

A STEP-BY-STEP GUIDE FOR SUPPLIER SEARCH IN CHINA

BY FBAHELP



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Step 1: Market analysis

- Searching for suitable proposals on Chinese B2B and B2C marketplaces: Alibaba.com, Global Sources, 1688, Taobao, Made-in-China.
- Verification of necessary details concerning the manufacturing process, approximate production costs, sample delivery times and payment methods.

Step 2: Factory audit

Factory audit is the most effective way to assess the capabilities of the manufacturer and possibilities for future cooperation.

Factory audit objectives

Factory management structure assessment:

- How long the enterprise exists, the location and interaction between production lines, warehouses and offices.

Manager's competence assessment:

- Your manager has to have sound understanding of the manufacturing process and production techniques to be able to respond quickly and effectively to any potential technical issue.

Verifying the main suppliers of raw materials and components:

- This information helps to evaluate stability of supplies and possible deviations in the quality of the finished product.

Factory internal quality control assessment:

- Verifying the presence and efficiency of the internal quality control department. This allows to draw a conclusion about possible defects in the finished products.

Key markets analysis:

- Verifying in which markets and in what volumes the factory sells its products.
- Figuring out if there are there any differences in product quality for different markets.

Equipment maintenance inspection:

- The availability of the required equipment, its age and performance.

Staff competence audit:

- Verification of staff responsibilities and qualification requirements.

Step 3: Sampling

You can order samples of the product you are interested in to assess its quality and characteristics.

Take into account, that export is always charged less than import. This is a good reason to ask the manufacturer to send you the samples at their cost. The rates would be much more affordable and you can cover the supplier's costs later.

Step 4: Signing a contract with the supplier

The following details should be stated in the contract:

1. Goods have to be produced according to the samples, confirmed by the customer. Model appearance, colors, sizes must meet specification and contract fully.
2. Defects couldn't be accepted by the customer during final inspection. Goods marked as defective have to be changed with normal, non-defective units. In case of systematic defects, the customer can require rework or deposit refund.
3. Tolerances for particular defects and other issues with the goods.
4. Planned shipping date.

Step 5: Quality control inspection

We suggest to perform the inspection after the goods are ready for shipment and before 70% payment is made (in case you work with the supplier on regular terms (30%-70%).

The benefits are obvious: the supplier doesn't receive payment until the inspection is performed and he is motivated to eliminate all the defects as quickly as possible.

Quality control inspection should include:

Examination of the cartons

- Quantity and integrity of the cartons.
- Presence of the required labels and signs.
- Dimensions and weight measurements of the cartons.

Product inspection

- Detailed examination of one randomly chosen item from the batch.
- Random check of the items from different cartons for any defects and for compliance with Amazon FBA requirements.

Description of discovered problems and defects

- Brief description of the main flaws and defects.
- Calculation of the total number of defects of each type.

Logistics report

- Total number of the cartons.
- Dimensions and weight of the cartons

Does it make sense to perform rejection of every item during the inspection?

We do not recommend to perform rejection of every item.

Such approach only leads to higher defect rates in future orders. The supplier gets the idea that the rejection is taken over by an inspection company, whereas it is the function of internal quality control department.

The main purpose of a pre-shipment inspection is to identify potential problems with the goods and provide accurate data about it, so that the supplier could address them.

Step 6: Shipping from China to Amazon

There are two main ways to deliver goods from China to Amazon warehouses:

1. Ask the supplier to ship goods directly to Amazon fulfillment centers
2. Use the services of a third-party logistics company in China.

The first variant may seem like an obvious choice at first glance: what's the point to involve a middleman company, if the supplier can organize the delivery himself? However, in practice it usually makes the delivery process more complicated and leads to certain risks:

- Chinese suppliers usually do not include customs duties into the shipping costs. In most cases the client does not expect this and has to deal with all the consequent problems on his own.
- Chinese factories do not specialize in logistics, so they use the services of a partner shipping company, often having very vague knowledge about the specificities of the Amazon FBA program. Language barrier and the peculiarities of Chinese mentality make things even more complicated.
- There is no motivation for the supplier to go into details, developing the best delivery method in terms of transit time/shipping costs and supervising all transportation stages.

All these factors increase the risks of potential problems for the client. The best way to avoid them is to let a professional logistics company handle the delivery.

Reweight control

The situation when the volume weight of a shipment from China increases after the forwarder receives and remeasures the boxes is quite common (especially when it comes to express delivery by DHL, UPS or Fedex).

What are the reasons?

A Chinese forwarder is himself a customer or a partner of DHL, FEDEX or UPS. Invoicing in these global courier companies is a fully automated process and each shipment goes through "Cargo Scan" equipment. It is designed to measure the widest part of each side of the boxes. If the boxes get a bit pressed or deformed after

leaving the forwarder's warehouse, the "widest part" might really increase for the "cargo scan" robot. The carrier company uses this data to charge the forwarder for transportation.

In order to level out these volume weight discrepancies and to ensure an adequate level of marginality for each shipment, the forwarder not only rounds the measurements up (which is normal), but sometimes slightly distorts them, "adding" 1 or 2 centimeters.

This is why dimensions and weight measurement of the cartons is an important part of any QC inspection. This data can be used to protect Amazon seller's interests in communication with the logistics company to avoid additional shipping costs.

The most convenient and reliable option is to let one professional company handle both the inspection and the delivery. It would be able to control the whole process and provide full assistance in solving any possible issues during transportation.

Physical vs. Volumetric vs. Chargeable Weight

1. What is Chargeable weight?

logistics product (Delivery method).

- Cost per Kilo of Physical Weight (express, airfreight).
- Cost per Kilo of Volumetric Weight (express, airfreight).
- Cost per Cubic Meter (Sea\Road Freight) FCL, LCL FTL, LTL.

2. Formula for calculating volumetric weight:

$(\text{Length} * \text{height} * \text{width (cm)}) / 5000 * \text{number of cartons}$ (in case express carriers are used at any transportation stage, like Fedex, DHL, UPS).

$(\text{Length} * \text{height} * \text{width (cm)}) / 6000 * \text{number of cartons}$ (in case express carriers are not involved in transportation).

2. Formula for calculating cubic content for sea freight:

$(\text{Length} * \text{height} * \text{width}) * \text{number of cartons} = \text{total number of cubic meters.}$

Physical and Volume weight can both be chargeable, depending on which of the two is higher.

Amazon FBA packaging requirements.

Product Barcode

FBA uses barcodes to identify and track inventory throughout the fulfillment process. Each item you send to an Amazon fulfillment center requires a barcode.

There are two kinds of barcodes that you can use to identify your products:

- Manufacturer barcodes (eligible barcodes include GCID, UPC, EAN, JAN, or ISBN);
- Amazon barcodes (ASIN or FNSKU).

Packaging Requirements

- Each assortment type, such as size or color, shall have a different FNSKU.
- Loose products such as units that would require Amazon to assemble multiple pieces or units that are securely packaged are not accepted.
- For boxed units, it must be 6-sided, it must have openings or a lid that will not easily open on its own and it must not collapse when medium pressure is applied.
- For poly bagged units, the thickness of the bag must be at least 1.5 mm, it must be transparent and it must have a barcode. Also, the poly bag must not protrude more than 3" past the dimensions of the product.
- All boxes with the same product must contain equal quantities of that product in each box.
- Each box must not contain more than 150 items.
- Expiration dates must be displayed in the format MM-DD-YYYY or MM-YYYY.
- Marketing materials are not allowed.
- The shipment details listed in your seller account match the physical shipment to the fulfillment center, including: merchant SKU, FNSKU, condition, quantity shipped and packing option.

- Boxes containing multiple standard-size items must not exceed 25" on any side. A box may exceed the 25" limit if it contains oversized units that measure longer than 25"
- Boxes must not exceed the standard weight limit of 50 lbs, unless they contain one single oversized item that exceeds 50 lbs.
- Boxes containing jewelry or watches must not exceed 40 lbs.

Important: Carton dimension and weight policies are strictly enforced by Amazon. Sending oversized and overweight cartons to the fulfillment center may lead to blocking of future shipments until you acknowledge and resolve the problem.

Containers and Packing Materials

The following are approved standard boxes:

- Regular slotted carton (RSC)
- B flute
- ECT-32 (edge crush test)
- 200BH (burst strength)

Approved packing materials include:

- Foam sheets or cushioning
- Air pillows;
- Bubble wrap
- Full sheets of paper (heavy-weight kraft paper is best).



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