

Finding the Right Low-Cost Overseas Supplier

Choosing the right overseas supplier for your business is a lengthy process that requires time, research, experience and strategy if you want to negotiate fair terms and secure the best available pricing. Selecting an overseas supplier without careful considerations can ultimately lead to lost profits, defective products or even the failure of your venture. Luckily, as long as you are willing to take the time to do it right, finding the right low-cost overseas supplier is not an impossible task.

In addition to ensuring that a potential supplier delivers acceptable products, you must also take financial considerations into account to secure a sustainable, long-term pricing agreement. This means talking with multiple suppliers to discuss things like total landed costs, exchange rate fluctuations, payment methods, financing and other variables that may affect your budget.

Indirect vs. Direct Importing

When choosing an overseas supplier, you have the option to do business directly or indirectly. Working indirectly means that you are hiring a third party to mediate and oversee the transactions between your business and an offshore supplier. This route means you no longer have to worry about the day-to-day menial management tasks of your supply chain. A third-party company may also be able to leverage extensive experience and offshore connections to find good deals and ensure smooth transactions.

Despite the benefits of working with an overseas supplier through an experienced middle man, it is usually not the best way to do business - and rarely is it the most cost-effective way. Instead, your business can opt to work directly with a supplier to make certain that you have full and total control over your supply chain. This minimizes the risk of disruption and ensures that you get the exact terms, conditions, products, and pricing you need. Any extra investments in research, negotiations, and management are often well worth it.

Building Your List of Qualified Offshore Candidates

The best way to start your vetting process is by coming up with a list of potential suppliers to compare and contrast. Comparison shopping allows you to find reputable suppliers, low costs, and can often draw your attention to overlooked aspects of the importer-exporter relationship. Here are a few ways you can locate offshore suppliers who have the products, materials, and production capacity your operation needs:

1. **Internet research.** A simple query on your search engine, or online buying guide of choice is a quick and easy way to find overseas suppliers with the specialties you are looking for. Not only can the internet put you in touch with these suppliers, but it may also connect you to other companies who have worked with the supplier in the past. There's nothing better than third-party reviews to help you collect unbiased information and research about potential candidates. Some sites act as directories which categorize global suppliers according to their niche and location. Browsing these directories is another great way to discover possible sources.
2. **Trade and professional organizations.** If your business belongs to any trade or professional organizations, see if they endorse or recommend any specific suppliers. If you can use your organization to get in touch with other manufacturers, they might be able to point you in the right direction or make a recommendation of their own. It is always better to choose a supplier that has a reputation and proven track record working with similar companies in your industry.

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3. **National embassies.** Most national embassies have staff dedicated to commercial interests. Get in touch with national embassies in foreign countries to see if they can get you a list of local suppliers to use as a starting point. You can do some internet research in conjunction with any of the names you get from a national embassy.

Once you have a list of potential suppliers, it's time to start narrowing them down based on some specific criteria.

Narrowing Down Your List of Potential Suppliers

Finding the right overseas supplier for your business is about knowing what to look for, and then choosing a partner that offers the most advantages. Keep these points in mind when evaluating candidates:

- **Physical location.** The physical location of the supplier is important for logistic and financial reasons. The further away the supplier is located, the higher the risk of disruption or delay for any number of reasons. Working with a supplier that is located far away also makes it more difficult, time-consuming, and costly to schedule face to face meetings if and when they are necessary.
- **Ease of communication.** Nothing is more disruptive to a supply chain than poor communication. Not speaking the same language as your partner isn't necessarily a deal breaker as long as you can employ translators or interpreters to assist with communication and negotiation. Cultural differences are an often overlooked variable that can affect communication. Be sure to research and plan for any that apply.
- **Pricing.** Pricing is an obvious factor that must always be taken into account. Be sure to plan for the total landed cost of the goods, and not only the purchase price of the product itself. Find the supplier that gives you the most for your money and extends generous bulk discounts for large orders.
- **Technology.** It's always easier to do business with a supplier that is technologically competent. Finding a partner with a strong technical infrastructure means that you can expect faster communication, easier management and oversight, and usually a higher quality product. Beware of companies that aren't willing to upgrade technology for budget reasons.
- **Experience and existing trade levels.** It's probably best not to take your chances with a startup or otherwise inexperienced manufacturer. Find a partner that not only specializes in your needs, but one that has a proven track record and proof of existing trade with companies in your country. Previous business is a good indication of a reliable supplier.

These five factors should provide some core criteria, though it's important to take stock of the unique needs of your operation. Every business is different, and each relationship must be negotiated carefully. Make sure your supplier is fully aware of your needs and can commit to the timely delivery of your products at the costs you are looking for.

Paying a Visit

Once you've narrowed down your list to one or two suitable candidates, it's a smart move to pay a visit in person to take a look at the facilities your operation will be dependent upon. Meeting your partners face to face strengthens the business bond and gives you a chance to iron out any last minute negotiations in person. There have been cases of overseas manufacturers who are much better at marketing than they are at actually sourcing the goods, so a physical visit can give you peace of mind in this regard. These trips may be costly or time-consuming, but ultimately they are a vital investment in the stability of your supply chain.

SOURCES:

- <http://www.businesslink.gov.uk/bdotg/action/detail?type=RESOURCES&itemId=1073793608>
- <http://www.businesslink.gov.uk/bdotg/action/detail?r.l1=1079717544&r.l3=1074186242&r.lc=en&r.t=RESOURCES&type=RESOURCES&itemId=1073793620&r.i=1073793608&r.l2=1077717631&r.s=sc>
- <http://www.scribd.com/doc/8950644/Choosing-the-Right-Offshore-Partner>
- <http://www.businesslink.gov.uk/bdotg/action/detail?type=RESOURCES&itemId=1077729724>

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