

## Finding Opportunity and the Challenges in China

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**It is one of the most exciting markets in today's business world, but importing from China can be challenging and risky for the inexperienced. Importers should take time to understand the culture, and plan sound risk management strategies.**

When China opened its doors to offer cheap manufacturing to the world, Australian importers hastened to explore this exciting market. The Australian furniture industry was among the first groups to step into the importing/manufacturing arena and experience business with China.

Sadly, the importing experience has not always been good or profitable for these importers. Deliveries often do not match order specifications.

The challenges faced by importers from China are increasing. For Chinese manufacturers, material costs are increasing and the market is far more competitive. With access to a wide variety of products at favourable prices, how do Australian importers know which suppliers will deliver satisfactorily?

Managing supply risks to ensure correct delivery of your specified goods is complicated, and sometimes expensive. In part, this is because the rules in China are different to those in Australia. While there is no independent study to reveal how much money is lost by Australian importers because of costly errors, empirical data suggests that most importers have experienced problems with at least one order.

China Blueprint's experience suggests the reasons Australian importers experience difficulties in the China market include:

- There is a rush to get 'a piece of the action'. Having heard about cheap products in China, importers want to take advantage as quickly as possible.
- Importers often fail to do enough due diligence. Many do not take the time to check out their future suppliers properly.
- Some importers send money blindly. They transfer money to foreign bank accounts without verifying where, or to whom, it funds are going.
- Importers are used to dealing with wholesalers in Australia. They want the advantages of buying direct from the overseas factory, but fail to realise that Chinese suppliers operate differently from Australian wholesalers.
- Importers fail to understand the different rules that apply in the Chinese market. They don't know what legal protections exist on the other side of the sea. Often, they are reluctant to pay for costly lawyers. They may have heard that China doesn't adhere to trade agreements any way!

- Many importers are reluctant to seek expert advice. Experts cost money, and appear to want to slow projects down by planning, and implementing strategies to develop a good business foundation.
- Successes in Australia lead to excessive optimism. Furniture Importers usually come from a tradition of success in Australia. Faced with tougher economic times and increased local competition, they now have to turn to China to remain competitive. Confident in their expertise, they believe they can interpret this in a foreign environment.
- Importers put their faith in the internet. B2B websites, with their tempting glossy pictures and unbelievable prices, make importing look easy!

Most importers have heard the warnings, yet many continue to do business the same way they have for the last 5, 10, or even 30 years. Much of the consultant's work, therefore, revolves around solving difficulties with manufacturing and importing for businesses that have been importing from China for 20 years or more. These businesses fail to recognise change in the rapidly growing China market. New entrants to this complex game, keen to make quick profits and believing they are ready to manage the complex cultural and language issues involved in doing business in China, also present a challenge for consultants.

Australians have many misconceptions about doing business in China:

- Law means nothing in China.  
**False.** Believing this falsehood could lead to trouble.
- Everything in China is cheap.  
**False.** Many products are cheap, but they may not represent good value. Poor quality items may appear cheap, but can actually prove very costly.

You will make your fortune with your first shipment.

**Doubtful!** Even though the price advantage can be significant, your first import will always be more expensive as you must implement due diligence strategies. You should ensure the factory is legitimate and can provide a quality product that complies with Australian standards. As you develop relationships, it is important to continue managing potential risks. Generally, these risks will reduce over time, leading to increased profits.

- Your factory understands Australian standards.  
**Possibly!** But this is not always the case, even when you are told they do. Australia is a unique market with some of the world's highest standards. Australian importers are discerning and have high expectations. Chinese factories find the Australian market challenging because of the demand for high quality, and minimum quantity orders.

- The factory will guarantee the quality.  
**False**, especially when the goods have been paid for and are now already at your door step. Guarantees must be negotiated up-front, and confirmed with a contract.
- After a few shipments we don't need to inspect any more.  
False. Inspection is not just about keeping the factory honest. It is also about compensating for potential human error, and errors are common, because Chinese factories leverage themselves on cheap human labour.

The Chinese business environment is rapidly changing. Importers must adapt to the times, and assess every new factory with the same level of due diligence. While you pay for due diligence investigations, you save money by reducing mistakes, reducing shrinkage rates, and ensuring a reliable source of imported products that help you grow your business.

It is still possible to achieve a competitive advantage using Chinese manufacturers. Some may be able to do this unassisted, but most will need a consultant with expertise both in your industry, and in the China market. The expertise and experience of a quality consulting service allows you to import with confidence. You can then focus on growing your business. Your selected team of experts should include:

- Business Consultants (with proven experience in China)  
Your business consultant manages your China on the ground affairs, reducing risks and saving you time and money.
- Inspection and Testing Laboratories  
Your inspection agent, usually managed by your consultant, alerts you to the many manufacturing-related issues that can occur before the goods leave the country.
- Freight Forwarders  
Your freight forwarder manages freight costs and challenges.
- Insurance Brokers  
Your insurance broker offers you protection against accidental damage or loss, and many other specified risks.
- Banks and Trade Finance  
Your bank or trade financier helps you manage cash flow to grow your business.

This team of professionals manages procurement for you, letting you get on with your job of ensuring the profitable sale of the goods when they safely arrive.

Importing from China doesn't have to be risky. If you take the time to plan, search for the best industry experts to protect your interests, and practise sound risk management always, your importing experience will be profitable and stress-free.

For more information on developing a business strategy visit the China Blueprint website: [www.chinablueprint.com.au](http://www.chinablueprint.com.au) or contact Lisa Goodhand in Sydney

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