



FIND THE RIGHT CHINESE FACTORY

ALL BY YOURSELF

HOW TO FIND MULTIPLE HIGH QUALITY CHINESE
SUPPLIERS AT MINIMUM COST, AND MINIMUM TIME

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Sourcing a Factory – The Process

Sourcing factories in China can potentially consume a lot of time and money.

For some, sourcing consists of logging on one or more of the many free platforms available on the internet to obtain manufacturer contact information. However, one of the biggest concerns of people considering doing business with new vendors is the risk level they are exposed to by working with a new partner.

These risks result from a variety of reasons. The most common being, individuals and small organizations falsely represent themselves as large and capable manufacturers. It also stems from manufacturers concealing their limited technical or financial capabilities from potential customers. Others include factories with poor communication skills or lack of experience, in your market or your product.

This is why the definition of “sourcing” must include the process of “qualifying”. Obtaining the contact details of factories that claim they can manufacture your product is not enough. You must be able to verify this claim independently.



There are some pieces of information you can verify about a factory without actually visiting the facility. However, the only way to be certain that you have chosen to work with a viable manufacturer is to visit the production site; either you or someone you trust. Now, there is a component of luck here. Sometimes you will spend one or two days visiting two to four factories and one of them will be a perfect match for your business. But more often than not, you will spend one or two weeks visiting 20 factories and none of them will be viable. In the worst cases, you will realize it as soon as you arrive (after spending several hours on the road).

This The cost involved in visiting factories is not constrained to airfare, hotel, and meals. The primary cost is the time you and your party spend inspecting the factory. The fact your party is on a sourcing trip precludes it from completing other activities that could bring your organization income or other value.

The process I am going to layout in just a moment helps you do two things:

1. Reduce the risk of placing an order with an unsuitable factory, and increase the chance of visiting viable factories.
2. Dramatically reduce the amount of time and money you will invest in the entire process.

Step 1 - Design your ideal supplier profile

The profile you design should list the requirements of your ideal supplier. This is not to say that you should immediately disqualify suppliers that don't entirely match this profile. You will find that different suppliers satisfy different aspects of the profile. It won't always be easy to give each of them a value to help you decide the most suitable. However, it will help you disqualify manufacturers that don't meet critical items on the profile. Eventually, you will end up with a short list of viable factories.

It is also possible that you will conclude there is no ideal factory. For example, one may be more suitable for small quantities, while another is more suited for a specific product and so on.

The "perfect factory" profile you initially design should include:

1. Special capabilities you want the factories to have.
2. Capacity size or production capability, you require.
3. A geographic location you prefer due to logistics or other considerations.
4. Markets you want them to be geared towards (EU / US / Africa).
5. Kind of ownership structure you are looking for (Privet / Public / Some sort of J/V).
6. Kind of quality management certifications you prefer them to have (ISO9001 / 14000).
7. Standards you need them to meet (CE / CCC).
8. Specific machines you require to produce your products.

Step 2 – Get a list of candidates

Use online platforms, references, search engines, and trade shows to collect names and contact information of suppliers. As you start searching, try to disqualify factories that clearly don't match your target profile.

You can usually begin by assessing the geographic location and product range. The earlier you narrow down your list, the less time you will spend visiting nonviable factories. It is definitely a numbers game. The more factories you have on your initial list, the more comfortable you will be disqualifying less suitable factories.

**The more
candidates
you have at
the beginning
the less you
will have to
compromise
later.**



Step 3 – Phone and email interview.

Design a form based on your original profile. Email the form to the suppliers and request they complete it. Don't forget to add questions that will give you a sense of the supplier's price level. You can ask them to quote a product you bought recently. Ask them to include pictures in the form.

Tell factories that if you determine they are a good match for you, then you will visit them as a next step. There are two reasons for this:

1. A visit expresses the fact you are serious about your factory search. It demonstrates a commitment on your side.
2. Knowing you might come for a visit will make the factory think twice before sending pictures and information that paint an unrealistic portrait of the factory.

Remember filling out the information requires time and work on their end. Don't make the form so long and complicated, that you discourage the factory staff. On the other hand, one of the things to check about any factory is attitude. If they are not willing to complete a form to win a customer, how much will they be willing to do to correct a mistake; especially when they have to spend more money than planned to fix the problem.

After you receive the form by email, call the manufacturers and ask them to clarify any points that raised questions in the form. You can also email if calling is not practical due to time constraints, or cost of long distance phone calls. If suppliers know you plan on visiting, they will not send you a form with completely false information. Use the form as another screening process for your supplier profile and as an auditing tool.



Step 4 – factory visit

After you've narrowed down your original supplier list to a short list of 3 – 10 candidates, plan an inspection trip. There is no substitute for seeing the factory with your own eyes, and speaking face to face with the manufacturer's management.



This trip can cost several thousands of dollars for some, so make sure you choose the suppliers carefully and plan for an extremely efficient trip. Alternatively, you can hire a reliable and experienced China based audit team that will perform the audit on your behalf. If your short list is not that short, it is advisable to have a local audit team pay a visit to the list of manufacturers, then go yourself, after they narrowed down the list. That way you can focus on auditing the top 3 – 5 factories.

Grasping the full situation during your onsite audit is very difficult. A factory is a complex place with many departments. It can take time to understand the management system's mentality and assess its strengths and weaknesses. These trips can be exhausting due to the distance traveled. Therefore, it is important to prepare your visit schedule in advance. Have a list prepared for each factory detailing the items you want to see, inspect and discuss.

Remember getting from one factory to the other is not always easy and may take a significant amount of time. If you have no experience doing this, it is better to hire someone local to assist you.

For more details, [click here](#) to download our Factory Management System Audit eBook.

Step 5 – Sampling and pricing.

Remember, “Talk is cheap,” people can promise anything, but few can actually deliver results.

Depending on your industry, ask the factory management to provide a sample in order to gain a better understanding of the quality they provide and create a common language. Ask them to quote the sample they provide in different quantities so you understand their pricing structure.

True, samples do not always represent the average quality of future bulk productions. Sometimes factories outsource the making of important samples but produce in house. And sometimes the sample is made by the best technicians in the factory, while production is supervised by average technicians.

You will be surprised how, even when a factory has to make only one item, they don’t get it right. Also, there are constraints associated with the making of a single item that simply do not exist in mass production. Sometimes it is impossible to achieve high quality when making a sample. Reaching the target quality during the sampling stage can be too expensive to be practical. Still, the sample you will receive will initiate healthy discussions and help align expectations and goals.

In addition, receiving samples will help you disqualify factories by identifying bad habits, like attitude issues, lack of attention to details, communication issues, and more. At the end of the day, the samples are primarily a form of communication. It is the first time both the buyer and supplier can look at the same physical object and agree (or disagree) this is what the final product SHOULD look like.

Since samples don’t always represent the factory’s ability to produce a bulk product; you won’t really know what quality to expect from the factory before you place an order. A great way to reduce your risk of losing a lot of money due to purchasing a poor quality product is placing a trial order.

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Step 6 – Trial order.

This is the most important step.

Everything until now was just talk; now they will have to deliver the real thing. Place a small order that offers little risk to your organization. This will allow you to test their service level and see if all they've said so far is true. This is your chance to test the factory's promises. Most factories will take this order very seriously. They realize it is the final stage before becoming a proud resident on your approved vendor list.

I suggest you take this smaller order as seriously as the factory does. Besides meeting deadlines and quality standards, this is your chance to test things you couldn't test previously, such as service level and communication efficiency. There is one thing you need to remember about trial orders, however.

Before any two companies can work together efficiently, they must first learn how to work with each other. In the beginning, many things are not aligned:

1. Working assumptions.
2. The nuances of what is an acceptable flexibility in meeting milestones and different standards
3. Different processes and the way they do things may give the impression that things are mismanaged by the factory.



Trial order is the first real test of your sourcing funnel

This is your first chance to see your new supplier in action, without taking a big financial risk

This is your chance to see your supplier trouble shooting and demonstrating their management quality.

The final step of factory sourcing and qualification

Unfortunately, there is no final step.

The highly dynamic reality in China turns good factories into terrible manufacturers, at rates faster than you might imagine. On the other hand, some low-quality manufacturers become good manufacturers over time.



There are a few reasons why good manufacturers become unviable. To list just a few examples:

1. The factory loses the resources needed to run a healthy operation, due to poor financial management.
2. New management ruins the factory it took the owner years to build.
3. A key engineer or manager, whose know-how gave the factory its strengths, resigns, leaving the factory without one of its key assets.
4. In extreme cases, disagreements between the employees and the owners bring the factory to a complete standstill. There are no warning signs you can see from across the ocean; by the time you know about it, it's too late.

