

## FAQ for Outsourcing Manufacturing in China

1. **What can happen if I do not proactively investigate the benefits of outsourcing manufacturing in China?**

If your competitors successfully outsource manufacturing in China and can offer prices to your customers that are 30% to 50% less than they are currently paying you, you're going to lose customers – in a hurry. Most large companies, including Wal-Mart and GE, are already asking their suppliers to set up manufacturing operations in China, and many of your customers are likely to follow suit in the near future.

2. **How long does it take to outsource manufacturing in China?**

For most products, unless they are highly technical, it takes approximately 12 months from start to successful outsourcing. Many U.S. businesses will be in danger of losing significant market share in that time.

3. **Why should I consider outsourcing in China?**

Almost any manufactured item can be sourced in China. The products that will provide the most savings are those with high labor content, raw material content and relatively low transportation costs (low weight and volume).

4. **Should I use an agent in sourcing products in China, or should I deal directly with the manufacturers?**

There are benefits and disadvantages to both approaches. A company must acquire a set of basic capabilities for outsourcing, such as the expertise to evaluate a supplier's ability to meet requirements; test preproduction prototypes; create samples; and fulfill logistic activities such as setting up a bonded warehouse. It is very common for a company to work initially with U.S.- or China-based agents until the internal staff is trained to deal directly with the Chinese suppliers. Nevertheless, if your company sources more than \$100 million a year in products from China, it makes economic sense to have a unit that can go directly to the suppliers. However, certain agents are skilled at handling complex product categories, and a healthy flow of agents can provide useful information about changes in the marketplace.

5. **How difficult is it for me to travel to China to conduct business?**

China is a modern country with very efficient means of transportation and accommodations for travelers. For example, some airlines provide daily direct flights from New York to Beijing that take about 14 hours, a great time savings when compared with non-direct flights, which will cost you 24 hours or more. It is necessary to obtain a visa to enter China. Check with your local Chinese consulate for more information.