

Doing Business with China

By Stuart Herskovitz, Founder & President of Qosmedix®

There has been a great deal of news about purchasing from China in recent years. If you are considering purchasing packaging components from China, it is helpful to understand the many aspects that can result in unanticipated costs.

Initial quotations from China may be 50%-80% lower than the U.S. price of a similar item. The “China Price” is the initial charge for the product; the final cost will be determined by other significant factors.

Exchange Rates

Currency fluctuations are always unpredictable. The Chinese Yuan had been pegged at the fixed rate to the dollar, but may now be allowed to float upwards, raising its value. This translates into an immediate price hike once the dollars are exchanged. This type of cost increase can be seen in the Euro’s appreciation to 60% over the value of the U.S. dollars in the past few years. This drove the cost of goods from Euro-zone countries to more than double when paid for in dollars.

Movement of Goods

Crossing the oceans can also prove problematic. A freight forwarder may quote “four weeks” for a container from China, but is actually measuring the time when the vessel leaves its last port to the time the goods are off-loaded in the United States.

For a more accurate estimate, add a minimum of two weeks to obtain an empty container and for transit time to the port. More time may be required if the pier is over-congested and your goods must wait for space. Once in the United States, add two more weeks for import clearance, congestion delays and local delivery. Also consider these delays are amplified during September and October. In all, an eight week ‘comfort zone’ may require that you keep an additional container’s worth of extra goods in your United States warehouse as a shipping buffer.

Using airfreight may be a helpful course of action. This can reduce the amount of goods in the transit pipeline. To obtain a better rate, the forwarder will often ship via “off-beat” carriers or itineraries. Your cargo might be off-loaded in Addis Ababa or Bucharest and will wait at the airport for available onward space to the United States. While these airfreight forwarders may promise a seven day shipment, delays can stretch to an additional three weeks. Therefore, a cushion of additional time is necessary even when using air shipment.

Language Barrier

Needless to say, language differences combined with long-distance phone, fax or email communications may result in misunderstandings of your instructions or your spec drawings. Companies that successfully buy from China have found that travel to China for on-site hand-holding, problem solving and production control may be necessary to avoid added costs and project delays caused by receiving a finished product that does not meet your requirements.

Intellectual Property

Other countries may view our intellectual property protection (IP) in a different way than United States patent laws do. Products made for you, including your own designs and trademarks, may be counterfeited, duplicated or diverted. Items you have produced can be sold in China and elsewhere in the world without any regard to your trademark rights or patent protection.

Quality Standards

As a developer of goods for sale in North America and Europe, you require an 'American-style' fit and finish. In order for a Chinese manufacturer to meet that standard, it may require different tooling, additional inspectors and possibly even importing raw materials from outside of China. In this scenario, production lines can go down because a container of raw materials is in transit or delayed at a congested port.

The Bottom Line

When outsourcing from China, to calculate a "Final Cost" you must look beyond the initial "China Price." To summarize the most important considerations:

- Take into account currency fluctuations
- Don't underestimate shipping time and cost; build a time cushion
- Be wary of patent and copyright infringements
- Have a back-up plan for needed inventory by keeping extra stock on hand
- Be prepared to visit your vendor to resolve sourcing difficulties

In order to benefit from lower cost Chinese imports, it may be helpful to establish a relationship with an importer who is experienced. There are companies that will handle all sourcing and logistical processes. They may have multiple customers for whom they ship goods from China and can consolidate these shipments in their own containers. This can save time, money and prevent the headaches caused by unforeseen circumstances.

Stuart Herskovitz is the Founder and President of [Qosmedix](#) and its parent company, [Qosina](#). [Qosmedix](#) has been successfully importing disposables and packaging items for its cosmetic and personal care manufacturers for over 20 years. [Qosmedix](#) maintains an ISO 9001:2000 Registered 50,000 square foot climate-controlled facility in Long Island, New York. Stock packaging solutions and disposable components warehoused for [Qosmedix](#) customers eliminate lead times and help satisfy unexpected short-term surges in demand for them.