

# China Blueprint Newsletter

March 2009

Welcome to the March edition of the China Blueprint Newsletter.

This month's feature includes an extra long article on a topic very close to home, **What to do in times of difficulty?** We are also excited to launch our new **Importers Guide Book** for those of you heading over to the Canton Trade Fair and are taking expressions of interest from those wanting to **recession proof their import business**.

We hope you enjoy this issue and look forward to hearing your thoughts and views.

## Upcoming Trade Fairs in China



## Importing

### What to do in times of difficulty?

For importers of goods from China, the challenges of the recent economic environment have resulted in costs increases, supplier instability and heightened quality concerns. If it wasn't already risky enough, these conditions have made importing even more complex.

As a result importers have been forced to tighten their belts. These belt tightening activities have included; reducing or cancelling orders, cutting down on time & money spent on researching new products and taking greater risks by cutting costs on due diligence measures (not recommended!).

On the flip side, Chinese factories have also been looking to reduce their overheads to survive. This has not been easy for many Chinese factories, who have enjoyed prosperous times and whose advantages have relied mainly on low labour costs and cheap machinery rather than lean manufacturing strategies. Their cost cutting activities have taken the form of; reducing staff numbers, looking for cheaper suppliers and reducing stockpiles. These short-term strategies represent heightened risks for both them and their buyers.

So is the news all-bad? ... no, it doesn't have to be and in reality represents new opportunities and costs savings for forward thinking importers and business entrepreneurs.

For importers the current challenges are reducing overhead costs and remaining operational whilst surviving these times of difficulty. The question is how this can be best achieved whilst at the same time creating a competitive advantage? At China Blueprint our recommendation is to use this time to; improve your own internal processes, reduce expenditure by assessing your current service providers and working with your supplier to negotiate better terms & improve productivity. By taking a longer term focus on your business you improve your own productivity and put yourself ahead of your competitors by being more innovative.

We have included some ideas about ways in which you can achieve this below;

#### 1. Improve your own processes and enhance your clients experience



One area many business operators fail to put time aside for is to focus on their own internal processes. Now is a good time to look at these processes and determine whether they are efficient and if they could be improved? If the answer is yes, you will usually find that with this comes cost savings.

It is also an important time to assess your clients experience and satisfaction with your services/products. Now more than ever clients are scrutinizing their purchases and ones that offer value for money will be chosen over others. Think about ways you can enhance your current range. Options may include a free gift with purchase, new and improved technology, or better quality products.

To do this will mean that you should continue researching and looking for those value added products and develop new projects. Go to the China trade fairs, talk with your suppliers find out what new products are available and bargain hunt. Suppliers will be more open to negotiations to secure sales in these times.

Developing new projects takes time and money and is one of the first areas inexperienced managers tend to downscale as a knee jerk reaction to economic hardship. You are saving money by going to China so why not get that new project off the ground now and get ahead of the game?

A recent example China Blueprint came across was a client who came to us with an inquiry about outsourcing their promotion printing work to China. By doing this they discovered that they could incorporate a savings of \$4000AUD, even after consulting fees, freight and taxes, whilst still getting their advertising across to their clients.

## **2. Negotiate discounts or better terms with your Australian providers**

You are not the only one looking to add value to your client experience, your service providers are too, so now is a good time to see who is offering discounted rates and better services to gain your attention.

Think about these:

- \*Negotiating reduced rates with your freight forwarder;
- \*Reducing your phone bill by using MSN/ Skype or similar services to contact China;
- \*Employing agents to undertake your China inspection, rather than traveling there yourself;
- \*Using warehouse facilities and drop shipment services in China;
- \*Holding goods in a bonded warehouse (Australia) so as to delay GST payments;
- \*Consider trade finance to improve your cash flow.

By negotiating better terms and employing better strategies when it comes to your goods handling you can make significant savings without impacting on your productivity.

## **3. Working with your factory to negotiate better trading terms**

Some manufacturers who have recently had a number of American orders canceled/reduced may be more likely to negotiate lower minimum order quantities (MOQ). This is great news for Australian importers who have suffered in the past from failure to enter the market because of large MOQ barriers. Other options include negotiating lower deposits or enhancing your packaging to reduce its size and thus freight costs.

## **4. Work with your manufacturer to improve productivity**

If you are an expert in the supplier's manufacturing field, now is the time to help them become more efficient in their own processes. Not all manufacturers have the skills to more efficiently manage their factory and have a tendency to just throw more resources at problems rather than fix or improve them. If you have knowledge in this field and could better your supplier's productivity now would be a good time to work together. A healthy factory could mean healthy rewards for you.

### **Do not cut costs on due diligence!**

Whilst due diligence is an easy cost cutting action, now more than ever it is an absolute necessity. The reason being that there will be some suppliers who will no doubtedly be undertaking their own cost cutting activities and this will be in the form of substituting cheaper materials, packaging and processes. This could impact on your product quality and it's unlikely you will know about it until the goods have been delivered if you don't continue with your inspections.

The major advantage Australian SME's when it comes to importing is that we are adaptable and innovative. Remaining positive and focused on longer term strategies in times of economic downturn is important. In these times it's not sufficient to simply manage your company based on your expected profit margins, but more important to scrutinize your cash flow and think about long term sustainability. Don't get left behind or leave a space for your competitor to move in. Stay at the forefront of your game.

If you would like to know more, or explore options to improve your import strategy, contact a China Blueprint Consultant today. [Email](#)

## China Blueprint's very own: Guide to the Canton Fair and First Time Importing

China Blueprint Consultants are proud to announce the launch of their April 2009, **Guide to the Canton Fair and First Time Importing**. This guide has been purposely written for those attending the China Import & Export Fair (Canton Fair) in April 2009 and aims to reduce the knowledge gap between Chinese and Western business practices, so that successful trade negotiations can take place and importers can add value to their trade fair experience.



The guide contains invaluable information on the following;

*Canton Fair registration;  
What to take;  
Chinese trading companies & manufacturers/factories;  
Pricing & negotiations;  
Due diligence;  
Logistics;  
Customs, China & Australia, tariffs, GST;  
Tips & traps for new importers;  
Import documents;  
Chinese business culture;  
Getting out and about in Guangzhou; and  
What to do when it all goes wrong?*

After reading this guide first time fair attendees and new importers, should have the confidence to take their research and trade negotiations to the next level.

The 2009 issue is now ready- just in time for importers preparing to attend the April 2009, Import & Export Fair being held in Guangzhou.

To purchase your copy go to the following [weblink](#) and follow the prompts or email [info@chinablueprint.com.au](mailto:info@chinablueprint.com.au)

**March promotional offer \$9.95 (incl) postage for all our newsletter subscribers. Recommended retail \$20.00 + postage.**

*"This Canton Fair guide is based on many years of experience in attending numerous trade fairs in China and assisting hundreds of clients with their trade fair inquiries and imports. I hope that it helps you better navigate the Canton Fair and provides an insight into this challenging yet exciting market".*

Lisa Goodhand, Author & Director China Blueprint Consultants.

## Expo Build Its nearly time!!!



Expo Build, the Architectural Society of China and the China Interior Design Magazine will again jointly present the 'China International Building & Interior Design Festival' at the Shanghai Oriental Arts Center and the Shanghai New International Expo Center. Launched in 2006, the event has quickly become a milestone-event for designers and architects who are drawn by the opportunity to meet renowned speakers and to exchange ideas with their peers. Over 5000 attended in 2008!

For exhibitors the conference means a special opportunity to draw delegates' attention to their products either at the exhibition booth or through sponsorship and seminars. Australian exhibitors welcome!!!

Exhibition Categories include:

### INTERIORS AND SURFACES

Carpets, Curtains & Blinds  
Ceilings  
Decoration wallboards  
Wall, Floor coverings & Paving materials  
Interior partitions & Doors  
Mortars, Plaster, Binders, Additives for mortars and concretes, Sealants & Adhesives  
Paints and Coatings  
Roofing, Accessories and related items  
Sealing & Joinery  
Sun Shading and Solar protection

Thermal Insulation  
Walls, curtain walls, Facades, External cladding & coatings  
Waterproofing  
Windows, Doors and Accessories

**When:** 31 March - 3 April, 2009  
**Where:** Shanghai New International Expo Centre  
**Cost:** Contact China Blueprint

For more information link to the Expo Build [Website](#).  
If you would like to register to attend or participate as an exhibitor [contact](#) us directly.

China Blueprint is the official Australian representative for this event.

## China News

### Direct Links

- [Fewer jobs in China's factory towns.](#)
- [Quality Fade': China's Great Business Challenge](#)
- [Fresh face of Obama attracts many Chinese fans](#)
- [China launches nationwide campaign against fake banknote crimes](#)
- [Financial crisis 'not China's fault'](#)
- [Urban unemployment rate climbs](#)



## Hotelex

### Hotel Expo-Shanghai



#### Book your hotel now!

With 17 years' successful experience, the Hotelex series of shows has become the future of Asian hospitality, gathering many famous brands of catering and kitchen equipment, hotel supplies, etc. Every year, Hotelex attracts more than 50,000 local and international trade buyers. Meanwhile, such on-site events as the Hotelex Cup Chef Championship, the China Barista Championship, the Hotelex Bartender Show, etc. all receive good feedback.

#### **Hotelex Shanghai 2009**

Shanghai New International Expo Centre  
31 March-3 April 2009

China Hotelex-Roadshow 2009  
June 2009

**Australian Exporters:** for details on exhibition and participation costs, [contact](#) China Blueprint directly

**Australian Importers:** for further information and online registration visit the Hotelex [website](#).

## Recession Proof Your Business

### Expressions of interest sought...

Tough economic times often mean that businesses face greater pressure on cash flow as banks pull back on lending and customers pay more slowly. Increases in bad debts also cause significantly increased pressure on not only cash flow, but also profitability and quite often the ongoing viability of the business.

Recent statistics released by Australia's largest facilitator of credit insurance, National Credit Insurance, reveal that claims for bad debts for the 12 months ended February 2009 are up 55% on the corresponding period for the last year and 72% for same period ended February 2007.

China Blueprint has recently partnered specialist working capital provider Taurus Trade Finance to offer protection against bad debts as well as access to an increased level of cash flow. During a time when many banks appear to be retracting from the business lending environment Taurus is providing clients with funding facilities that include Letters of Credit, Trade Finance Bills and Debtor Finance to ensure the client has sufficient working capital from the very beginning of the importation process until the customer finally pays their account. In a unique development for the Australian market Taurus is also offering protection against the risk of bad debts by offering credit insurance.

The combination of increased working capital and protection against bad debts is assisting many Australian businesses to become "Recession Proof". In their March 4 press release Taurus announced expansion into Queensland as well across their traditional Sydney, Melbourne markets, providing greater opportunity for those businesses looking for a solution in a tougher economic environment.

China Blueprint is seeking expressions of interest from companies interested in attending a free seminar on cash flow and risk protection. Lunch will be provided and Taurus Chief Executive, Craig Michie will present to attendees. To register your interest, please [email](#) China Blueprint Consulting.



Thank you for reading this edition of the China Blueprint monthly newsletter. If you have any questions regarding topics covered in this newsletter, please contact us. If you have suggested topics for the next monthly newsletter we would love to hear from you.

Sincerely,

Lisa Goodhand  
China Blueprint Consultants.