

## 7 Critical Mistakes to Avoid When Sourcing in China

### 1) Picking your partner based solely on price

This is by far the most common and most disastrous mistake we see. And it's easy to see why. In a world where incremental margin shifts can literally make or break profitability, it's important to be price sensitive. But it's also important to be price-savvy.

Extremely low prices should generally serve more as a red flag than as an enticement. Cheap prices are often accompanied by cheap products, unresponsive vendors, or defective or hazardous materials. This is what many jaded entrepreneurs and small business owners have termed as, "The China Cost of Doing Business."

At ShapePoint, we only quote realistic prices and lead times because our greatest interest lies in cultivating long-term partnerships with our customers. Once we quote a project, we stick with that quote. And we follow through every step of the way.

### 2) Failing to verify your partner's experience IN and ties TO China

When searching out a knowledgeable and reliable sourcing partner, be sure to do your due diligence. Ensure that your partners speak Chinese fluently and maintain facilities there. Check with other importers or trade associations in your industry. Ask to speak with some of your sourcing partner's other clients. As recently reported by CNN.com, "There are a lot of cowboys—lone brokers with websites—some of whom have never even been to China."

At ShapePoint, we not only own our own factory in China, but we've been there for 10 years—allowing us to become intimately acquainted with Chinese customs, culture, language and networks.

### 3) Believing that a Chinese contract holds the same weight as an American contract

Similar to mistake #1, this blunder generally occurs when an eager customer tries to lock in a cheap price or tries to save money by circumventing a middleman and dealing directly with Chinese factories. We regularly see Chinese suppliers commit to unrealistic prices in order to secure a deposit. Once a customer has committed, the price goes up. Unfortunately, many such customers not only face losing their deposit, but they also lose critical lead times and risk losing valuable assets such as tooling equipment or machinery. In such instances, there is very little legal recourse for the customer.

As an American company and trusted partner for hundreds of worldwide businesses, ShapePoint upholds the strictest levels of accountability, integrity, and follow-through on client projects from concept to completion.

#### **4) Not having a direct contact IN China that can personally monitor and supervise your project**

All too often, we see businesses facing time-consuming and expensive revisions to projects that could have easily been avoided with a knowledgeable contact on the ground. From upside down labels to incorrectly assembled parts, the importance of having a partner who can inspect goods, oversee quality control, or even arrange industrial designs cannot be overlooked.

Because we maintain our own factory in China, we can monitor progress, communicate directly with employees and supervisors, and make course corrections as quickly and as often as necessary.

#### **5) Expecting that things will run smoothly**

Every project has its unique set of challenges and opportunities that need to be anticipated and dealt with accordingly. By recognizing and accepting the reality of occasional hiccups, you will be more apt to seek out partners that will actually navigate and resolve issues instead of abandoning you at the first sign of miscalculation or trouble.

With more than a decade of experience in China, we have learned to eliminate many of the pitfalls in sourcing and manufacturing—but there are invariable challenges that arise no matter how much experience or preparation you have. Experience has shown that it is exponentially more important to plan for obstacles and avoid them, than to expect that they will never arise.

#### **6) Assuming that the end product will match the prototype**

A less common but equally disappointing mistake occurs when businesses ship off prototypes or mock-ups to Chinese manufacturers and assume that the factory or sourcing partner will be able to replicate everything to a T.

The reality is that anytime a product makes the transition from prototype to production, there will be differences in the final product because the manufacturing processes are different than the prototyping processes. Each manufacturing process involves unique advantages and limitations. For instance, injection-molded parts will have injection gates on the parts—it's simply part of the process. Conversely, milled parts have no gates. Milling is often used in prototyping whereas injection molding is used for large-scale manufacturing.

By choosing a partner that shows sensitivity and awareness to such differences, you can work collaboratively to select processes that are both feasible and economical.

#### **7) Assuming that your partner will honor their estimate**

This mistake is similar to mistake #3 in that, as a customer, you have very little legal recourse when it comes to Chinese vendors, contacts, and estimates. Certainly, you can always take your business elsewhere, but, as discussed earlier, there are often serious drawbacks and repercussions associated with pulling out after you've committed. The best option is to choose the *right* partner from the outset. Even if your product must ultimately be outsourced by your partner, the right partner plays a critical role in maintaining leverage over the supplier. Not only will a quality partner have established contacts with reputable manufacturers and suppliers, but those companies will also have much more to lose than just your business if they renege on your contract or unjustifiably alter pricing.

#### **Find Out How ShapePoint Can Help Your Business**

The secret to Chinese sourcing is not in finding the best price—but in finding the best partner. The best partners lead to the highest-quality products, the most pain-free processes, and, ultimately, the lowest cost of doing business. Find out if ShapePoint is a good fit for your company by contacting us today!

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