

19 Common Mistakes

DIY Importers Make



Common **Mistakes** Made by DIY Importers

I could write a book on all the potential mistakes that could be made when sourcing from China. In an effort to create something a little easier to read with actionable tips, I've put together a list of 19 mistakes the DIY importer is bound to make.

Mistake #1

Using Paypal –

Almost any beginner guide will tell you, only choose suppliers who accept PayPal. We say otherwise. There are a couple of issues when it comes to using PayPal. First, you're required to pay service fees. This can end up as a substantial cost and ruin your profit margins. A lot of guides will tell you that using PayPal is great for that added bit of insurance and peace of mind. The problem with this: if you're using PayPal to ensure that your supplier can't run away with your money, then you have not been vigilant enough with your sourcing. You should never choose a supplier unless you are absolutely confident they are capable of performing to your standards, and this includes not disappearing with your transfer of funds.

International Trade is an industry that is older than all of us. PayPal disrupts the system. Maybe this is my old school mindset coming into play, but a supplier is going to have a hard time taking you seriously if you demand PayPal. PayPal for international trade tags you as an inexperienced buyer

who can easily be taken advantage of. Regardless of your buying power, it is important to act like you know what you are doing, even if this is your first purchase from China.

In the long run, PayPal isn't going to help you. You're buying from China, and because of this, there is an expectation (almost an unwritten rule) that you will conduct business in the traditional, culturally accepted method of first building a trusting relationship between you and your supplier. By you utilizing an American processing company (PayPal) notorious for favoring the buyer over the seller, and often times holding/confiscating funds for an unknown amount of time, is not going to help you in this endeavor. In fact, if the supplier doesn't overtly offer PayPal on their website or b2b profile, asking them if they will accept it, can start your partnership off on the wrong foot.

Mistake #2

Neglecting compliance –

Regardless of your import country, there are product laws that extend much further than simply getting past customs. When buyers don't fully understand the product they are importing and all the necessary rules and regulations that go along with said product, serious issues can arise at any part of the product lifecycle. As the importer, it is your duty to import responsibly and legally.

While a common issue is not understanding the necessary certifications to get past customs, resulting in fines or seizures, another overlooked mistake is further compliance with various government agencies and entities protecting buyers, products and the environment. It is far beyond the scope of this

publication to detail all of the possible avenues of exploration that you should investigate before you even decide on the product you want to produce.

Mistake #3

Not sourcing freight forwarders –

Just as not all shipping prices are equal, not all freight forwarders are equal. The shipping industry is enormous, competitive, and will absolutely try to make a few extra dollars off an inexperienced importer. Just as it is vitally important to obtain product quotes from various suppliers, it is just as important to obtain quotes from forwarders. If you don't already have a strong relationship with a logistics company, or understand the cost structure of the various methods of shipping, the best way to ensure you're not being quoted an over-inflated price is by shopping around.

There are many freight forwarding companies out there—notice I didn't say "great freight forwarding companies". That is because after years of experience in this industry, and using dozens upon dozens of forwarding companies, I have yet to find one that is "great". They all have deficiencies and complexities that often times leave me frustrated. The key is to find one that frustrates me the least. Just make sure if you contact a forwarder in China, you make sure they have a "sister" operation in your destination country. The big ones will. The smaller ones will often just contract with another smaller forwarder in your country, thus adding a possible layer of complexity (i.e. potential headaches) to an already involved process.

Mistake #4

Showing your size –

A common mistake new importers make is assuming Chinese suppliers have the same vision and respect they have of their small but mighty startup. Chinese culture works much differently than western culture. In China, everything bigger is actually better. Because of this, some suppliers will refuse to work with importers who are clearly of small size because it is assumed, the more employees you have, the bigger your warehouse, the nicer your car, the bigger your bank account, etc. In short, being bigger dictates your businesses success and buying power in China.

When creating an online buying profile, it is important to exaggerate just enough so Chinese companies don't quickly discard you as insignificant. Instead of explaining you're a small startup, build yourself up so when they quickly glance over you and your website, they don't assume that you'll make a small order never come back to reorder.

This should not just translate to an online B2B marketplace profile, but also during your direct communication with the supplier. Chinese factories are not there to walk you through the importing process. If they sense that you are new and not familiar with the process, often times they will take advantage of you and it will almost always end up costing you more time, money, or both.

They deal with sourcing agents, importers, and large companies all day who are very familiar with the process and vocabulary. If you ask something you

should already know, use words or phrases that are wildly out of place, or are not familiar with the terms they use, they will have a good idea that you are an inexperienced buyer. While you may think this seems like a scare tactic, I assure you it is not. I've seen this happen countless times AND in our China offices I have people working for me that came from factories that told me the exact same thing....and more. Suffice it to say that appearing larger than you are, and being familiar with the industry lexicon will do wonders for you when interacting with Chinese suppliers.

Mistake #5

Expecting the sales agent to be organized for you –

Mistakes in production happen. But they happen a lot more when you assume the sales agent is the one taking all the notes about your product, specifications, and requirements.

A sales agent is not a waiter writing down your order. The communication barrier and the countless questions can be incredibly confusing when finalizing a deal. Make sure everything is 100% clear and that your supplier understands exactly what you want. When writing an email that asks questions, it is very helpful (almost necessary) to number your questions separately. The same thing applies to your main points. You want them to be able to clearly understand what you want, and the only way to do that is to make sure you are presenting information in a clear and concise format.

Keep your sentences short and devoid of any slang or cultural idioms. Take cues from their writing style. Notice their words, phrasing, and structure and try to be cognizant that English is NOT their first language. Try to mimic their sentence structure and wording so they can tell you are trying to help them. They will absolutely appreciate it—you'll be surprised at how much more receptive and nice they will be once you start doing this.

We (Americans) often forget this fact and just assume they understand English, but ask yourself this: do you know a 2nd language? If you do, then sure you understand the importance of writing clear and short sentences that are structured well and aren't confusing.

Mistake #6

Not negotiating payment terms –

The most common payment term when suppliers are producing goods for an importer is a 30% deposit to start the production and 70% when the goods have been confirmed. For importers, access to funds is crucial, and for some, it is so crucial, they would rather negotiate better payment terms as opposed to getting the supplier to knock a few pennies off the price.

If a supplier insists on you paying the majority of the payment up front, this can often be a sign of the supplier taking advantage of you. For certain products, it is common for different payment terms, such as 50/50, but by and large, you should always be working on having at least 30/70 for your first few orders. After you have established a solid relationship with your supplier, and

have completed a few orders, you can ask them for better terms. Which brings us to

Mistake #7

Not negotiating better terms after multiple orders –

Negotiating payment terms is a great way to build a stronger relationship with a supplier you've used multiple times and plan on using in the future. The ultimate goal is to get goods imported, and then pay net 30 or even net 60. This means you're not paying for your imported goods until up to 60 days after you've received them.

For small suppliers and orders, it is a win to be able to pay, for example, a 10% deposit and 90% on finalization, or even 100% at the end of production, as it mitigates your risk if the products fail inspection. You should always work towards these goals because it shows trust between the buyer (you) and manufacturer. Not only that, but it can also greatly increase your purchasing power if you're trying to work with multiple manufacturers and orders.

Mistake #8

Assuming you can ship defects back to your supplier –

Most DIY importers don't know that it is actually illegal to ship defective goods into China. Chinese customs will seize the defective goods. Not only that, but the cost alone would eat into your profits because you'd be expected to cover all shipping costs. There are much easier and less expensive alternatives,

such as inspection services, fixing the goods domestically, or even cutting your losses.

One thing you can do, if possible, is to take photos of the defective items and show them to your supplier. Let them know how many units are defective and they will offer to add that to your next order. Ideally you want to negotiate a manufacturing surplus to proactively cover these inevitable defective units.

Mistake #9

Assuming the factory is going to follow Western business customs –

Many buyers assume that because they are messaging factories from the comfort of their own home via a computer monitor, that they are not actually doing business in China. Because of this, many importers assume western business culture rules apply to Chinese businesses. Regardless of the way you look at it, if you're speaking with a Chinese supplier and using a Chinese factory to produce your goods, you are doing business in China.

By not taking the time to learn about Chinese business culture, you're doing yourself a great disservice. You'd be surprised at how adept factory sales agents are at spotting this. If they notice that you at least acknowledge some of their customs and are trying to do business with these customs in mind, they will likely treat you with a more obvious show of respect and acceptance. Not only that, but it will undoubtedly strengthen your working relationship.

Mistake #10

Not verifying the supplier –

Just because a factory has a verified account by Alibaba or any other major manufacturing database, does not mean that you are guaranteed safe business transactions. Even the vaulted Gold Supplier status on Alibaba can be bought by any supplier. It is in your best interest to verify every supplier with which you plan to do business. There are a variety of services out there that will verify Chinese companies for you, of course our A-Z Sourcing Service includes this, but so do companies such as [Supplier Summary](#). We suggest making the verification process a part of your normal operating procedure and just build in the cost to your spreadsheets on every product. You can verify a company, and even get a credit report, within 24-48 hours and usually for under \$100. A small price to pay to make sure you're dealing with a legitimate company who didn't pop up overnight.

Buyers who are eager to do business with suppliers and get their goods in quickly will often get lazy and not cross reference bank accounts with listed business addresses and phone numbers. We understand that this can be an exhilarating time: you found the perfect product and want to get it produced, shipped, and listed as fast as you can because there is money to be made, right? Don't let the excitement trump the need for due diligence: verify every potential supplier.

Mistake #11

Not having a backup plan for every stage of sourcing & production –

Mistakes happen. By not having a safety plan for each step of the way, the only person you're hurting is yourself. Make a plan; think of where the points of error might occur at each stage and be ready to deal with surprises. Errors don't just happen in manufacturing, they can happen during domestic shipping within China, during the international process, at customs, at inspection, or even weeks after your goods arrived. Be vigilant and stay one step ahead. If you're a DIY importer, it will be very difficult to anticipate all the possible situations that may arise since you haven't had many opportunities for these errors to arise. It can cost a great deal of money to bring in someone to sort out a mistake in China. You're effectively flying blind because you don't have someone in China that you can count on to help you get things back on track. This is where it pays to have a team on your side who knows what to look for and how to handle these "surprises". Especially when you are first starting out. That's a big part of what we do at Guided Imports; make sure you have eyes and ears in China to help you through any of these situations.

Mistake #12

Not building a personal relationship with your supplier –

The suppliers you are speaking with are not faceless drones taking your order, they're actual people. A great way to build a relationship is to also build a rapport with these sellers.

Most international trade sales agents are twenty-something year old, freshly graduated college students with degrees in business English. Because of this, it is helpful to relate to them and show them that you're not only a good business partner, but also friend.

Chinese business is fueled by relationships. Any personal relationship you can cultivate with a factory employee will only benefit you. We've seen this play out dozens of times where you're new "friend" at the factory gave you a better deal, or made a suggestion that saved you from a potential headache, or tacked on your smaller order to another customers' large order, whereby saving you money. You would be surprised at how much preferential treatment you can get from a Chinese factory rep if you become their friend. Once you've built rapport with your sales agent, work towards communicating with their manager as well. Rinse and repeat.

Mistake #13

Not negotiating additional goods to compensate for defects –

You should never finalize a negotiation without first doing this. The supplier should agree to a small percentage increase of goods produced to make up for the inevitable defective units. This is a super simple way to proactively cover yourself from returns and defective goods. Every sizable order will have defects; it's an unavoidable reality. Make sure to pre-plan for this inconvenience by getting your supplier to agree to this safeguard. A minimum

% should be around 1%; on a 3,000 qty order you can bet there will be around 30 defects at a MINIMUM.

Mistake #14

Not using a quality control company --

There is no easier way to having a second set of unbiased eyes on your production than using a quality control company. Quality inspection companies offer services to inspect goods at a variety of stages across the production process, and any inspection is better than none. For an incredibly small fee of around \$250 - \$450, you can have a trained inspector visit your supplier and spend a whole day going over the goods and the production.

Not only does this send a message to your supplier that you require a high level of quality, but having an inspection done during every production run (not just your product's initial one) makes it much more difficult for your goods to fall victim to a quality shift as a supplier looks for new ways to cut corners and save money. While inspections can be found for as little as \$100 per day, it is recommended to spend at least \$200 on an inspection from an accredited inspection agency, as there is a greater chance of the actual inspectors being paid an adequate wage and not being forced to look towards the suppliers for further compensation (kickbacks).

Mistake #15

Over exaggerating purchasing potential --

While the increasing majority of new importer guides are educating DIY importers on techniques to present themselves as big business buyers to potential suppliers, the most important trait a buyer, regardless of their size, must have is product knowledge.

Over the years we have interviewed a large number of suppliers on various topics to get a better understanding of what *they* look for in a customer. Contrary to popular belief, a supplier's true interest is not a buyer's size, but rather their interest and future potential in purchasing. Just as buyers are spending hours upon hours sourcing the most qualified suppliers, factories are doing the same with their inquiring buyers. Factories listed on the top supplier databases such as Global Sources and Alibaba are accustomed to getting hundreds of inquiries every week. Their sales team is forced to determine which inquiries have the greatest potential of leading to a sale, and thus they have the luxury of being selective. Instead of presenting yourself as a large company when you're a one man show, operating out of your guest bedroom, educate yourself on the product and expect to be taken seriously when you show to the supplier you're not only an expert in the product, but that you're serious about production and forming a long-term relationship with them.

Mistake #16

Not preparing a detailed product specification sheet prior to sourcing

A product specification sheet not only allows you to stay educated on the product you intend on producing, but it keeps you organized and stops you from veering too far off track and off budget.

Making a product specification sheet is an incredibly simple way to ensure that you have all the details required to streamline the production process. It does require some research upfront, but immediately pays off once the true sourcing begins. There are examples and templates for product spec sheets that you'll be able to find on Google. We will also be publishing a book/guide that will cover this area in much more detail very soon.

Mistake #17

Focusing on price instead of supplier qualifications

Lets face it, focusing on price first means you're potentially ruling out some of the best qualified and high quality suppliers early on; even before negotiating begins! It isn't uncommon for a supplier to quote an inflated price upfront in an effort to determine your understanding of the product and its market price.

An easy negotiation tactic is to show another supplier's lower quotation to a potential supplier to inform them of their inflated price. By focusing on price first, you limit your ability to find the truly qualified suppliers in the vast sea of

unqualified ones. Also, the successful importers will gladly pay a few cents more per piece if it means better quality products. This leads to fewer returns, better reviews, and ultimately more customers. Which leads us directly to.....

Mistake #18

Beating a supplier down on price

Simply put, you get what you pay for. Anyone can perform a hardball negotiation technique to strong arm a supplier into drastically dropping a quoted price.

The problem with this, you end up forcing the supplier to find ways to profit on their losses, which almost inevitably leads to lower quality components. Focus on fair prices so you don't fall victim of a supplier forced bait and switch or cut corners in production.

Mistake #19

Not researching market prices prior to sourcing

The best importer is an educated importer. Any early stage technique towards ensuring you are finding a fair price for your production will be to your benefit. Make sure you fully understand the market prices of the product you want to source before you start to source it. The most effective way to do this is via "soft sourcing". This is a technique of determining the estimated high and low prices of a particular product in the market.

Without having an understanding of this information, many importers can end up overpaying and being taken advantage of. We have a fantastic ebook that covers STEP BY STEP how an actual \$5 million a year importer goes about soft sourcing a product. This information has never been revealed before, as the professional importers tend to keep it a fairly guarded secret. If you really want to get an edge over your competition, you'll need to purchase our Pro Importer's Step-by-Step Guide to Soft Sourcing. We will make this available soon, so be sure to watch your inbox! And the price will be less than \$10!

There you have it! 19 common mistakes made by the DIY importer. Importing from China is serious business and not something to be done as a "hobby". Chinese culture, business practices, and laws are radically different from those in Western cultures and if you're not aware of these differences, you could be in for a very costly surprise.

Even those of us who live here in China expect that things will go wrong. No one is exempt. If you do business here, eventually you will have a disaster story to tell, that is certain. But there are many things you can do and precautions you can take to help mitigate the severity and frequency of these disasters.