



Novosk® Your Chinese sourcing partner

Tips for Sourcing from China

For people new to sourcing from
China

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Topics

- Price
- Quality
- Delivery
- Sourcing Structure
- Other Suggestions



Price -What you should know about the prices you receive from China

1. Rule of Thumb: 20-40% cost reduction
2. Most Chinese factory owners are honest, and do keep their promises. We rarely see any fraud. Overall, it is very safe to buy from China.
3. There are some small, unprofessional factories with nice websites. If you end up picking them, their price might be low, but you'll often have quality problems or severe management headache. This type of suppliers also tend to subcontract out a lot of the works, thus creating unnecessary complexity, and you may lose control of lead time and quality.
4. Chinese factories receive many inquiries everyday, but the success ratio is fairly low. Consequently, they are not willing to invest significant amount of time to carefully quote you. When you place a PO with them, they'll often adjust price.



Delivery

1. 6-8 week allowance for delivery of products.
2. JIT inventory systems may not work. You will need to maintain more inventory to support your customers.
3. Have a China team to closely monitor factory progress and aggressively push for on-time delivery
4. Before major order, don't forget to do a production capacity analysis. Don't rely on the supplier's promise. Rely on numbers.
5. Put in buffer time for shipping delays, defect corrections, payment delays...
6. Patience and understanding



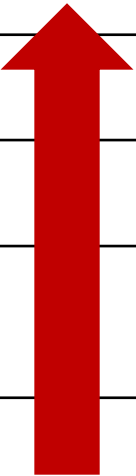
Quality

1. Chinese factories tend to have good engineers and equipments, but are not good at process management. (Though we have discovered many good ones)
2. You cannot depend on ISO certification. You should understand the factory's QA paper trial, check points, and agree on AQL (quality level).
3. Deal with engineering/ quality manager directly rather than the sales person for faster response and straight answers
4. Try to come to China to audit the factory before placing order.
5. Intense, prompt communication.
6. Use Consolidated, Clear Quality Inspection Criteria
7. Start slow. Sampling -> Small Batch Production -> Normal Production
8. Anticipate early quality defects. Send simpler projects initially to warm up the relationship
9. Suggest pre-shipment inspection. Find problem before the goods leave China.



Establish the right structure

Structure	Cost Reduction Achieved	Risks or efforts required to manage risk	Effective Communication	Service Level	Suggested Timing
Buy from own factory in China	High	High	Very good	High	After 8 years in China
Buy from Chinese factory directly		High	Poor	Low	After 3 years in China
Use a sourcing company		Low	Very good	High	First 3 years in China
Buy from a trading firm in China		High	Good	Medium	Only for high mix, non-strategic items (order from catalog)
Buy from a turn-key trading firm in Europe	Low	Low	Very good	High	Only for items that require very short lead time





Other Suggestions

- Come to China twice a year to get the "face time" that builds and maintains relationships with supplier.
- Start Early. Rule of Thumb: 1-4 months of continuous dialog before production.
- If your potential partner is too large, and if you would not represent a significant part of their business, you might not be able to get the attention you need. You don't want to become a "low priority" client for them. => A small, medium size supplier might be right for you. (This is especially true for the packaging machinery industries High mix/ Low volume)
- Dual Sourcing. For negotiation power and product availability. It makes sense to develop a low cost Chinese supplier while keeping your current source in the US.
- Keep in mind, if you had chosen the wrong supplier and have to switch later, what you lose is not only some money, but time --months of precious time!
- Different specialties of sourcing company. Some specialize in electronics, some specialize in mechanical parts, some specialize in factory opening.



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Want more professional advices?

Contact us, if you want to hear more for sourcing from China, and we are very pleased to help you.
And most important: it is free of charge!