

IMPORT FROM CHINA
(Sanitary ware)
CASE STUDY

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Content

1. Introduction.....	3
2. Inquiry Details	3
3. Asian Market Research.....	4
4. Regional Market Research	4
5. Manufacturing Cost.....	5
6. Identification of the Final Supplier	6
7. Final Terms and Conditions.....	6
8. Manufacturing Quality Assurance.....	8
9. Complete Logistics.....	8
10. Conclusion	8

1. Introduction

Well established construction and developer Company operating on Central European market for several years is looking for an opportunity to reduce their costs, increase profit and become more competitive on the market. Due to steadily increasing cost of Chinese origin goods on the European market, they have contacted our company to inquire some of the products directly in China with the aim to find a stable manufacturer of the selected sanitary ware products for long term cooperation to reduce their cost by at least 30 percent.

2. Inquiry Details

Based on the first appointment with our client, detail instructions to handle the projects were received and the inquire products sheet to equipped one hundred luxury bathrooms is prepared as described in Table 1.

Table 1. Inquiry Details.

Item n.	Item Description	Main Material	Design	Inquired Amount
1.	Shower Enclosure Dimensions: 900 x 900mm Glass thickness: 8mm	Glass Stainless steel	Luxury design series	100pcs
2.	Wall Hung Toiled	Ceramics		100pcs
3.	Wall Hung Bidet	Ceramics		100pcs
4.	Concealed tank			100pcs
5.	Basin Dimensions: 500 x 400mm	Ceramics		100pcs
6.	Bathtub Dimensions: 1700 x 750mm	Acrylic		100pcs
7.	Shower Set	Chrome		100pcs
8.	Basin Mixer	Chrome		100pcs
9.	Bathtub Mixer	Chrome		100pcs

3. Asian Market Research

Asian market with the inquired goods was researched based on the EU-Asia history trade data for the period of previous two years. Two important factors were observed; firstly that China was the most demanded market in the sense of import of the inquired goods to EU and secondly that the average declared value of the inquired goods were lowest also from China. Thus we have selected China as the target country.

Table 2. Percentage concentration of suppliers of the inquired goods.

Target Market:	Asia							
Research Data:	Import to EU							
Research Period:	1.1.2009 - 12.31.2010							
Goods Description	Country							
	China	Taiwan	India	Vietnam	Hong Kong	Indonesia	Malaysia	Thailand
Shower Enclosure	Yes	Yes	Yes	No	No	No	No	Yes
Wall Hung Toiled	Yes	No	No	No	No	No	No	No
Wall Hung Bidet	Yes	No	No	No	No	No	No	No
Wall Hung Frame	Yes	Yes	Yes	No	No	No	No	Yes
Bathtub and Basin	Yes	No	No	Yes	Yes	Yes	Yes	No
Shower Set	Yes	Yes	No	No	No	No	No	Yes
Basin Mixer	Yes	Yes	No	No	Yes	No	No	Yes
Bathtub Mixer	Yes	Yes	No	No	Yes	No	No	Yes
Declared cost per 100kg:	USD 363.0	USD 1,810.5	USD 1,634.5	USD 812.5	USD 1,067.0	USD 878.5	USD 699.5	USD 1,014.0

4. Regional Market Research

The regional market research in China reveals the percentage concentration of suppliers of the inquired goods as shown in Table 2. Region with highest manufacturers' concentration determines the highest competition and thus, the best prices. Therefore, Zhejiang and Guangdong provinces were identified as the best regions for contacting potential suppliers with the quotation requests.

Table 3. Percentage concentration of suppliers of the inquired goods.

Goods Description	Province					
	Zhejiang	Guangdong	Shanghai	Jiangsu	Fujian	Others (3)
Shower Enclosure	40.70%	33.30%	11.10%	7.40%	3.70%	3.80%
Wall Hung Toilet	14.30%	52.60%	5.50%	7.80%	11.20%	8.60%
Wall Hung Bidet	17.20%	56.80%	6.20%	4.90%	10.30%	4.60%
Concealed Tank	51.60%	29.40%	7.20%	3.10%	3.70%	5.00%
Bathtub and Basin	19.30%	49.30%	7.90%	6.20%	12.40%	4.90%
Shower Set	20.40%	47.20%	11.60%	7.80%	11.90%	1.10%
Basin Mixer	17.90%	56.90%	10.40%	5.30%	9.00%	0.50%
Bathtub Mixer	16.30%	49.80%	9.90%	5.90%	12.80%	5.30%
Percentage of suppliers:	24.71%	46.91%	8.73%	6.05%	9.38%	4.23%

5. Manufacturing Cost

The most suitable suppliers were identified from the target regions in China and five quotations are presented for the initial consideration in Table 4. It is well understood that these data are first quotations provided by suppliers and hence space for further manufacturing cost reduction usually exists based on the more intense negotiation, especially during personal meetings with suppliers.

Electronics catalogs in *pdf* files from each selected manufacturer were also provided to our client in order to better understand the manufacturers' portfolios and to select the most suitable products design.

Table 4: Manufacturing costs of the inquired goods.

Goods description :	Sanitary Ware
Period :	January 2011
Region :	Zhejiang and Guangdong province, China
Type of Suppliers :	Direct manufacturers
Notes :	Below manufacturing costs are under FOB terms.

Goods Description	Average Cost	Manufacturer Label				
		a1	a2	a3	a4	a5
Shower Enclosure	USD 93.60	USD 93.00	USD 87.00	USD 97.00	USD 101.00	USD 90.00
Wall Hung Toilet	USD 44.40	USD 40.00	USD 35.00	USD 43.00	USD 54.00	USD 50.00
Wall Hung Bidet	USD 41.80	USD 37.00	USD 34.00	USD 39.00	USD 50.00	USD 49.00
Concealed tank	USD 77.80	USD 70.00	USD 63.00	USD 85.00	USD 88.00	USD 83.00
Bathtub	USD 76.00	USD 73.00	USD 68.00	USD 79.00	USD 85.00	USD 75.00
Basin	USD 24.40	USD 20.00	USD 18.00	USD 25.00	USD 32.00	USD 27.00
Shower Set	USD 51.20	USD 45.00	USD 50.00	USD 50.00	USD 58.00	USD 53.00
Basin Mixer	USD 23.80	USD 20.00	USD 23.00	USD 25.00	USD 30.00	USD 21.00
Bathtub Mixer	USD 20.80	USD 15.00	USD 19.00	USD 20.00	USD 27.00	USD 23.00

6. Identification of the Final Supplier

Our client expressed his interest to personally visit all potential suppliers at their manufacturing sites in China before making decision about the project. Time-effective business trip was therefore organized during which each of the manufacturers sites were visited, constructive talks were carried out with the factories management in Chinese to further negotiate initially offered manufacturing costs and discuss the final terms and conditions of the order.

Based on the result of this business trip, the supplier a3 was selected as the final supplier for this order and inquired goods was increased to 105pcs for each item. The contract agreement was signed with the supplier and final proforma invoice was issued and confirmed.

7. Final Terms and Conditions

The supplier agreed to our terms and conditions; T/T 20% deposit payment to initiate the production and T/T 80% balance payment after boarding goods on the vessel. Delivery time is set to 21 days from the date of receiving deposit. Products will be made strictly according to applicable EU standards.

Table 5: Proforma Invoice-preview.

Item	Photo	Dimensions	Amount	Unit Price	Total FOB
Shower Enclosure		900 x 900mm	105 pcs	USD 92.00	USD 9,660.00
Wall Hung Toilet		535 x 430 x 350 mm	105 pcs	USD 40.00	USD 4,200.00
Wall Hung Bidet		540 x 400 x 300mm	105 pcs	USD 36.00	USD 3,780.00
Concealed tank			105 pcs	USD 80.00	USD 8,400.00
Bathtub		1700 x 750mm	105 pcs	USD 75.00	USD 7,875.00
Basin		550 x 380 x 155mm	105 pcs	USD 22.00	USD 2,310.00
Shower Set			105 pcs	USD 45.00	USD 4,725.00
Basin Mixer			105 pcs	USD 18.00	USD 1,890.00
Bathtub Mixer			105 pcs	USD 22.00	USD 2,310.00
				TOTAL FOB:	USD 45,150.00

8. Manufacturing Quality Assurance

Several quality issues were discovered during final quality check, such as insufficient surface quality of the shower sets, missing spare parts of the shower enclosures and completely missing user and installations manuals for each product. All these quality issues were fixed within the length of the quality control check and immediately afterward the goods were handed under our supervision to the assigned freight forwarder on time.

9. Complete Logistics

The final volume and weight of the packed goods were 87 CBM and 23 tons. The most economic shipping solution was identified and therefore, the goods were loaded to one 40 feet and one 20 feet container, boarder on the earliest vessels departing from the Ningbo port and headed directly to Europe. Total shipment cost was confirmed to be 4,523.00USD, which also included insurance cost. Shipping time was 42 days to the client warehouse. Custom duty 3% was paid when the goods entered EU borders.

Table 6: Shipping cost to the client warehouse.

Goods Description	Total Volume	Total Weight	Measn of Transport	Total Cost
Sanitary ware	87 CBM	23 tons	1x40' FLC 1x20' FLC	USD 4,523.00

10. Conclusion

Import of the sanitary ware products for EU developer company project directly from Chinese verified manufacturer was successfully completed. China was selected as the target country due to the result of the analysis of the EU trade data from the previous two years for the inquired goods. Target region in China was selected based on the result from the regional market research and final supplier was identified after the personal verification of the manufactures sites.

Based on the intense negotiation, the selected manufacturer offered further discount and agreed upon these terms and conditions to deliver the order:

- Final manufacturing cost 27,510.00USD, FOB terms.
- Payment terms: T/T, 20% deposit payment, 80% balance payment.
- Delivery time: 21 days.

Several quality issues were however discovered during final quality check, such as insufficient surface quality of the shower sets, missing spare parts for the shower enclosures and missing user and installations manuals to each product. Manufacturer fixed all these problems immediately after being notified and goods were handed under our supervision to the assigned freight forwarder on time.

Concerning the total packed volume 87CBM and weight 23 tons, the most economic shipping solution was chosen. The goods were shipped by sea freight in one 40-foot and one 20-foot container. Shipping time was 42 days to the client warehouse. Custom duty 3% was paid when containers enter EU borders.

The total cost for purchasing sanitary ware for equipping 100 luxury bathrooms directly from Chinese manufacturer was 28,355.00USD. Total delivery time was 63 days. Based on the client feedback, successful completion of this project reduces the purchasing cost of the inquired goods by more than 40 percent, compare to the offers of the same products from the local distributors.