

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 client's 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 improving 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 have 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](#)