# **Buying From Factories**



#### **About Mike**

Michael Michelini 迈理倪

Grew up in NorthEast USA (CT, NJ, NYC)

<sup>3rd</sup> generation American born

Grandparents from Italy, Russia, France, Canada

First website in 1999

Selling online since 2003

Moved to China end of 2007

Shadstone Limited is an ecommerce consulting

Network of Sourcing & logistics office in China

Bridge between USA & China ecommerce companies











#### **After This Course**

Understand how to buy from a Chinese factory

- Know where to look for and find the best suppliers
- Have better bargaining tactics
- Understand the key terms and contracts when making the deal
- Know the Payment and Shipment flow
- Can run your China sourcing business remotely (from Hong Kong or elsewhere)



#### Agenda

- Chinese Factory Mindset
- Where To Look For Suppliers
- Action Plan
- Key Terms & Contract Agreements
- Payment and Shipment Flow
- Case Studies





#### **Think Like a Chinese Factory Boss**

Think Like a Chinese

Factory Boss

**Fill Production** 

Make Money

**Buy Real Estate** 

Send Only Child to Harvard





# **Finding The Product**

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### **Classic B2B Factory Directories**

Alibaba.com / 1688.com

GlobalSources.com

TradeSparq.com







## **Reverse Engineer Your Competitors Suppliers**

Tradesparq.com

Importgenius.com

For US imports

Use as a basis in EU.



## Fast + Dirty - Taobao

Just buy the samples from Taobao (Chinese eBay)

Saves ton of time than talking to factories

Then! Show factory what you want.





#### **Trade Shows Still Effective**

Great way to see all suppliers at the same time

Clustered together

Arrange meetings with them.



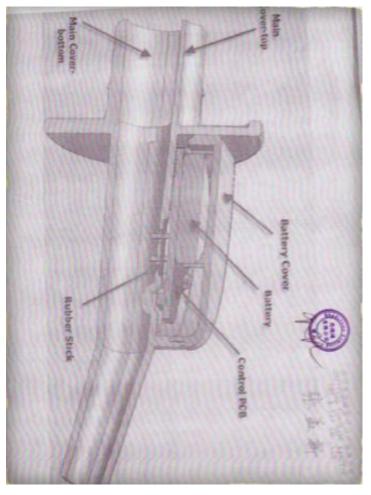
## **Key: Clear Specifications**

KNOW EXACTLY WHAT YOU WANT

Garbage in = garbage out.

Don't assume anything!

Samples. Drawings. Pictures.



**China Business Workshop** 

# Bargaining Tactics

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# Don't Use Email (only)

#### QQ

Wechat

Spaxtel

Skype











#### **It's Not Just Price**

Location - convenient for you / other

products

Experience, Value Add Services

Trust Your Gut





### What's In a Price, anyway?

Price is:

Labor

Material

Management/Overhead

Keyword = BOM (Bill of Materials)

**Clear Specifications!** 





#### **Build a Relationship**

And have a little fun!



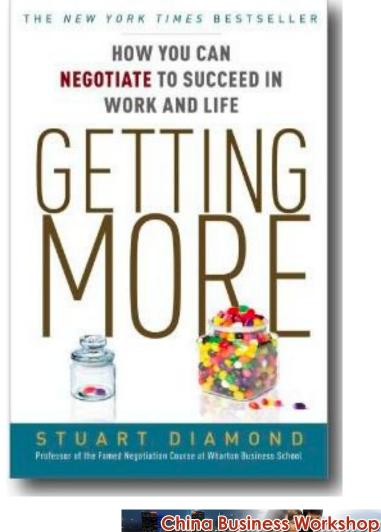


#### Great Book - Getting More

Negotiation book

"Getting More" By Stuart Diamond

http://www.gettingmore.com/



# Making The Deal



Prepared Exclusively for RFQ Request for Quotation.

> I want to engage this factory and have them send me the price of a product I am interested to manufacture.

#### L/C Letter of credit.

A payment term that the bank finances the goods on the shipment water T/T Telegraphic Transfer.

Basically a bank wire from your bank to the factories bank.

#### PO Purchase Order

Buyer initiates an order with the supplier, also should come with a sales contract / terms. FOB Free on Board

All taxes, duties, shipping costs up to that destination have been paid. EXW Ex-Works

Buyer pays the costs to pick it up from the factory doorstep (assumes shipping, taxes)

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#### Flow, Part 1





#### Flow, Part 2





# **Logistics + Shipping**

B/I = bill of lading

HTC = harmonized Tariff code

LCL

FCL

20 ' 40' 40' extended





#### Flow

RFQ, Specifications

Samples

Contract

Purchase Order

Invoice

Payment Terms





## **Factory Contract Outline**

Bilingual

**Company Letterhead** 

Date / Location

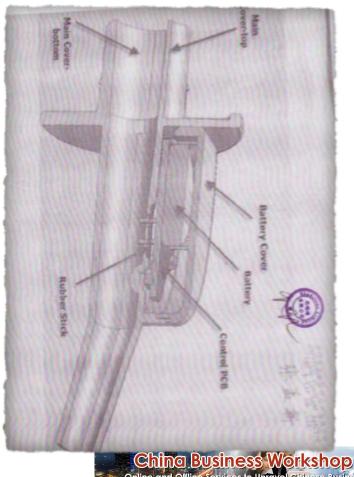
Purchase Order Details

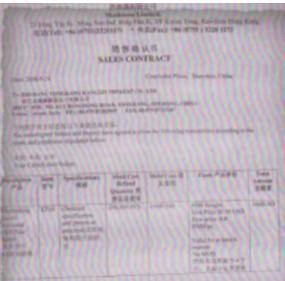
Lead Time, Penalties

Arbitration

General Terms (ownership, mould, primary language)

**Bank information** 





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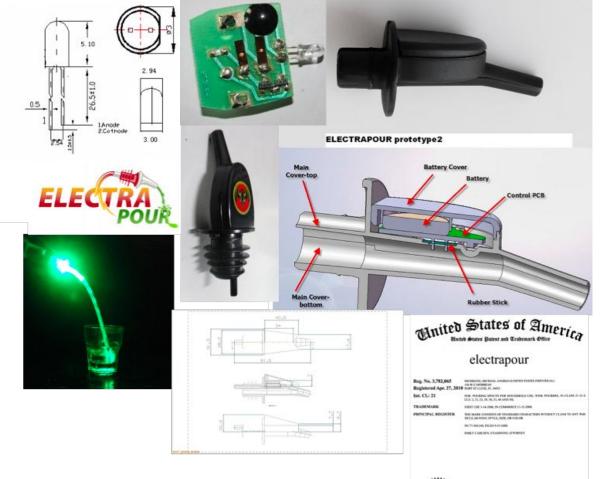
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#### **Prod Developn**





### **Bonus - Sample Templates**

Master Quote Sheet.xlsx



Standard Quotation Sheet - Sample.xls

# At Workshop

RFQ-blank.doc

PACKING LIST AND INVOICE.xls





Best To Work With Lawyer to be 100%





#### Protect (Match) Both Sides

If "middleman" protection on buy and sell side.

Make buyer accept production sample!

Make sure terms are equal

Or more favorable for you



#### Shadstone Limited

Room H, 3/F, Ming Sang Industrial, 21 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong

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Date	Invoice #
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		P.O. No.	Terms		Project
			TT 3070		
Quantity	Description	3. S	Rat		Amount
478	Folding Table 9 foot long table (275cm langth) 2 foot long table (275cm langth) 2 as fast tall (71cm height) I one legs Full color vinyl printed and applied on top of the water r on the sample Thin vinyl sticker (0.013mm) Full color printed box. Shipped 2 units (color boxes) per shipper FOB Ningbo Lead Time: 50 days, production sample after 30 days. TT Wate Transfer: Account Nume: Stadstone Limited Account Nume: Stadstone Limited Account Nume: Stadstone Limited MUET Address: HSBCHCHH 30% deposit amount (30% of \$15,296); \$4,588.80 70% remaining amount (70% of \$15,296); \$10,707.20	eistar black surface t		32.00	15.394.0
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## **Case Study: SkyCig**

e-Cigarette company based in UK. Spent a lot of time in China, partnered with the factory.

Started to get into the industry from being approached by another supplier. But reverse engineered his competitors supplier.

Their key skill was Western marketing and distribution, so by partnering with a Chinese supplier and spending time in China they had a competitive advantage.

#### **KEY CHALLENGE/QUESTION**

Weren't physically in China and had never done a product before.



#### Find Services When You're Not in Town

Third Party Quality Control

Sourcing Agencies

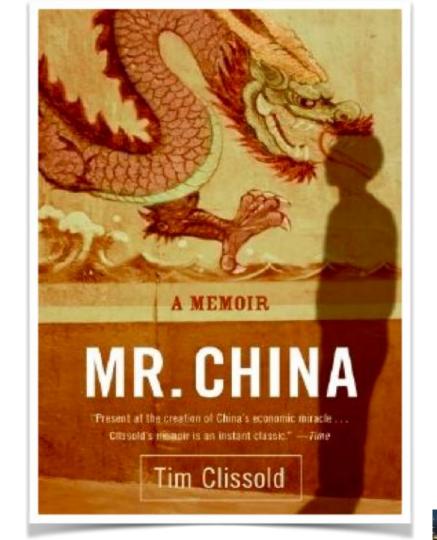




# Conclusion









# **Bonus: China Hospital**









