

Title: "Behind the scenes look at the recent QC recalls"
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In light of recent media coverage of recalls of China-made products, what is your view on the issue of product quality from China?

I think there are two main trends behind the scenes which have led to sub-quality products reaching the marketplace. And when these two trends overlap, like a perfect storm, bad things can happen.

Mega Trend One: Recent and Rapid growth of Production Base

I live in the city of Shenzhen which has about 9 million people in the epicenter of China's manufacturing base. 25 years ago it was a small fishing village. In this rapid growth environment, when you find a manager that has been with a company for 5 years, that is considered a long time. It is not like in the West, where a master technician may work with the same company for 20+ years. Suppliers may be implementing production, management and QC techniques today which have long been standards in the West. As a result, there is a range of manufacturers from those with dirt floors and no QC system to factories which are state of the art. They are all eager to land foreign customers, but not all are prepared to handle the QC requirements of these foreign buyers. However, the competition is so intense among manufacturers, that the sales departments are making promises that the production and quality teams may not be able to keep.

Mega Trend Two: Global Interaction made easy thanks to the Internet

You could say that a root cause for many quality problems is that technology is making it TOO EASY to communicate. Allow me to explain. Thanks to technology, it is very easy for buyers and sellers to meet online and transact business without having met in person. Today we have more and more distributors, retailers and individuals going factory direct. In the past, specialized and experience importers (often US and EU manufacturers outsourcing certain aspects of their product offerings) would arrange production in China. They handled the quality control and delivery to US and EU buyers. Today, these middlemen are being eliminated, which in the long run I believe is a positive change as pricing and lead-times are reduced. The problem is that too many new-to-China buyers have the easy access to China yet don't have the experience to make it a success. For example, 10 years ago when I moved to Asia and served as a sourcing advisor, most of the clients had manufacturing backgrounds. They understand ISO and how a proper QC system is run. This makes a huge difference when it comes putting together a china sourcing program. Today, go to any international hotel lobby and poll the foreign buyers. You will find that for 30-50%, this is their first time sourcing from China. They are retailers and distributors, even E-bay power sellers and Mom & Pop shop keepers who are well versed in sales, but have never heard of fundamental QC concepts like AQL charts and SPC.

I am not saying these buyers shouldn't source direct, I am simply stressing that buyers need to know what they are really up against, because due to the relative immature QC systems found at the average China supplier, buyers are exposing themselves to great risk if they rely solely on their sub-suppliers to achieve the desired level of quality.

If you are new to China sourcing, the single most important thing you can do to ensure a successful sourcing program is to conduct a factory visit in person (or with the help of a 3rd party specialist) to determine if the factory you have selected can legitimately meet your desired price level and quality. Keep in mind the competition to win orders is intense in China. So you need to see proof, not hear promises. Don't rely on a fancy website and well written emails as your sole source of information about the legitimacy of a supplier.

At the risk of oversimplifying, here is a quick list of the other top items which are often overlooked by new to China buyers:

1. Determining the Acceptable Level of Defect (it may be 0, but the key is that buyer and seller are in agreement on this issue)
2. Clear terms on Warrantee
3. Penalties in place for missing lead times
4. Exact Terms of Trade (ExW vs. FOB vs. CIF vs. DDP)
5. Import-Export Licensing
6. Value Added Tax Rebate plan
7. Defined Standards, Certificates of Conformance and Internal QC data (IQC, IPQC, FQC) to be provided before shipment
8. Non-Compete/Non-Disclosure Terms
9. Currency of Payment and plan for currency fluctuations
10. Methods/Schedule for Project Updates and Communication
11. Use of Sub-suppliers
12. Plan for protection of Intellectual Property
13. Tooling and Set up equipment ownership

Final Comments

Know that sourcing from China is radically different from purchasing domestically, but you need not be intimidated. While many new-to-china buyers fail, many others are successful. I believe what separates the two is that the successful parties do their homework and get outside help if needed.

For free information (articles and videos) about buying from China, visit the resources section of www.psschina.com

About the Author:

Mike Bellamy has been based full-time in Asia for the past decade. Fed up with the inability of middlemen/trading companies to control quality and tired of having intellectual property (IP) knocked off, he decided to do something about it by forming PassageMaker in 2002. Mike developed a system to extract the best pricing in China and protect IP without compromising quality and service. PassageMaker's 100% US owned and operated assembly center in South China serves as the client's "black box" where inspection, final assembly and branding takes place behind closed doors. In this fashion, Intellectual Property is physically secured and full quality inspection is conducted before product leaves China. Mike has structured sourcing investments in over 150 production classifications for US and European clients during his time in China. He has an International MBA from the University of South Carolina, which included course work in Harbin and Beijing.

Recognized as expert on China sourcing, Mike is has been a featured presenter for Global Sources China Sourcing Fairs in Hong Kong and Dubai, Boat Tech China, Rotary Foundation, the US Chamber of Commerce, British Chamber of Commerce and State Bar of California among others. A former Rotary Foundation Ambassadorial Scholar, Mike speaks Chinese and Japanese. Based full time in Shenzhen, China.