

## Sourcing from China

Sourcing directly from the factories or the local wholesale market in China. Over the last 60 years, China has built its manufacturing base into one of the most successful in the world.

Access to China has sourced/manufactured over 300 products from China over many years. Our staff's understanding of the manufacturing process in China and the ability to source local products and components.



Over the last 20 years, the growth of large-scale Chinese e-commerce and local social media has driven strong demand for high-quality local goods meeting international standards.

## Changes in China

Over the last 60 years, China has built its manufacturing base into one of the most successful in the world.

For many years, you could purchase a Chinese consumer good at a considerable discount (over 75%) in Western countries compared to the price in a shop in China. This was due to;

- Few Chinese chain stores
- Local Stores without the purchasing power
- Exported goods have no sales tax
- Poor transport infrastructure
- Poor distribution within China
- Underdeveloped Chinese consumer market

Government investments followed, and changes followed.

## Local Trading Changes in China starting 2010

This all started to change about 15 years ago, with phenomenal growth in China's mobile network, giving 80% of the Chinese population nationwide internet access in by 2015. This, combined with government investments in transport infrastructure and a growth in China's disposable income, resulted in;

- Wholesalers and retailers online
- Major online retail e-commerce sites, starting with Taobao (part of Alibaba)
- Many shopping malls have been built in every city and many towns

- Lower and faster transport costs

The growth of the Chinese domestic consumer market has increased imports of high-quality products from overseas. In turn, this has driven up the quality of locally produced products. Today, China is moving towards better quality products.

One of the biggest quality improvements was driven by the iPhone's availability in China in 2010. The feel and look of the iPhone, including packaging, became the quality standard over the years.

Over the last 15 years, as international travel has increased, Chinese consumers have gained greater knowledge of worldwide products and services. This, combined with a greater number of Chinese people educated overseas, is driving Chinese consumers to seek local, higher-quality products and services.

### **Manufacturing and wholesale**

The advantage Chinese manufacturing has over many countries is the end-to-end supply chain for factories.

Very few Chinese factories make all the parts for a product. For example, a simple battery-powered bedside lamp has over 10 components, most of which will be sourced from different factories.

The products we recommend you look for from Chinese factories and suppliers are those that have already been successful in other countries, not just your own markets. This gives you the working marketing, business plan, etc, module to review and adopt if appropriate.

We have used six paths to locate Chinese suppliers.

- Chinese trade fairs
- Trade city markets, e.g.
  - Yiwu – general consumer products
  - Shenzhen - Computer and electronic products
- Chinese export/import agents
- Chinese search engines and B2B e-Commerce, e.g.
  - Baidu
  - Alibaba
- Trade organisation (in China and in your local country)
- Our local trading network

### **Innovation vs “more of the same”**

It is not good news from China. You need to separate the businesses in China that are bringing new ideas and products to market from those just copying existing products.

Businesses creating products that already exist are important. It allows China to meet a very large internal market, 1.4 billion people, in a fast-growing economy, which consumes products and services faster than anywhere else in the world. No one organisation can meet these demands.

The “more of the same” creates a comfort level that leads Chinese businesses to present the same ideas and products to overseas businesses, even when the technology has changed.

When working with Chinese suppliers, it can take a while to find the right products when you get into the details. The new technology, once proven, will have a chance of lasting the lifetime of the investment.