

Prepared Exclusively for

Buying From Factories

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About Mike

Michael Michelini 迈理倪

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

3rd 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)

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Agenda

Chinese Factory Mindset

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



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Think Like a Chinese Factory Boss

Think Like a Chinese

Factory Boss

Fill Production

Make Money

Buy Real Estate

Send Only Child to Harvard



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Finding The Product

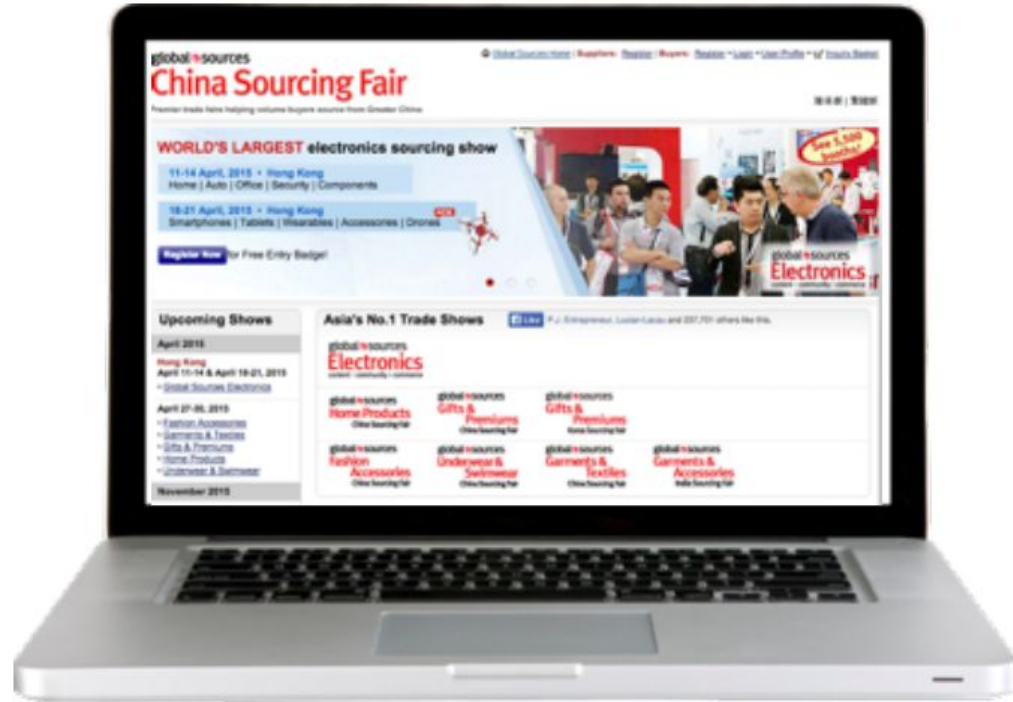
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Classic B2B Factory Directories

Alibaba.com / 1688.com

GlobalSources.com

TradeSparq.com



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Reverse Engineer Your Competitors Suppliers

Tradesparq.com

Importgenius.com

For US imports

Use as a basis in EU.



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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.



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Trade Shows Still Effective

Great way to see all suppliers at the same time

Clustered together

Arrange meetings with them.



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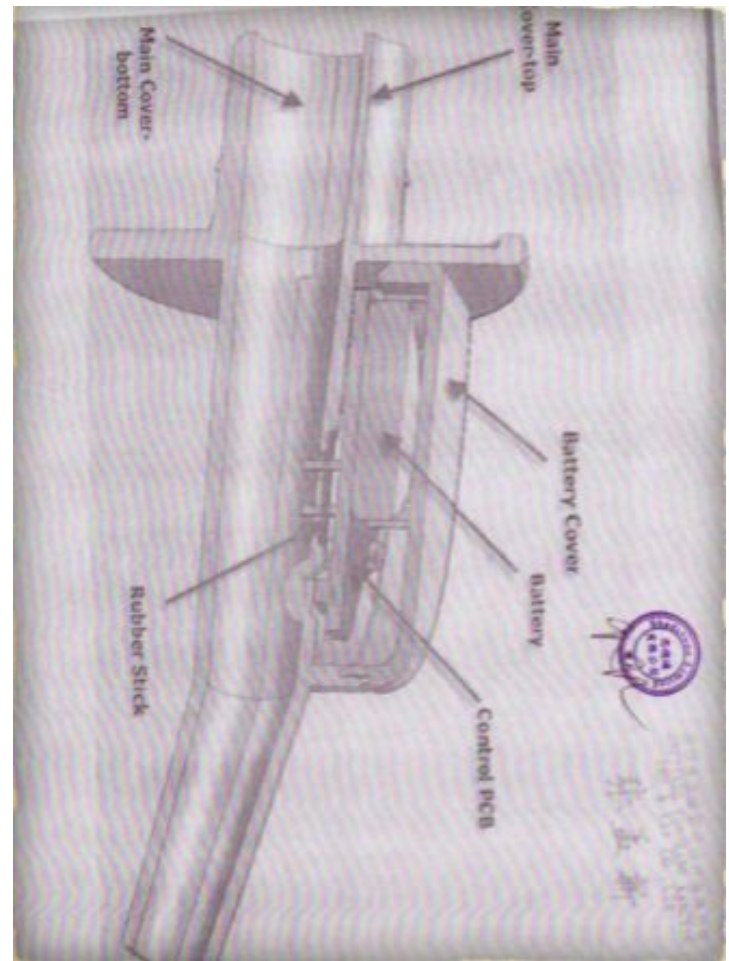
Key: Clear Specifications

KNOW EXACTLY WHAT YOU WANT

Garbage in = garbage out.

Don't assume anything!

Samples. Drawings. Pictures.



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Bargaining Tactics

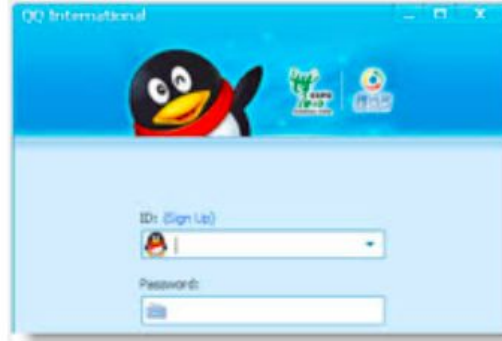
Don't Use Email (only)

QQ

Wechat

Spaxtel

Skype



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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!



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Build a Relationship

And have a little fun!



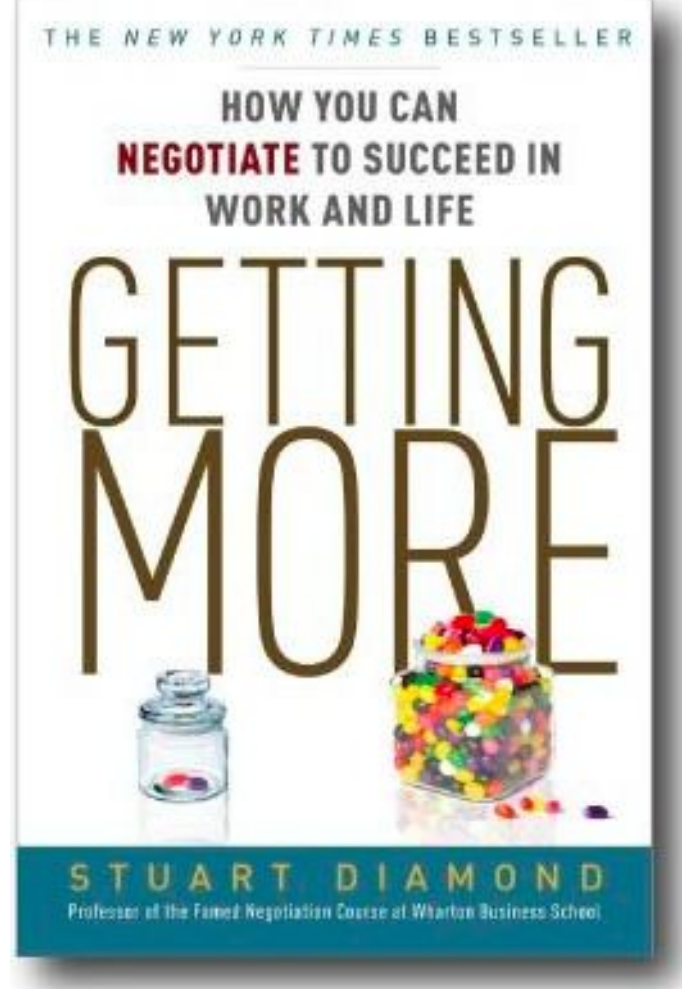
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Great Book - Getting More

Negotiation book

"Getting More" By Stuart Diamond

<http://www.gettingmore.com/>



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Making The Deal

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

RFQ,
Specs

Price
Quotation

Sample

Production
Sample

Sales
Contract

Purchase
Order

Invoice

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Flow, Part 2

Q/C

Packing
List

Export
Customs

Shipment

B/L

Import
Customs

Truck to
Destination

Logistics + Shipping

B/I = bill of lading

HTC = harmonized Tariff code

LCL

FCL

20' 40' 40' extended



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Flow

RFQ, Specifications

Samples

Contract

Purchase Order

Invoice

Payment Terms



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Factory Contract Outline

Bilingual

Company Letterhead

Date / Location

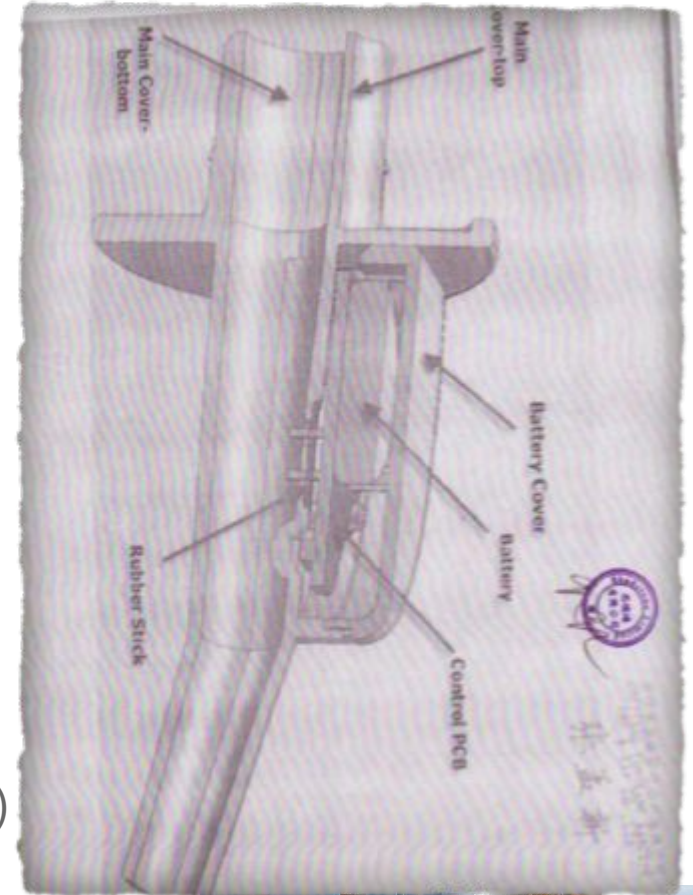
Purchase Order Details

Lead Time, Penalties

Arbitration

General Terms (ownership, mould, primary language)

Bank information



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Bonus - Sample Templates

Master Quote Sheet.xlsx

Standard Quotation Sheet - Sample.xls

RFQ-blank.doc

PACKING LIST AND INVOICE.xls

Presented
At Workshop

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Disclaimer

Best To Work With Lawyer to be 100%



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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

Invoice

Date	Invoice #
4/30/2008	5471-c

Bill To
PB&J Design, Inc. Perse McKinnon 31 Wordin Avenue Bridgeport, CT 06605

P.O. No.	Terms	Project
	TT 30/70	

Quantity	Description	Rate	Amount
478	Folding Table 9 foot long table (275cm length) 2 feet wide (60cm width) 2.33 feet tall (71cm height) Iron legs Full color vinyl printed and applied on top of the water resistant black surface that was 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 Wire Transfer: Account Name: Shadstone Limited Account Number: 808-415845-838 Beneficiary Bank Name: HSBC Hong Kong Beneficiary Bank Code: 004 SWIFT Address: HSBCHKJHH 30% deposit amount (30% of \$15,296): \$4,588.80 70% remaining amount (70% of \$15,296): \$10,707.20	32.00	15,296.00
Total			\$15,296.00

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.



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Find Services When You're Not in Town

Third Party Quality Control

Sourcing Agencies



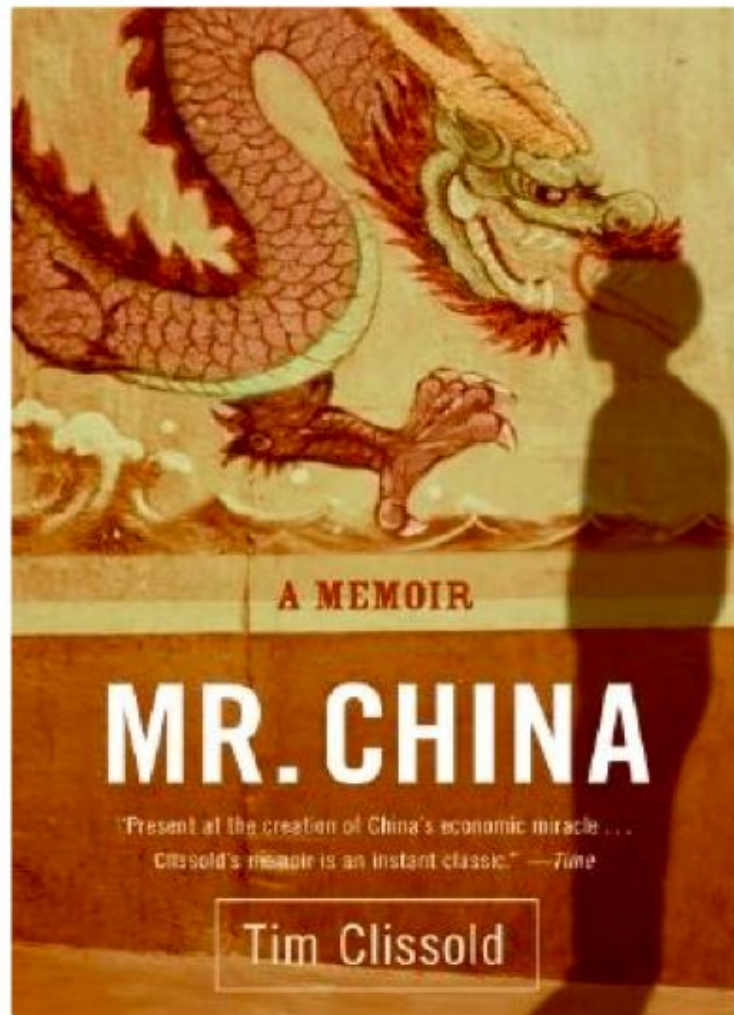
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Conclusion

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Bonus: China Hospital





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