



Plitt INTERNATIONAL, LLC.
IMPORTER/EXPORTER

Selecting the Correct Chinese Supplier

By Jeffrey Plitt

Jeff & Cheryl Plitt operate Plitt International, LLC, a professional firm specializing in business relations with China. Plitt International's focus is to bring competitive advantage to small and mid-sized US companies through international trade with China. This competitive advantage is gained through importing, exporting, and the formation of joint ventures. Plitt International has developed its reputation through the successful implementation of programs across a broad range of industry segments.

Supplier selection and maintaining healthy relationships with suppliers is the single most critical issue for Plitt International. Proper selection and supportive ongoing relationships with our suppliers provides competitive advantage by:

- Shortening quote time to our clients
- Shorter sample lead times and shorter production lead times
- Increased supplier responsibility for the shipped product
- Shorter response time for technical and shipping questions
- Potential for better pricing
- Small custom production runs are generally accepted

Proper supplier selection reduces financial risk associated with international trade. A proper supplier selection process reduces the risk of late shipments, low quality products, and off spec items. Delivery of improper goods will damage the credibility of Plitt International and lead to loss of revenue for Plitt's clientele. A selected supplier is to be the best possible value to our clients. The results of this process are:

- Reduced time in supplier research
- More supplier choices per product category
- Accurate knowledge of potential suppliers
- Better supplier "fit" with needed products
- Stronger relationships with our clients
- Better terms
- Lower risk of financial loss

Walking Factory Floors

The most critical aspect of long-term supplier selection is the face-to-face meetings with the factory owners. Touring the factories and seeing firsthand the operating practices and current projects provides invaluable information to PI regarding how that factory will relate to our clients needs.

Location of Selected Factories

An important issue in the factory selection process is the physical location of the factory. That location can influence shipping costs, import/export regulations, duties, project oversight, and legal issues relating to the rights of a purchaser.

For these reasons selected factories are, at a minimum:

- Located in mainland China or Hong Kong
- Not located in the special administrative district of Macau
- Not located in the Western Region of China (Provinces of Tibet, Sinkiang, or Qinghai)
- Located within 50 miles of a Port of Entry, major rail hub, barge port, or major highway

Considerations for the Supplier Selection

Due diligence is required in selecting the correct supplier for each particular product line or venture. Companies are evaluated as a whole and different weight is given to listed attributes depending on our clients' needs and desires. Plitt International, LLC has developed an extensive list of concerns to evaluate when selecting a Chinese business partner.

Employees

- How many are there?
- Where are they based?
- What is the experience of those working on our project?
- Are critical employees fluent in English?

Geography

- How widespread are the offices? (Head Office, Local, National, Regional, Global)
- What is the nature of the offices? (Sales, Development, Implementation, Support)

Credibility

Reputation in the Market

- Main competitors?
- Identification of industry trends?
- Innovation leader or follower?
- Will they feed PI's clients new products to market?
- Is the factory state owned or privately held?
- Are they ISO certified?
- Years in business?

- Gross Annual sales?
- Export/Import experience and capability?

Partners

- Do they have partners to subcontract overflow work to?
- What is their history with these subcontractors?
- What are the capabilities of these subcontractors?
- What QC methods are in place to ensure on spec goods?

Delivery Capability

Services

- Can the supplier provide the complete range of services required for completing the project?
- Technical Capabilities – design drawings, materials documentation?
- Typical turn around time for this scale project?
- Project management?
- Support – follow up
- Graphic Design – embroidery, screen print, deboss, or emboss?

Quality

- Can they produce evidence of good quality work?
- Does it comply with their standards?
- Pre-production samples – exact representation or doctored for approval?
- Art – clear, “would I be proud to give this to a customer?”
- Reject rate of like product?

Resources

- Are there enough raw materials on hand to execute the work?
- What is the lead time for needed raw materials?
- How is the quality of the raw material verified?
- What is the plant capacity for this project?
- What is the capacity of individual production lines?
- What percent of current capacity is the factory operating?
- If needed, is additional skilled labor available?
- Is there a contingency plan in place for resource planning?
- Would they be able to deal with the unexpected?
- Transportation availability to factory location?

Processes

Project Management

- Do they recognize the proposed work’s value to PI?
- Is one person responsible for the project?
- Project tracking and progress reporting procedures?

- Do they fit with our clients own project control procedures, or can they be modified to do so?

Account Management

- How is the relationship managed outside the context of specific projects, e.g. where a long term partnership exists or is proposed.
- How are projects planned within a portfolio (client specific, repeat order, modification of reorder)?
- How can we take advantage of economies of scale across projects?
- How do we ensure reuse of technology (molds, dies, patterns)?
- What complaints/problem escalation procedures exist?
- How willing are they to invest in a long-term relationship?
- Are our projects kept confidential from their other clients?
- Are they a low maintenance supplier?

Technical Status

Infrastructure

- Do they have the necessary infrastructure to produce the product?
- Are new processes needed for this project?
- Is new equipment needed for this project?

Security

- If proprietary products are manufactured, what safeguards are in place to prevent theft of the intellectual property?
- What safeguards are in place to prevent black market enterprising?

Manufacturer Culture

Professionalism

- How honest are they about problems faced & overcome?
- Are they suitably discrete about their other clients?
- Do they appear to communicate openly and freely?

Flexibility & Commitment

How well will they handle schedule upsets, changes in requirements, etc?

Integrity

- Do they stand by their offerings?
- Are they consistent in what they say?
- Do they stand behind any poor quality issues?

Financial/Commercial

Ownership Structure/History

- How new are they?

- Who owns them?

Intellectual Property

Is there a clear agreement about the ownership of any deliverables?

Non-Disclosure

Is an appropriate security agreement in place to protect the interests of PI's clients?

Competitive Pricing

- Are their prices too far below industry standards for the project?
- Is pricing guaranteed for a period of time or length of project run?

Schedule Compliance

- Do they have the ability to execute within the project time frame?
- What concessions are in place for missing product due dates?

Availability

- Work hours (for international support – time zones)
- Holidays
- Response times
- After hours emergency contacts

Plitt International, LLC welcomes a discussion with your firm in the hopes of building a more secure business future through international trade with China. The question is not **if** the globalization of business is here; rather, what we need to do to prosper now that globalization **is** here.