

About Us



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How to - source goods from China



Chamber International 'How to Guide'

"It's not always cheaper"

Sourcing products from China is a great way to identify new business opportunities and increase margins. However, it is not an easy market and it is recommended that first-time buyers have an understanding and follow certain precautions before embarking on any potential transaction.

Take a medium/ long-term view

You need to be committed to the China market in both financial and time resources! Remember that China is a medium to long term market and it is important to stay focused on your goals, even if you encounter problems. Patience and perseverance should be key.

Be selective in choosing the right partner

Draw up a detailed brief of the product/service/company you are seeking.

Ask agencies to draw up a list of potential partners with verified contact details. Once you have received the research information, contact each of the potential partners immediately whilst it is still fresh in the Chinese mind.

From initial communications you will be able to draw up a shortlist of the most suitable suppliers. Try at this stage to plan a visit to China to meet them. Planning before you visit the market will be necessary.

Translate your business materials

Exchanging business cards is one of the first things you do when meeting with potential Chinese partners. It is essential to have your business cards printed in Chinese on the reverse side of your English cards. Make sure you put the appropriate title on, China is a hierarchical society, the right 'title' can mean you get to meet the decision makers.

Also have an A4 profile of your company translated to leave with the Chinese.

Remember, the majority of Chinese managers don't speak English.

Visiting China

At this stage it is ideal to visit each of the potential partners to get to know them and look over their facilities.

Even if the potential partners speak English, use an interpreter. Because there are hundreds of strong dialects spoken in China, try to select an interpreter from the region you are visiting.

Make sure you visit with a full meeting schedule already arranged (it may not be confirmed fully until the day before you leave!).

It is a good idea at this stage to have an understanding of Chinese business culture

Exercise due diligence

Once you have selected potential partners, it's important to carry out due diligence on each of them. Due diligence reports can be bought from agencies specialising in providing credit information or through legal firms located in the province where the Chinese partner is registered. You will however, need to bear in mind, that Chinese companies keep at least two sets of books!

Sourcing fairs

It's not a good idea to sign buying orders at a show or exhibition as many companies exhibiting are likely to be agents rather than manufacturers. Use these fairs as market intelligence and remember it's vital to visit the factory and meet the person in charge.

Costs

Remember that it's not always cheaper to source from China. You need to take other elements into consideration such as manufacturing costs, transportation, lead-time, product design and technical capabilities.

"Leave the price until last"

IPR

If your intellectual property is critical, think seriously about taking it to China or mitigate your risk. Registering your trademark/patent is recommended.

Pay attention to 'Guanxi'

The Chinese business mentality is very much "You scratch my back, I'll scratch yours." Frequent contact fosters friendship and the Chinese feel obligated to do business with their friends first. Developing and nurturing "Guanxi" (not what you know, but who you know!) requires time and resources.

Chinese negotiation tactics

Observing Chinese business etiquette is important for successful negotiations. Try to give the Chinese 'face' and not to embarrass them.

It is vital to be honest about quantities and like most companies, the larger the potential orders, the more interest they will have in you.

In China, negative replies are perceived impolite. Instead of saying 'no', they will say 'maybe', 'I'll think about it'; 'no big problems' may mean 'we still have problems'; when they say 'yes', it does not necessarily mean that they agree with you, it means 'I hear what you say'.

Leave the price until last during negotiations

Using a good interpreter not only aids the negotiations by conveying accurate messages to both parties but he/she can also pick up the 'small talk' which may influence the decision making.

Remember, time has a different value in China and negotiating the price is part of the business culture!

Contracts

It is worth noting that when you are dealing with the Chinese, all contracts are

"China type" with terms and conditions in favour of the Chinese. And Chinese and Westerners tend to "interpret" contract conditions in different ways.

The contract should be prepared in both languages (English/Chinese), so that both parties know what is contained in the contract.

Payment terms

Ask the Chinese supplier to quote FOB Chinese Port for the goods. This enables you to compare prices without the shipping element.

It is quite common for the Chinese to require a payment upfront for the goods you order and the balance is usually required once the goods are ready for dispatch.

Quality control

Always make sure that you cover yourself for quality checks which can be done by inspection service companies, by a buying agent or yourself. Make sure that the products manufactured are of the same quality and specification as the sample you have agreed.

Ganbei

One of the most important ways of building and developing your business relationship with your potential Chinese partner is through eating & drinking. From the first meeting, you are likely to be invited to a banquet

Just one final word when doing business in China

I Ching (the oldest book in China) said "The only thing that does not change is that everything changes"