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INFORMATION

This article includes extracts from Lindy's book "Import from China. How to Make a Million... And Not Get Burnt". chinadirectsourcing.com.au

Negotiate Your China Agreement

Lindy Chen is the Managing Director of ChinaDirect Sourcing Services and is a 2010 Finalist for the Commonwealth Bank Business Owner Award. Lindy has just toured the country together with Women in Focus for the sold out "Doing Business in China" workshops.

How do I know if importing is for me?

If you are looking to reduce costs in your business for manufacturing various products, buying raw materials, purchasing standard equipment and supplies for your business, or even buying promotional merchandise, China's low cost of manufacturing might be a solution for you. However before making a decision on whether to import directly you need to establish whether it is feasible to source directly from China. This means you need to determine if the potential cost savings are high enough. To be feasible, the cost savings need to exceed other costs that you may need to pay, such as freight, customs, duties and fees to a sourcing company.

On what criteria should I be selecting a supplier?

Your success with importing will be highly dependent on the quality and reliability of your supplier, as well as the relationship you form with them. You should find at least ten suppliers that you assess against a list of qualitative and quantitative criteria, and shortlist the top three to provide you with samples to select from.

There are ten minimum criteria that you should assess suppliers against – their quality and workmanship, price, service, credibility, track record, capability, capacity, the person managing the project, their honesty, and their image. Part of your assessment might

include a visit to selected factories to meet the manager and see for yourself the quality of their factory, and whether you think you could work well with them.

What should I include in my purchase order?

Once you have selected a supplier it's best for you to draft the purchase order, and provide copies to your supplier in both English and Chinese. It only needs to be two to three pages long and minimises your risks in the project. As soon as the purchase order is signed, a deposit is usually paid to the supplier and production begins. Your purchase order should contain details on quality control procedures, terms of payment, moulds ownership, packaging requirements, penalties for quality issues and delivery delays. You will also have additional clauses specific to your project.

How do I negotiate a better price?

Negotiating price is always challenging, especially when you are up against the natural negotiation skills of Chinese business people. The key to negotiating price is to understand what is driving the costs and profit for the supplier. Here's an example to illustrate how you might negotiate.

Let's say you previously placed an order for t-shirts from your Chinese supplier and paid \$5 per t-shirt. However when you place the

second order the supplier tells you that the price of their raw materials has increased 30% and the new price they are offering to supply at is \$6.5 per t-shirt.

Before offering a new price ask the supplier to give you a breakdown of the full price they are charging. If for example, the cost of raw materials makes up 30% of the total price, the impact on total price increase is only 9%, and the highest price you should pay is \$5.45. Initially you can ask your supplier to share the burden of the increase with you, so you can start with an offer of \$5.30.

This negotiation is based on reason and logic and creates a win-win situation!



MY FOREIGN EXCHANGE SPECIALIST - Arthur Raptis

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Lindy says "Arthur has helped my clients to arrange their payments to Chinese suppliers. I recommend getting in touch with Arthur for your foreign exchange and payments needs."

Number Crunch Source: Commonwealth Research 2011



Commonwealth Bank Business Owner Award 2011

Women in Focus proudly sponsors the Telstra Business Women's Awards. Nominations are now open across Australia for the 2011 awards.

Nominate yourself or a woman that inspires you today at telstrabusinesswomensawards.com/nominate



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