



Importing Small Volumes from China

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About me

My name is Fredrik Gronkvist. I moved from my native Sweden to China in 2009 to take up studies at the Fudan University. One year later, I co-founded **ScandinAsian Enterprise** in Pudong, Shanghai.

ScandinAsian Enterprise is a **FIPE** (Foreign Invested Partnership Enterprise). We were among the first FIPEs to register in Shanghai. (the 3rd if I remember correctly)

Our clients are mainly small businesses and individual investors. More than 95% of them are based in **Sweden and Switzerland**.

This is also how I gained my experience in this field, and managing sourcing and quality assurance for **small businesses** in particular.

In 2012, I decided to take our business international. That's why we launched **ChinaImportal.com**. Our mission is to create low cost (and scalable) sourcing and fraud prevention solutions for small businesses importing from China.

Today's topics

#1 Sourcing & Procurements Process

#2: 4 Keys to Success when Buying Small Volumes from China + 2 Case Studies

#3: Product Certification Compliance - 5 Serious Issues

Sourcing & Procurement Process



Step #1: Product Specs

- Never refer to “Good Quality”
- Draft Product Specifications prior to contacting suppliers
- Confirm Product Certification Requirements in relevant countries & markets
- Create Graphical Material



Step #2: Supplier Sourcing

- Use online information
- What is the suppliers main product?
- Product Certification Compliance?
- Registered Capital?



Step #3: Research

- Is the quotation really based on your product specification?
- Which company receives the payment?
- Research pricing among a large number of suppliers
- Price Research > Price Negotiation



Step #4: Sales Agreement

- Clear product specifications and quality requirements prevents disastrous misunderstandings
- Make the supplier aware of coming Quality Inspections & Lab Testing
- Streamline the ordering, production & delivery process



4 KEYS TO SUCCESS WHEN BUYING SMALL VOLUMES FROM CHINA



Common mistakes

Small buyers often attempt to purchase **too many different types products** directly from China. This is wrong. Instead a small business shall focus on one or two key products.

Small buyers often neglect **product certification requirements**, such as CE and FCC. They assume that all foreign (including Chinese) manufacturers are compliant by default.

Small buyers often neglect the importance of **branding** and attempt to **compete on pricing** with bigger businesses. That's a dead end.



Should small buyers purchase from manufacturers?

Many small buyers attempt to walk around the MOQ requirements by purchasing products from traders. Products that are intended for the **domestic Chinese market**.

This doesn't work in most cases since these products are **not compliant** with the certification standards in the buyers country. (they are made FOR China after all).

This is why buying from a **manufacturer** is often the **ONLY** option for overseas buyers, regardless of size.



Solution #1: Lower the MOQ

#1: Focus on 1 or 2 key products is the only way to reach the MOQ requirement for most small buyers. Yet, many small businesses attempt to fill up entire stores with products directly from China.

#2: Streamline the usage of components and materials. This limits the suppliers need to make purchases from a large amount of subcontractors.



Solution #2: Branding

Many small businesses assume that branding is reserved for big businesses, such as Apple or Nike. It's not true. While large companies can compete on pricing, small buyers cannot.

However, offering noname products that are more expensive than those offered by big companies is rarely a viable business model.

Branding products in China is often very easy, and cost efficient. Most manufacturers can offer ODM products.



Solution #3: High profit margins

As said, small buyers cannot compete on pricing. But, product quality is not a domain reserved for big businesses.

A small upgrade in material and component quality may provide a very good ROI. Examples follow below:

Case Material	Factory Price	Retail Price
Zinc Alloy	US\$4.5	US\$49
Stainless Steel	US\$18.5	US\$149



Solution #4: Filler products

- Trading Companies
- Yiwu Wholesalers
- Avoid products that require certification compliance



Case Study 1: Daniel Wellington

- One watch case x 15 straps = 20 products
- US\$120 markup
- Above average materials & components
- Branding



Case Study 2: Rugs

- Same material
- 3 colors
- 3 shapes



Summary

- **Focus your investment on one or two main product lines.**
- **Only use small volume sites like Aliexpress for “filler products”.**
- **Avoid products that require compliance with certification standards.**
- **Ask your supplier how they can offer a variation to your product without raising the. MOQ requirement.**
- **Brand your products with a custom logo print and/or product packing.**
- **Invest a in better product quality in order to reach better profit margins.**
- **Never attempt to compete on pricing**

PRODUCT CERTIFICATION COMPLIANCE - 5 SERIOUS ISSUES

MADE IN CHINA

WARNING!
-Small parts.
-Not for children under 3 years.

CE



ISSUE #1: Most US and EU small volume importers are unaware of the product regulations and directives in their home countries.

ISSUE #2: Hard to find information regarding certification standards, and to which products they apply.

ISSUE #3: Small buyers consider pricing to be the first priority when selecting a Chinese supplier.

ISSUE #4: Many small buyers assume that Chinese suppliers are compliant by default. They aren't.

ISSUE #5: Only 5 - 10%* of the exporting oriented suppliers in China are able and/or willing to comply with US and EU product certification directives.

**Rate varies between different industries. This figure is based on our own research during 2010 - 2014.*

What if a product is noncompliant?

#1: Refused entry in the Port of Destination

#2: Forced withdrawals

#3: Lawsuits

#4: Rejected by retailers

How small businesses can ensure product certification compliance when importing from China

#1: Source suppliers on [Globalsources.com](https://www.globalsources.com)

#2: Begin each supplier interview with asking whether they are able to comply with the required certification standard

#3: Ask for previous test reports from the supplier (and verify its validity and authenticity)

#4: Sign Sales Agreements and clearly communicate to the supplier that a sample will be collected and sent for lab testing (before the balance payment is transferred)