

Sourcing in CHINA....Finding the Right Supplier

China is known as the factory of the world and has emerged as a major sourcing hub supplying corporations worldwide with products across all industrial areas. China's moniker is owed to a number of factors such as the availability of raw materials, advanced production technology and the low cost of production for goods. Today many savvy business owners have stopped using online wholesalers such as Alibaba.com and Taobao.com and are now sourcing their products directly from China factories.

Sourcing directly from China provides a number of benefits including more profits because purchasing is done directly from factories at a lower rate; provides value for money; higher quality products are manufactured and is customised based on buyer specifications; raw materials are available locally and the low cost of labour results in highly affordable products.

Despite all its numerous advantages, there are several risks in sourcing quality goods from China. To receive what you order and to mitigate risks requires experience doing business in China, knowledge of the Chinese culture and language, and use of your *guanxi* (network in Chinese). Buyers may need a professional sourcing firm to partner with them to successfully source from China. This idea should not be discounted especially for firms that have never done business in Asia.

Finding the right supplier

Locating the right supplier is considered the single most important factor in determining the success or failure of a buyer's sourcing agenda. The buyer/manufacturer must undertake supplier identification research ensuring that they have distinctive attributes for defining and measuring their ideal supplier.

Defining the right supplier is specific to each buyer, as the relative weight placed on the price, quality and lead time (if the product is manufactured) and other attributes differs from project to project.

Normally supplier identification research can take approximately four to six weeks. This process generates an initial list of potential suppliers using web directories e.g. www.GlobalSources.com and industry/trade show directories.



If the buyer chooses to manufacture goods in China instead of purchasing from wholesalers, it is advisable that focus is placed on factories that clearly demonstrate production experience with his product and/or production method. Information on the size of the supplier's operation, equipment, staffing and international compliance certifications are necessary. The potential suppliers' brochures and websites are reviewed against the established attributes for the buyer's ideal supplier and this result in the narrowing of the list to a smaller number of potentials.

With this new short list of potential suppliers, the next step is to make contact via email requesting product specific information i.e. samples, minimum order quantity, and production lead time.

Additionally, information on the actual production location and a request for factory ownership papers should be made especially by manufacturers. The supplier should be told that the factory location may be audited and this location cannot be changed without the approval of the buyer/manufacturer.

At this juncture the research should narrow the field down to possibly 3-5 high qualified suppliers. Buyers/manufacturers should verify if the supplier has a sufficient quality control system in place to make the desired product. If this is not to the satisfaction of the buyer, a third party quality auditor should be engaged to conduct a quality assessment of the factory. Due diligence should be carried out to ascertain whether the supplier has a good reputation, no legal problems and is financially sound.

Based on the results of the factory visits, the next stage is sampling, trial order or even purchase order placement with the top vendor or two.

It is clear that undertaking a thorough due diligence investigation as possible of suppliers and manufacturers prior to engaging in a trade transaction can minimize risk and avoid problems when sourcing in China.

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We are a full-service China Sourcing company. We source, negotiate and facilitate delivery of products from China.

