agent what documentation they can provide as part of the sourcing and shipping process. They should be conversant in the process and give you confidence that they know what they're talking about – based on the language that they use. Typical documents include the Bill of Lading, Certificate of Origin, Fumigation Certificate, and a detailed packing list.
- **Quality Issues.** Ask what their procedure is for dealing with any quality issues that may arise. Having dealt with Chinese manufacturers for over 10 years, in general, we have been very impressed with their quality. It's important however that the agent makes it clear to the manufacturer that they will not accept substandard levels of quality.
- **License to Trade.** In China, the law is very strict on what a business can and cannot do. All businesses must have a license to trade. That license enables the business to conduct one specific type of operation. They cannot do other things which don't match the description of their license. Ask to see the agent's license before you start doing business with them.
- **Good English.** As English is the international language of business, regardless of which Western country you come from, your primary point of contact

at the agency should have a good command of spoken English. They should also have good written English as many of your communications will be in email. The same rule applies to the staff in the agent's Chinese office. They too should have good verbal and written English as you may have to speak to them directly on occasions.

Finding the right agent is an important step to successfully sourcing products in China. Your relationship with them and their ability to deliver quality products, on time, and at the right price will be a major factor in the future success of your business. It's important to take your time and ask the right questions. Only proceed when you're confident that the agent can do what they say can, and that they're a good fit for your business.

3. Provide a Detailed Specification

It's essential that you provide your agent and their manufacturers with a detailed specification for the product or materials you require. Having dealt with the Chinese for several years now, we've come to realise that they have a very different understanding of the word "detail" than we have in the West.

Unless you're very clear about what you want, you're sure to get something different. This can be a very time-consuming, costly and frustrating process if you have to spend weeks and perhaps months wrangling over details. So make sure you put everything down on paper.

If you're currently manufacturing your own products, then send the manufacturer a sample of the product you require and ask them to copy it. Or ask them to copy it and make changes according to your new specification.

The more detail you can provide about the products or materials you require, the better. Provide detailed drawings if applicable. Write out in detail what you require from the product and what it's to be used for.

Is it an original design which you own the rights to?

There are many cases of counterfeit goods coming from China and other places. Don't get involved in the supply of counterfeit products as this is a criminal offence. A legitimate product sourcing agent will not get involved in sourcing counterfeit goods. If they do and get caught, their license would be revoked.

For raw materials such as steel, make sure you know and communicate what grade of steel you require. Explain to the agent what exactly the raw material will be used for. This reduces the risk of purchasing materials that are unsuitable of their intended purpose.

Here are some tips for communicating your requirement to the Chinese:

- Provide detailed drawings and plans for the product you require.

- Specify the exact materials you want your product made from.
- Use colour codes to specify colours.
- Send them a sample of the product you require.
- Send photographs – if possible

4. Request an Exact Sample

If you decide to deal directly with a manufacturer in China, even when you do provide a detailed specification, it's no guarantee that the manufacturer will give you what you want. That's why it's vitally important to request a sample of the product or raw material you require.

Quite often, the first sample they send you back won't match your exact specification, so you'll have to make a note of any issues, and relay them back to the manufacturer.

For the most part, when you return the sample to the manufacturer, they will adapt the product based on your feedback and then manufacture it correctly.

This will depend a lot on the experience of the manufacturer, their attention to detail and the value of your order. If they see you as a valuable source of new business, they'll pay more attention to the detail. If you are a small business with small orders, they'll probably drag their feet a little and not be as responsive as you would like.

Working with an independent agent however should eliminate any such issues. They will only work with reliable manufacturers who will deliver on their promises. Providing you with a sample product and fine-tuning the detail to suit your specification is the responsibility of the agent.

So always insist on a sample before you place an order. Take time to test the product out to make sure it works correctly or meets the requirements of the end user. Show it to your staff, and a select group of customers or prospects if possible – to get their opinions.

5. Consider an Independent Quality Inspection

If it's your first time buying products or materials in China, then you may consider hiring an independent quality inspector to check them out before they leave the factory.

Once your products have been manufactured and are ready to be shipped, you can request that an independent quality inspector visits the factory to inspect your goods.

Your agent should be able to recommend a reliable firm of inspectors. There will be an extra charge for doing this but it could be money well spent. It depends on the nature of the goods you're ordering, the value of the order and whether you've used this supplier before.

It is vitally important that you use a reputable and experienced firm of inspectors who will give a truly independent report on the quality of your goods. As you can imagine there is an opportunity here for dishonest inspectors and unscrupulous manufacturers to “do a deal”.

Warning – As the manufacturing industry in China continues to expand at a phenomenal rate, there are always hucksters out to make a quick buck – at the expense of the unsuspecting newbie. So be careful about who you hire and always use partners with verifiable credentials. Ask your agent to recommend inspectors they have used before.

6. Understand the Quality Controls

Even though it's the agent's responsibility to ensure proper quality controls are in place, it is still re-assuring for you as the client to understand the process they go through to ensure good quality products are delivered to you.

Here are some things to insist on from your agent:

- **Vetting Process.** Question your agent on the vetting process they follow when looking at new suppliers. Do they check their time in business, certifications, customer base, etc? The agent should take all reasonable efforts to ensure that they are sourcing your products from a trustworthy manufacturer.
- **Factory Visits.** The agency should take the time and effort to visit the factories of every manufacturer they use or recommend for you. They should interview the manufacturer and get a good understanding of their experience, capacity, lead times, and other customers they've manufactured similar goods for.
- **Quality Certificates.** Ask your agent to check for “genuine” quality certificates. Many manufacturers in China have valid quality accreditations such as ISO 9002. Many others do not. This doesn't stop them however saying that they do. In one case which we encountered recently, the manufacturer had even gone to the trouble of inventing their own quality accreditation. To the less suspicious mind, it looked like a valid quality certificate from a legitimate organisation. Upon further investigation however we discovered that it was merely a figment of someone's imagination and a definite attempt to dupe their unsuspecting customers.
- **Certificate of Authorisation.** The agent should be able to supply you, upon request, with a Certificate of Authorisation from the manufacturer of your goods. This certificate provides evidence that your agent is authorised to supply goods from that manufacturer. It helps to ensure that the goods you are receiving actually come from a certified manufacturer.

7. Don't Make Price the Primary Factor

As with anything in business or life, it isn't always wise to make important buying decisions based on price alone, as what you end up with doesn't always live up to your expectations. In fact, when it comes to sourcing products in China, we've found that it's usually wise to avoid the cheapest.

New manufacturers are springing up all over China at an amazing rate. As with any competitive situation, the new entrants will always try undercut the established players, so they can gain a foothold in the market. While the more established manufacturers can produce your products to a high standard, many of the new ones simply won't have the same attention to detail.

So when considering quotations and proposals, from different manufacturers, while price – is obviously important and one the main reasons for purchasing from China in the first place, don't make price the primary factor in your final decision. Look instead for companies that are well-established focused on quality and serving other companies likes yours.

Summary

Sourcing products from China is a great opportunity for your business. You can have quality products and materials manufactured to the highest specification at a very attractive price. It's the reason so many other businesses are looking at China as a way of becoming more competitive and profitable.

The problem of course is that China is a long way off should anything go wrong – which many business owners have discovered to their cost. For that reason, it only makes sense when sourcing products from China to do in partnership with an established and reliable product sourcing agency.

I hope this report has provided you with helpful tips and ideas for sourcing products and materials in China, and finding the right product sourcing agent.

If you do decide to go it alone, I wish you every success. If you need more help or if you would like to use the services of EBL Global as an independent sourcing agent, then please send your email enquiry to gary@ebl-global.com and we will do everything we can to help.

Kind Regards,

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