

Ultimate Guide to Manufacturing



Written By:

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About the Author



About the Author

Phil Staunton MD of D2M

"I've been involved with turning ideas into reality for 20 years and worked on over a thousand products. I even developed and launched my own pushchair with John Lewis. With my team and my clients I've manufactured products on 4 continents in over 30 different factories."

This e-book seeks to bring together the knowledge I have gained, and that of other experts in the field, to help you turn your idea into a successful product. If you want some professional help, or even a free initial consultation or opinion on the viability of your idea, don't hesitate to get in touch with my company, D2M.

In the meantime, enjoy this e-book, and I wish you every success on the exciting journey of commercialising a product – there's nothing else like it!"



Introduction



This is where your product really comes to life! It can be exciting, daunting, frustrating and infuriating all in one day. But with a cool head and some expert guidance your product will be manufactured correctly and you'll be one big step closer to profiting from your idea.

You are not the first entrepreneur following this path. You will probably make some mistakes during this process. Learn from these, be reactive and don't give-up!

Depending on the type of product you may have to produce your goods in a foreign country to get a more competitive price. Duty rates, shipping costs cultural issues and communication all become challenges to overcome.

You will need organisation and patience. Your product has never been so close to the market. But prepare yourself to have to a few hiccups along the way!

Our tips for your production journey:



Get as much advice as you can



Be prepared and well planned



Dedicate time and don't expect it to all go smoothly.

Likely Stages of Production



Likely Stages of Production

We have identified **18 main stages of work** from investigating compliance to the delivery of the product to the buyer that you are likely to progress through.

Each stage requires specific action and/or documents from your side or third parties involved to develop your product.

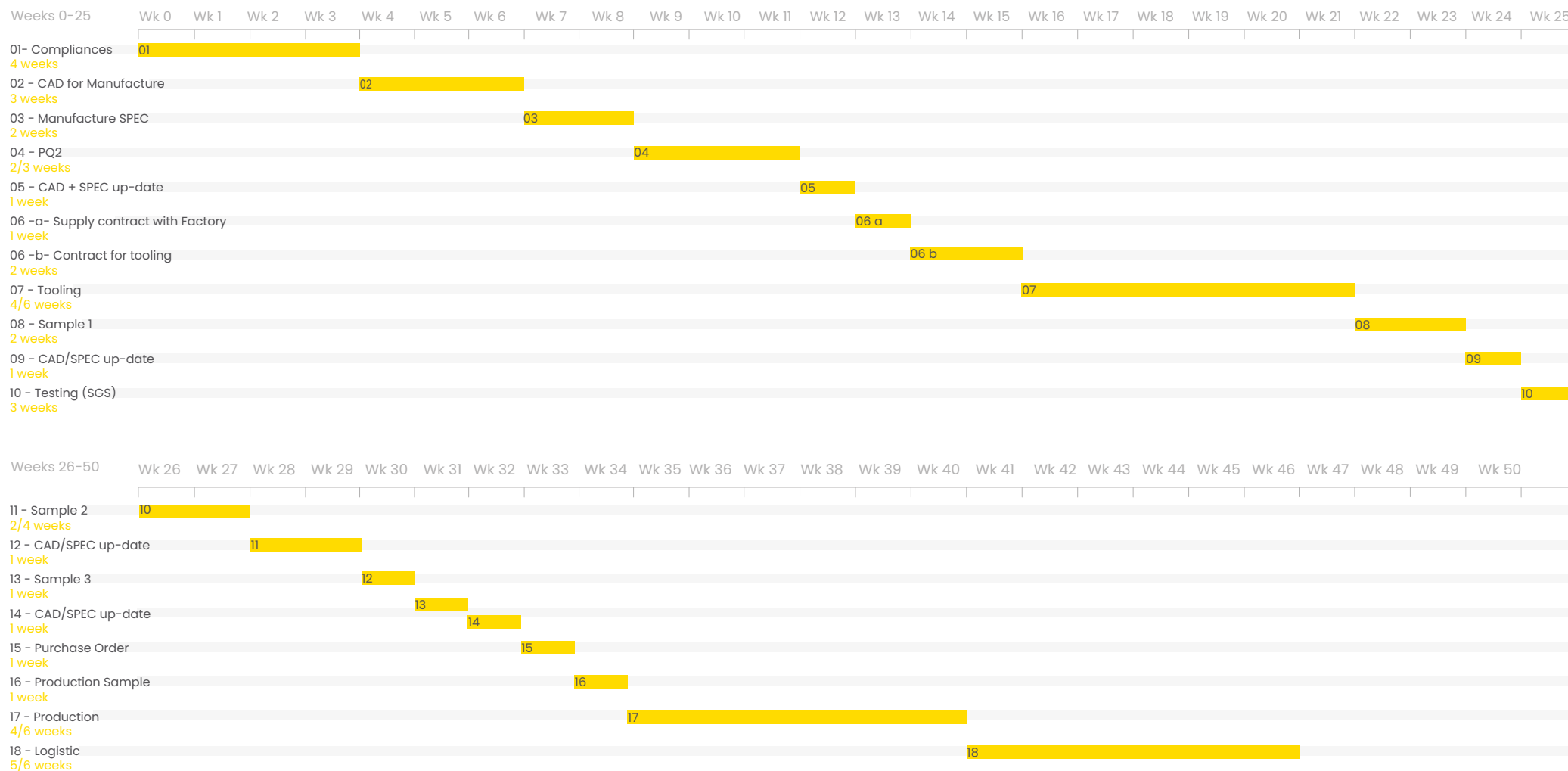
You are likely to have full legal responsibility for your product and consequently should ensure you are totally up to speed regarding compliance. In addition, it is wise to invest in product insurance.

Do not compromise on short cuts that would create bigger issues further down the line, than if treated at early stage. Bear in mind that often you will have to choose between quality, cost and the time to completion. Everyone wants a high quality, low cost product delivered tomorrow on a tight budget, but those things don't go hand in hand! Often you will have to choose which of those is most important to you.

- 4 weeks **01- Compliances**
- 3 weeks **02 - CAD for Manufacture**
- 2 weeks **03 - Manufacture SPEC**
- 2/3 weeks **04 - Production Quotation 2**
- 1 week **05 - CAD + SPEC up-date**
- 1 week **06 -a- Supply contract with Factory**
- 2 weeks **06 -b- Contract for tooling**
- 4/6 weeks **07 - Tooling**
- 2 weeks **08 - Sample 1**
- 1 week **09 - CAD/SPEC up-date**
- 3 weeks **10 - Testing (SGS)**
- 2/4 weeks **11 - Sample 2**
- 1 week **12 - CAD/SPEC up-date**
- 1 week **13 - Sample 3**
- 1 week **14 - CAD/SPEC up-date**
- 1 week **15 - Purchase Order**
- 1 week **16 - Production Sample**
- 4/6 weeks **17 - Production**
- 5/6 weeks **18 - Logistic**

Likely Stages of Production

Timescales are approximate and vary a lot depending on the manufacturer and the type of product.



Compliance

TIMELINE



01

WHO: Test houses such as SGS

Often, compliance and legal restrictions can be a major obstacle for new product releases.

To avoid disruption, redesigns, and even product failure, you should look to consult compliance and legal teams as early as possible in the process.

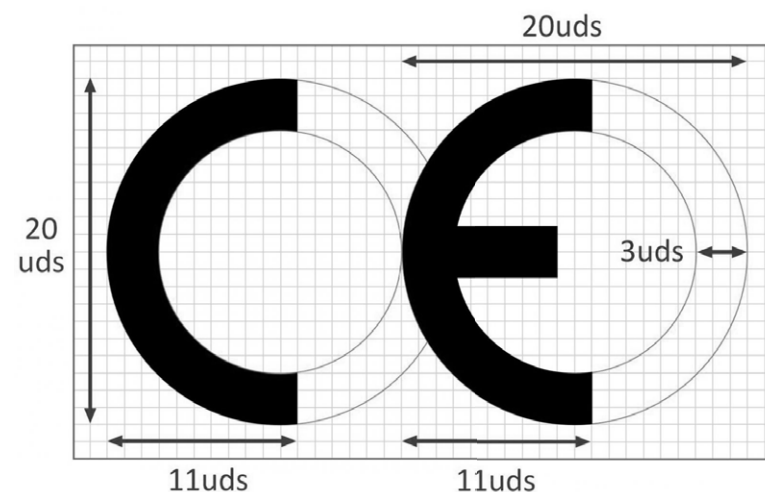
Make sure that you inform the manufacturer of any particular standards or certification that your product needs to comply with and ideally select a manufacturer that is used to working to the standards of the countries where you plan to sell your product.

If you want to trade in the EU, CE-marking is a mandatory conformity mark required for a wide variety of products. CE-marking indicates that your products comply with stringent EU product safety directives.

When you bring products into the UK, you become an importer, which comes with some legal responsibilities to ensure that your product is safe to be sold. It is the importer's responsibility to determine that the product is fit for purpose, and compliant with all applicable standards or product requirements. It can be assumed that the manufacturer should be fully aware of all necessary compliance but responsibility and, ultimately, liability sits with the importer.

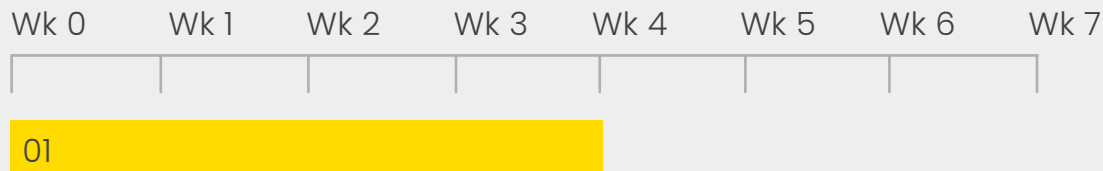
Note:

As importer of the product you are legally responsible to ensure that your product meets the required compliance.



Compliance

TIMELINE



WHO: Test houses such as SGS

As such, we would recommend early involvement from a test house who can assess the sample and its usage, and then advise on the regulatory standards required and necessary considerations for development.

SGS (www.sgs.co.uk) are a globally recognised testing house who can make suggestions surrounding compliance required for goods sold both in the UK and outside of the UK. Product compliance can initially seem to be a daunting area, but enlisting the services and resources of SGS or an equivalent provider can reduce the complexity, and provide you with the confidence that you are producing a fully compliant product.

SGS can also offer product compliance testing and certification, which is best undertaken at the factory before the products are shipped.

Review the compliance as early as possible in the process.

See more www.sgs.co.uk.

Note:

As importer of the product you are legally responsible to ensure that your product meets the required compliance.



Design for Manufacture

TIMELINE

Wk 4 Wk 5 Wk 6 Wk 7

02

Note:

Please note that D2M always recommends that a pre-production prototype is created prior to tooling. Tooling can be expensive, difficult to modify and time consuming to alter. It is always best to confirm the design prior to tooling and production. Pre-production prototypes are often best made by the factory as this ensures a smooth transition from designer to manufacturer. Please note that it is also crucial to confirm that the initial samples are fit for purpose prior to running production runs of multiple products.

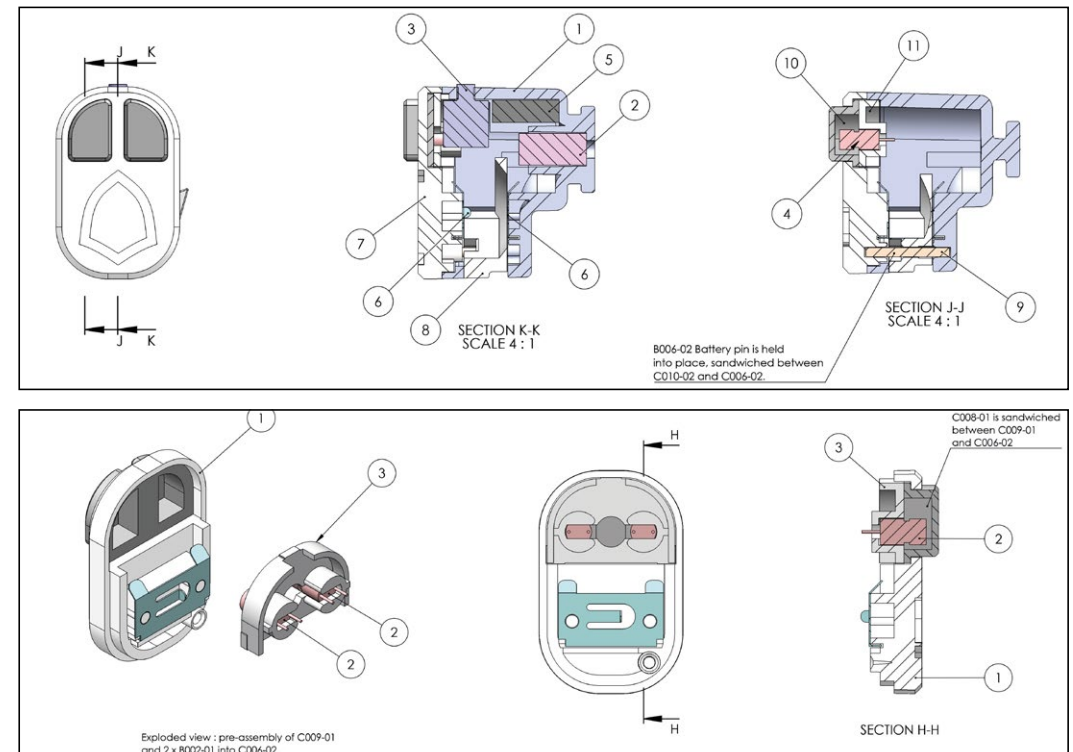
WHO: D2M

Although the manufacture of your product will have been considered from the start of the process, at this stage it is also essential to identify any areas of refinement regarding the processes for manufacturing the product.

The production methods for a prototype are very different to the manufacturing methods used to produce the product on a large scale, so these differences need to be accounted for in the production design.

For example, you may be able to produce a certain component using prototyping techniques; however, it may be necessary to change elements of the component, such as draft angles and undercuts so that it is suitable for industrial manufacturing techniques.

It is often possible at this stage to value engineer the product to reduce the component count, simplify the design for more cost effective tooling or remove expensive features that don't deliver additional value to your potential customers.



EXAMPLE

Manufacturing Specification

TIMELINE

Wk 7 Wk 8

03

WHO: D2M

Note:

The client is responsible for signing off and approving the manufacturing specification.

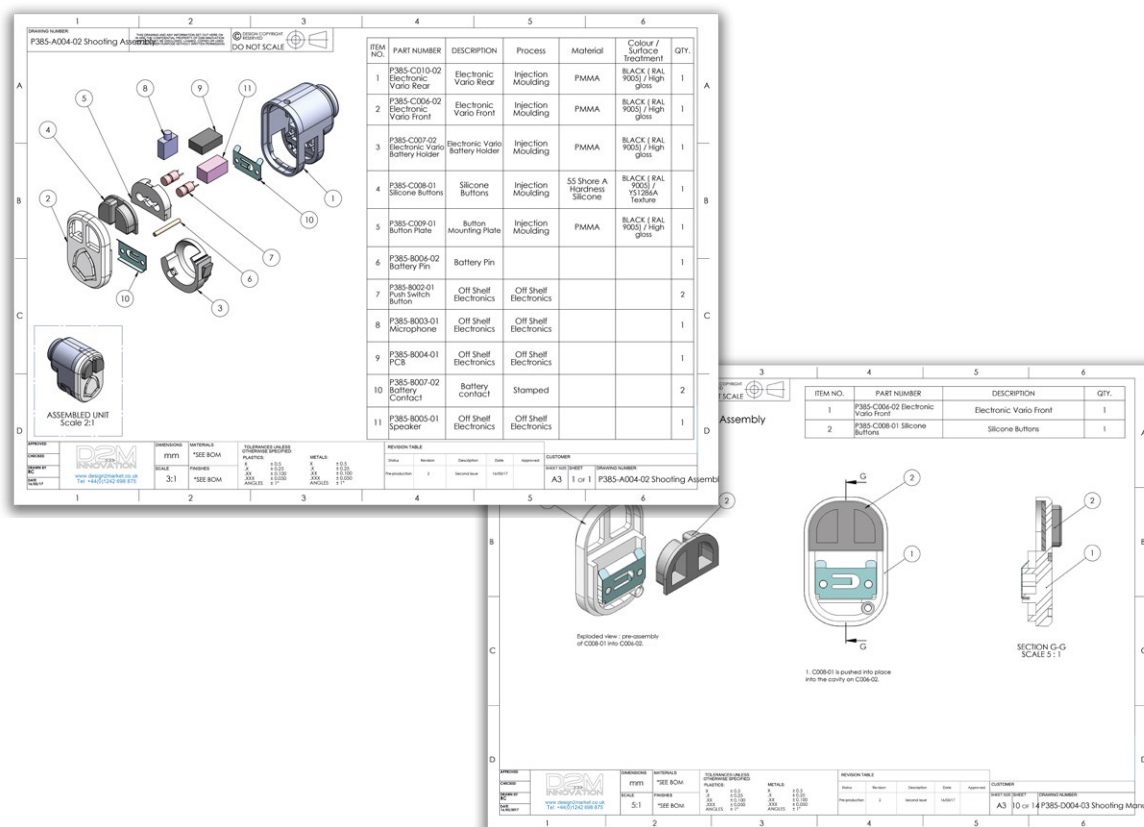
It is essential that the manufacturing specification is accurate, because any production orders based on an incorrect specification will result in large volumes of incorrect products, at a large expense and inconvenience to you.

This document will be up-dated each time changes happen on the CAD file used for production.

The manufacturing specification outlines every detail and feature of your product. It is a complete representation of the product and will provide any suitable manufacturer with the right information for production.

An accurate Manufacturing Specification also serves as a reference document that can be referred to in the event of mistakes or inaccuracies from the manufacturer.

By referring to a pre-agreed specification, there is less room for misinterpretation of quality, dimensions, finish and other important details of your product.



Manufacturing Specification

TIMELINE

Wk 7 Wk 8

03

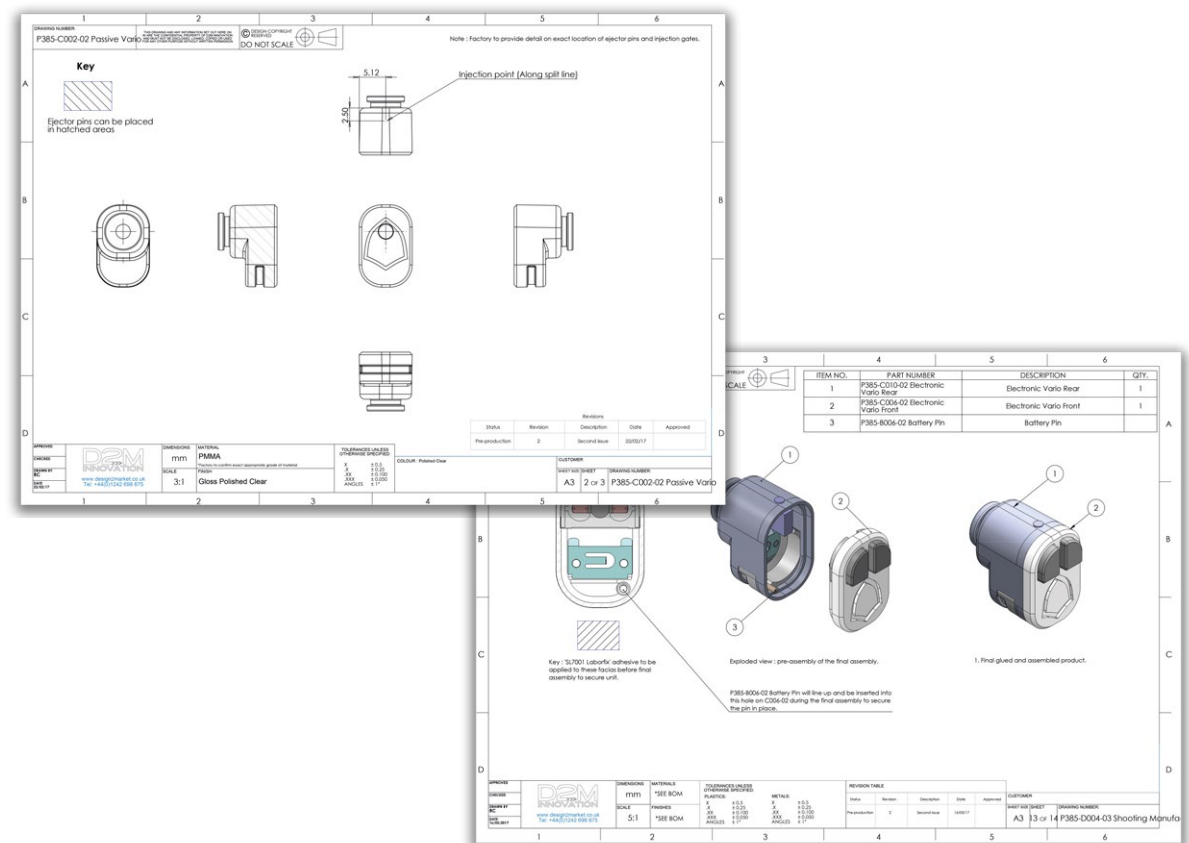
WHO: D2M

The key with manufacturing specifications is to be as clear as possible.

Avoid duplicating any information as, if you change something, you risk forgetting to change the second reference within the specification and that can lead to confusion.

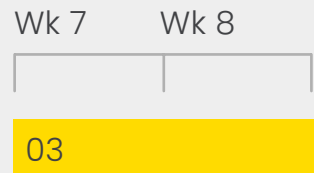
Assume, when you are producing this document, that if it can be made wrongly, it will be made wrongly – i.e. don't leave anything to chance.

It is likely that an engineer will be using this document and they are unlikely to be able to read English. As such try to describe all key details with drawings, images or numbers.



Manufacturing Specification

TIMELINE



WHO: D2M

The following list provides you with a check list for a manufacturing specification.

- 1** What is the anticipated RRP (Recommended Retail Price) or cost indications?
- 2** Anticipated volumes if different from standard
- 3** All components known at this stage
- 4** Materials for each component
- 5** Anticipated production methods
- 6** Different colourways
- 7** Textures if known
- 8** Weight of the product
- 9** Dimensions of the product
- 10** Any performance required along with limits
- 11** Any specific anticipated tolerances
- 12** Packaging Design
- 13** Compliance
- 14** Assembly exploded view

Manufacturing Specification | Detailed Example

TIMELINE

Wk 7 Wk 8

03

WHO: D2M

Note:

A detailed manufacturing specification includes a higher level of detail to the manufacture but costs more in professional design fees to produce.

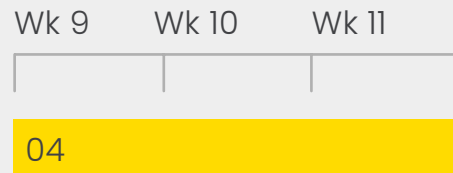
In this type of specification, every detail addressing product assembly, crucial product dimensions, tolerances and any quality control issues are listed in full.

Not every product or manufacturer demands this level of detail.



Production Quotation

TIMELINE



WHO: D2M

The right manufacturing partner is the key to the success of your product.

When presenting to a retailer, you are likely to find that their first question is on cost and any investor is likely to require a business plan, including detailed financials, to formulate a business case. The manufacturer's costs are a key part of these processes.

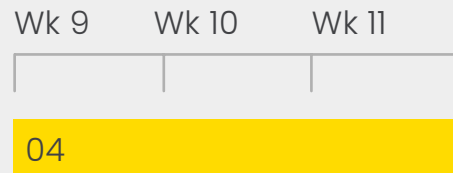
The production quotation phase normally involves getting multiple competitive quotes to ensure that you are paying the right amount for the set-up costs, such as tooling, and also the right unit cost. A good manufacturing partner can easily be the difference between success and failure and it is worth putting in as much effort as possible to ensure that you have the right partner before placing orders.

If at all possible, it is worth visiting the manufacturer and we have always found that the relationship is key to ensuring you get a good quality product produced at the right price.



Production Quotation

TIMELINE



WHO: D2M

Note:

To provide a competitive unit and tooling quote for your product from our trusted manufacturing partners whom, in our experience, work to a high standard and provide low minimum order quantities (MOQs).

This stage of work includes;

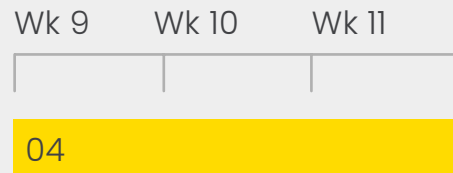
- Sourcing manufacturers
- Verifying certification
- Collecting costs
- Developing a report

Quite often it is necessary to source new manufacturers for individual components or sub-assemblies. This can be a complicated process but there are some key steps to follow:

- 1** Try to pick a manufacturer with their own website i.e. that doesn't solely trade through Alibaba. Review the external site and the quality of English used if applicable.
- 2** Whilst obtaining an NDA (Non-Disclosure Agreement) from the manufacturer, it is also useful to take the opportunity to ask what countries they currently export to, what portion is to EU/UK, what large retailers or distributors they supply to and if they have any applicable globally recognised certifications or any audits from large retailers that they can share with you, to review. It is worth noting that you can ask for proof that they work with a certain brand by requesting information such as a purchase order from them or bank transfer details (all with sensitive information removed).
- 3** Once the above has been reviewed and a stamped and signed copy of the NDA returned, then it is time to share the Manufacturing Specification with the manufacturer, along with other useful information such as quantities required and any other specific details.

Production Quotation

TIMELINE



WHO: D2M

We suggest building an excel spreadsheet, as per the example on the next page, to enable you to compare the prices of various manufacturers and ensure that you have all the information necessary when taking your decision. The example is part of a report that D2M produces when commissioned to source potential manufacturing partners.

You can use this document to compare different options for production, and understand the costs involved with manufacturing your product. Based on this information, you will need to choose which manufacturer(s) to approach directly and start the sampling process for your product.

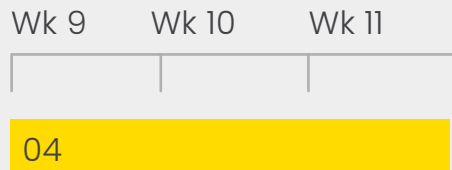
This document can also be used to inform business plans, crowd funding campaigns, distributor and retailer meetings, and conversations with investors, where the main question will be around the cost of your product. In some rare cases, the Production Quotation reveals that the product may not be commercially viable.

One of the main considerations for most clients is the **Minimum Order Quantity (MOQ)** that a manufacturer can offer. A low MOQ makes the first production batch more affordable and allows our clients to start production and selling their product.

Generally, lower MOQs come with slightly higher unit costs. You are likely to get better value by placing a higher volume order, so establishing the right order quantity for your unique situation is an important decision. Typically, our clients consider aspects such as whether they already have an established presence on the market, interest from distributors or retailers, a direct route to market, and whether they have a physical space to store the product before it is sold when making this decision. A larger order also makes you a more significant client of the factory, and may mean that they are willing to be more flexible through the sampling process.

Production Quotation

TIMELINE



WHO: D2M

Note:

Delivery terms:

The two most common delivery terms are as follows:

FOB - Free on Board - The factory producing the order will transfer goods for transport, often onto pallets and/or into a shipping container, and deliver the goods to a port ready for shipping. The factory normally specifies the port.

EXW - Ex-Works - Pick up from the manufacturer (port charges applicable).

All prices that are listed in GBP do not include VAT.

Prices are converted from US dollars and are therefore subject to exchange rate fluctuations.

USD Exchange Rate Used: **0.72**

Company 1:

DGP, China

Info

DGP are a multi-disciplinary factory based in Shenzhen, one of the main manufacturing regions in mainland China. They have extensive experience developing plastic products, and have worked with multiple D2M clients.

Sample Cost: USD 50 estimate

Notes:

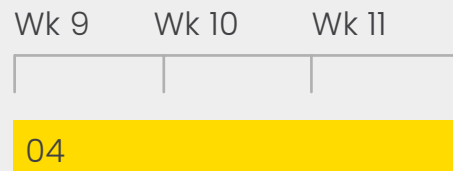
We approached DG Pinnacle in China. They are based in the south of China. We have collaborated with them on many other projects. Costs showcased here are for a 2 cavity injection mould. We are awaiting confirmation in regard to whether your product needs certification.

Costs

Costs	MOQ	Unit Cost		Tool Life	Tooling Cost		Total Order Cost
	Units	USD	GBP	Units	USD	GBP	GBP
	3000	\$0.77	£0.55	200,000	\$6,500	£4,680	£6,343
	5000	\$0.77	£0.55	300,000	\$6,500	£4,680	£7,452
Packaging Included?			no				
Shipping Terms:			Ex Works				

Production Quotation

TIMELINE



WHO: D2M

EXAMPLE COST CALCULATION			
<p>This sheet provides an example cost calculation, taking into account estimated costs for product assembly, shipping, duty and VAT to reach a 'landed cost' per unit. This cost calculation excludes the one-off cost of tooling and sampling.</p>			
		Order Quantity:	3000
Company 1:	PRODUCTION:	Manufacturing Cost/Unit:	£0.77
		Packaging Cost/Unit:	£0.75
		Assembly Cost/Unit:	£0.00
		Total Cost/Unit:	£1.52
		Total Order Cost:	£4,560
DGP	SHIPPING:	Container Type:	Shared Container
		Products per Container*:	3000
		Shipping Containers Required*:	Shared Container
		Journey:	Shenzhen to Felixstowe
		Cost of shipping*:	£1,600
<p>Freight can be complex, and prices fluctuate depending on several variables. For most of our clients, sea freight (shipping) is the most cost effective way of transporting their product from the manufacturer to the UK. We have used an estimated FCL (Full Container Load) shipping cost, but you will need to obtain an accurate cost from a shipping agent when your production run is underway.</p>	DUTY:	Estimated Duty Rate*:	7.00%
		Estimated Duty Cost:	£319.20
	VAT:	VAT Rate*:	20%
		Estimated VAT Cost:	£912
<p>*These figures are highly estimated, and should be verified independently.</p>	TOTAL:	Landed Order Cost:	£7,391
		Landed Unit Cost:	£2.46

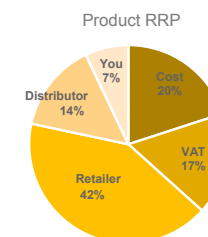
EXAMPLE: COST CALCULATION

How much could you charge?

Landed Unit Cost:	£2.46
Factor:	5
Target RRP:	£12.32
VAT:	20% = £2.05
Price before VAT:	£10.27
Of this, the retailer will take a margin of:	50% = £5.13
Maximum Retailer can pay to distributor:	£5.13
Of this, the distributor will take a margin of:	35% = £1.80
Maximum Distributor can pay to you:	£3.34
Your margin per unit:	£0.87
Your margin on order:	£2,617.72

Most products retail (including VAT) for roughly five times their landed GBP cost price.

Working backwards from the calculated target RRP, we can outline an example pricing structure for selling to **retailers** through a **distributor** by working out the maximum they could pay having taken their target margin.



We've used typical margins here based on our discussions with distributors in your relevant sector. These margins may vary, and you may choose to sell directly to customers yourself. We have built a **Pricing Calculator** that allows you to explore different selling and pricing mechanisms with varying margins. The Pricing Calculator is part of our **Manufacturing Information PDF** - please let us know if you would like more details.

EXAMPLE: PRICING STRUCTURE

Design / Specification Update

TIMELINE

Wk 11

05

WHO: D2M

Note:

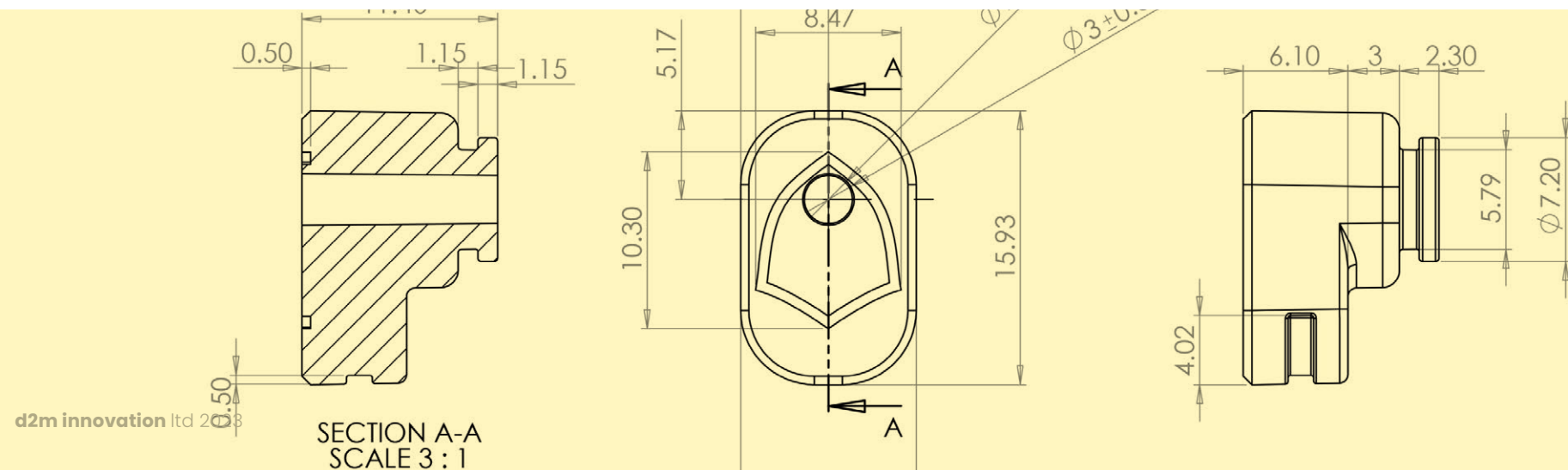
Following discussion with the factory during the product quotation stage, we would update the CAD if changes occur.

Accordingly we will update the manufacturing Specification.

At this stage, you should decide which manufacturer(s) you would like to go into sampling with. You can then arrange for the first sample to be made.

Some clients choose to instruct an agent to act as a central point of communication and liase between themselves and the manufacturer, which can be suitable if you would prefer not to handle directly communication with the manufacturer.

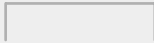
D2M can recommend an agent based in China, who can offer a range of different levels of service to meet your specific needs. If this is of interest, please do let us know and we can arrange an introduction for you.



Supply Contract with Factory

TIMELINE

Wk 13 Wk 14



06

WHO: You and your manufacturer

Note:

The supply contract between you and the factory will set-up the terms of the relationship. It is often best to go to visit the factory to sign the contract.

Ensure that your manufacturer signs (and properly seals) a contract (in Chinese) making clear that you own the moulds and what will happen to the Chinese manufacturer (specific damages) if it fails to return your moulds to you.

It is critical that your contract be written with a Chinese (civil) law system in mind and not a British common law system. In other words, your contract needs to work for China because that is where your dispute over your moulds will need to be resolved. Check this with a solicitor.

It may benefit the project for clients to establish an early relationship with the preferred manufacturer.

However, if you are unsure about whether to proceed into production at this time, we would ask that you do take some time to review how you will move forward before starting the sampling process with the factory. Sampling is seen as a precursor to a production run, and it can come across badly if samples are requested and then the project is put on hold, the production order is delayed or never placed.

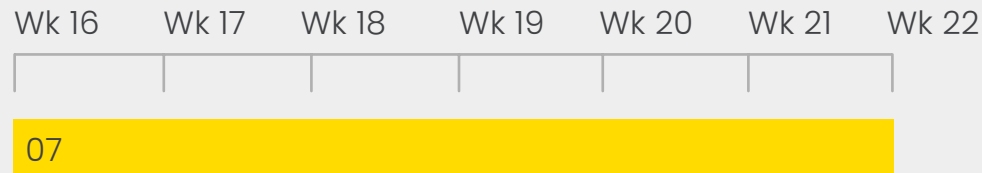
Supplier relationship management is an important area of development and successful communication with manufacturers requires mutual respect and clear and concise discussions with planned outcomes and timeframes.

A few tips:

- 1** Make sure you are contracted with the right party/manufacturer.
- 2** Include detailed bill of materials and pricing provisions.
- 3** Spell out the quality requirements and product warranty.
- 4** Be smart about dispute resolution.

Tooling Production

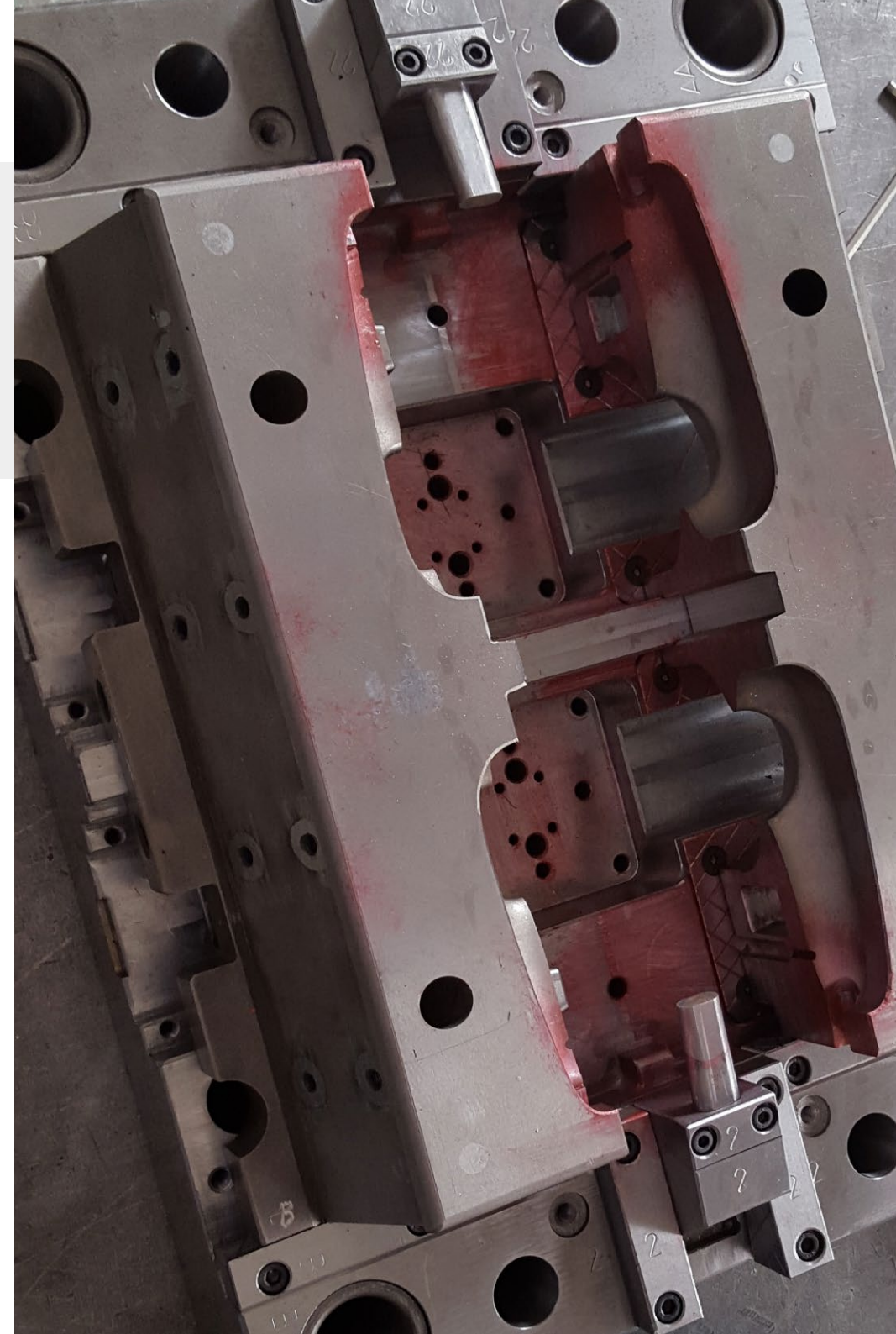
TIMELINE



WHO: Your manufacturer

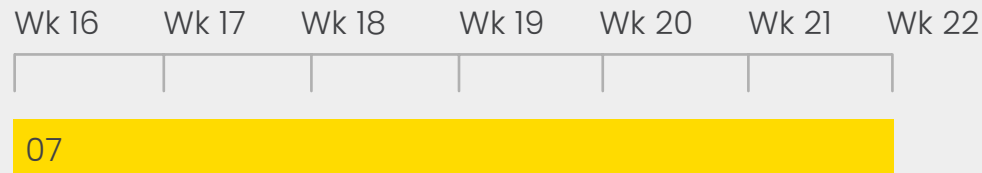
Tooling is often a substantial investment and can take between 45-60 days if plastic injection mould tools are required. The image shows an example of the lower half of a steel mould tool making a plastic housing for a handheld beauty product.

Once the tooling is complete, the manufacturer will create some samples from the tool using whatever plastic they are currently running in their injection moulding machines. It's not unusual for the first samples off the tool to be a completely unexpected colour! Do not worry about this - the first samples are to check if the plastic is moulding correctly not to confirm colour and finish.



Tooling Production

TIMELINE



WHO: Your manufacturer

Often the final finish of the plastic parts (matt finish, rubber touch, smooth glossy finish etc.) is only added to the mould tool once the first samples are confirmed and so the parts might be the wrong colour and the wrong finish!

These tooling samples are to check the following elements only and not the aesthetics:

- The size of the split line
- Whether there are flow marks in the plastic
- Ensuring the fit with other parts following natural shrinkage issues.
- Checking the fundamental functionality of the part
- Checking for sink marks on the surface of the part

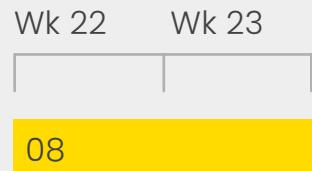
At this point, the tooling can be slightly adjusted, if necessary, to improve the fit between different components, reduce the split line and potentially change the way the plastic flows through the mould to reduce flow and sink marks.

Final samples can then be moulded in the correct colour and finish.



Sampling

TIMELINE



WHO: Your manufacturer

Sampling stages are a crucial requirement needed after prototyping but before production to refine production methods and the assembly order of a product, prior to mass manufacture.

The sampling stages initially test the quality of the chosen manufacturer, are useful in reviewing planned production methods or to enquire with the manufacturing specialists if the planned methods are suitable for their manufacture set-up. In addition, sampling can be used to test the construction and order of assembly.

It typically takes around 3 attempts to produce a final approved sample which can be used as a reference by manufacturers going forwards.

The final sample is called the gold sample and it is often this that is used as the benchmark in production not the manufacturing specification. As such it is crucial to get everything right in the Gold Sample, which only becomes a Gold Sample when you as a client are satisfied it meets all your requirements.



Sampling | Hard Goods

TIMELINE

Wk 22 Wk 23

08

WHO: Your manufacturer



ROUND 1

- A roughly finished sample not in the final colour and generally without the texture applied to the tool.
- Usually just one size/ sample will be produced featuring just the main parts required to test its function and any tools produced.

ROUND 2

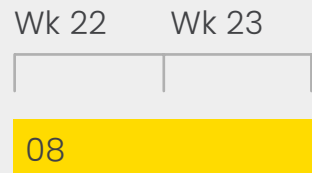
- Tooling has been altered based on previous comments, possibly with a smoother finish or texture closer to the desired end result.
- Produced to improve on any quality and component comments previously highlighted. Possible recommendation for testing with SGS (or another similar test house) to commence on this sample.

ROUND 3

- A final sample with the surface finished and suitable for production.
- Should include all necessary components and assemblies. Can also be referred to for mass production and quality control reference as the Gold Sample.
- Produced to resolve any final changes to assembly, surface, components or requested improvements to quality.
- Final testing with SGS (or another similar test house), if necessary, should be conducted here too if not conducted with a previous sample.

The First Sample

TIMELINE



WHO: Your manufacturer

You are in a hurry, it seems like the factory is just one step away from getting there (and promises that “it will be fine in production”)...

The problem is, by hurrying you risk not setting a clear standard. If it's actually not feasible technically, the factory will never admit their responsibility.

By hurrying, potential issues that would be uncovered on a fully functioning sample are left aside, for a later stage... When it costs much more to solve problems.

Use this first sample to identify challenges the factory needs to meet. These identified challenges would be part of the QC (Quality Control) documents.

Make sure you agree with the factory not only on what the final product should be, but the range of tolerance.



The First Sample

TIMELINE

Wk 22 Wk 23

08

WHO: Your manufacturer



This iteration, sample, is very important as it will assure that the Manufacturing Specification used as Quality Control document is updated.

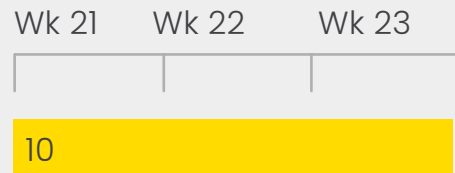
The next step towards getting your product manufactured is to enter into the sampling process with your chosen manufacturer(s). Sampling is an essential and exciting part of product development, and involves the manufacturer producing a one-off example of your product to replicate how it would be made in mass production. You can review and assess the sample, before you pass your feedback to the manufacturer.

It is usually necessary to have more than one round of sampling to get it right and for small tweaks to be made, as even the best manufacturers are unlikely to produce a perfect sample first time.

Sampling involves substantial communication with the manufacturers to ensure the product is of the right quality, functionality and appearance, and it can be hugely beneficial to arrange to visit your factory at this point and undertake the sample review in person. Arranging a factory visit avoids having to send samples to and from the factory, which saves a significant amount of time – a huge advantage if you are under time pressure to deliver your product. Some clients also find visiting their manufacturer to be hugely reassuring, as it can provide a much better understanding of the company entrusted to produce their product. Most manufacturers are happy to arrange visits, though the timing will need to be compatible with their national holidays, and other production runs they are working on.

Product Testing

TIMELINE



WHO: Factory or 3rd Party (SGS)

At this stage you may have to run some tests on the product to validate it's life cycle and component strength, etc.

These tests can sometimes be run by the factory if they have the facilities initially before making any adjustments and then sending out to a third party test house to gain the required certification.

You would need to make sure you agree ahead the testing protocol if the factory are running tests in advance of the independant testing.

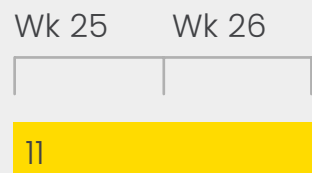
Your product insurers may be able to provide details of the specific certification they expect in order to insure the product. We always recommend expert advice from a test house as early as possible in the process.

You may also require a commercial solicitor to advise on the legal requirements for the instructional manual, packaging and product labelling.



The Second Sample

TIMELINE



WHO: Factory, you, and D2M (optional)

For this second sample inspection, make sure you compare with Sample 1. Use the report developed during the first sampling stage to check which improvements have been completed. Make sure to verify that this second sample still complies with initial requirements, even if they were met with Sample 1.

COLOUR: Do the colours match the colours requested in the order? Do they match the sample? Is the colour consistent in all products? Do the dyes crack, rub off or fade?

MATERIALS: Are the quality of the materials identical to the sample? Is the quality consistent in all the products produced for the purchase order?

ODORS: Does your product smell of stain, paint, fumigants, textile ink, soil, repellents, mold or cigarette smoke? Chances are your buyers will notice these odors and complain. Be sure to air products adequately before packing for shipment.



The Second Sample (and 3rd or 4th)

TIMELINE

Wk 25 Wk 26



11

WHO: Factory, you, and D2M (optional)



SIZE AND DIMENSIONS: Are the products the same size as the original sample or order request? Are the dimensions accurately duplicated in production? Is the weight of the finished product the same as the original sample?

FINISHES: Have the requested finishes been added, such as linings, closures, hooks, stands, etc.? Are they exactly like those on the Gold Sample and purchase order?

CONSTRUCTION: Does the product have overly large gaps between components? Do the different parts fit together securely?

STORAGE: Is the climate in the storage area controlled? Is there mould? Insects?

PACKAGING: Is the quality of the label, tags, plastic bag and cardboard as requested?

RUSH ORDERS: If you are working against a deadline, has the rush compromised the quality of the product?

PACKING: Are the packing materials in good condition? Are the boxes strong enough to withstand rough handling? Are the contents safe from the effects of water?

Depending on the product complexity, you may need several pre-production samples. Once you believe you are ready to launch the production with your chosen manufacturer, you would need to use 1 or 2 samples as “gold seal” samples. These samples will be used for quality control during the production, to check if the product meets your requirements (size, functionality, finish, color, quality, print, package...)

Purchase Order

TIMELINE

Wk 30 Wk 31

15

WHO: You and the factory

We know that lot of small companies buy in China without a purchase order (PO). They simply accept the pro-forma invoice from the supplier.

We think this is dangerous. It shouts “inexperienced buyer” to the supplier. But that’s not the main problem.

If you write the PO, you control what goes inside the PO. You can write all the information that is important to you, and refer to other documents that must be complied with by the supplier.

You should also have a manufacturing contract with the supplier. You might require the help of a solicitor with this. Some manufacturers can supply a standard agreement as a starting point. If you require a solicitor then we have worked previously with a local firm: www.bpe.co.uk



Purchase Order

TIMELINE

Wk 30 Wk 31

15

WHO: You and the factory

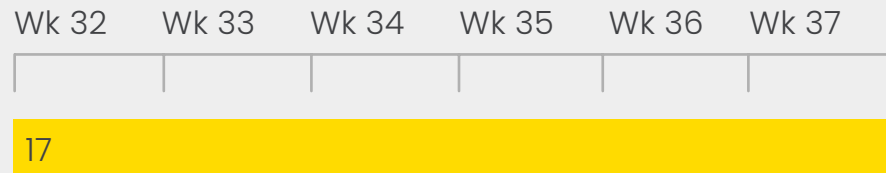


Below is the minimum information that should appear on your Purchase Order (PO) form:

- Buyer identification, with either the logo or the company name in large characters.
- Full contact information of the person who follows the order in the buying organisation
- Full supplier company information
- PO (unique) number, PO date, corresponding PO number of your customer if any.
- List of the products with ordered quantity, unit price, and total price.
- Most important specifications of each product (do not forget about labeling and packing). If you have written a product checklist, refer to it on the PO.
- Terms of purchase: currency, incoterm, loading port and receiving port (for sea shipments), shipment date promised by supplier, payment terms, penalty for late shipment. If you have a quality control plan, refer to it on the PO.

Quality Control

TIMELINE



WHO: You and the factory

Using the gold sample, checks need to be carried out on the production. You could do-it yourself or an agent based in China. We can put you in contact with some partners we are working with to assist with QC.

The production phase will include:

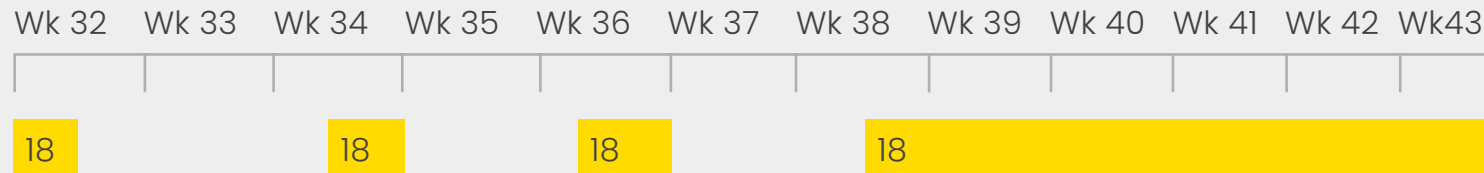
- Follow up throughout production process with your supplier
- Getting products inspected (and corrected if needed)
- Approving production parts and signing them off as acceptable (through production sample check)

This should lead to the final payment of the balance. And finally logistics, getting your products from China to the place you need them!



Logistics

TIMELINE



WHO: You and a freight forwarder

You should always check ahead of production if a licence is needed to import your product. A freight forwarder can help with obtaining any required licence, if this is necessary.

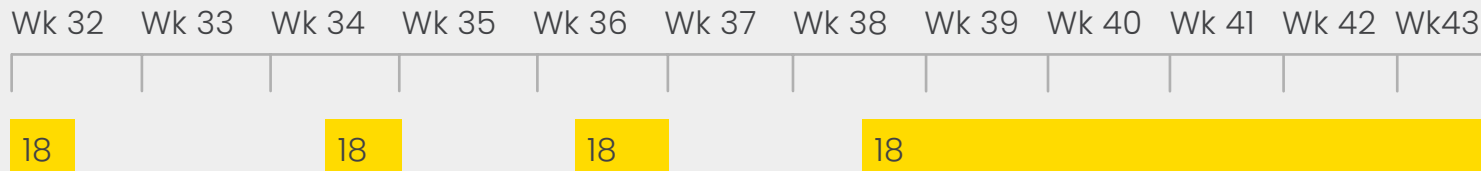
Once production has finished, along with QC (Quality Control), you should check with the manufacturer how the goods are packed before they leave the factory premises. Request that the manufacturer sends images of the product wrapped and stacked ahead of dispatch. This is important to check the quality of the stacking/wrapping which will help to prevent damage in transit.

Shipping charges vary greatly due to weight and volume, other cost considerations are duty and vat charges at the arrival port along with shipping costs and haulage to destination. A freight forwarder can help with more precise costing once samples have been produced determining product weight and volume for quotations.



Logistics

TIMELINE



WHO: You and a freight forwarder

Note:

The organisation of the logistics to bring your product to the UK can be complicated.

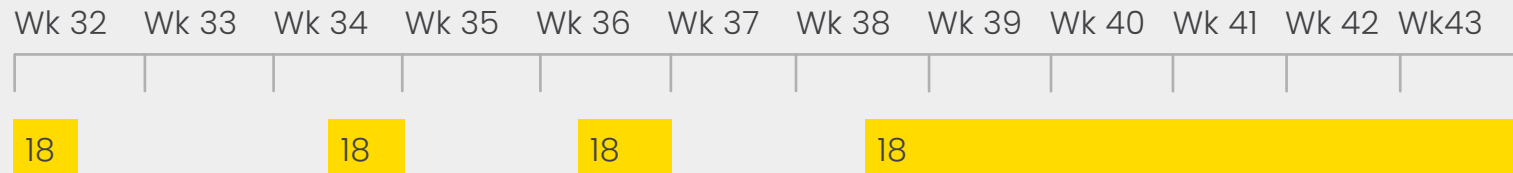
You could do-it yourself, or via an agent based in China.

We can put you in contact with some partners we are working with to assist with logistics.

- 1 Identify your import rights.** Many import regulations only apply to goods imported for commercial – business or resale – purposes. And only the customs authority can make judgment calls about what qualifies as personal use.
- 2 Identify the goods you want to import.** You would need to gather as much information as possible about the goods you intend to import: Obtain descriptive literature, product composition information and, whenever possible, product samples... This information will be crucial when it is time to determine the tariff classification. The tariff clarification number (HS Code) will be used to determine the rate of duty that will be applied to your goods.
- 3 Ensure the goods you wish to import are permitted into your country.** It is the importer's (YOUR) responsibility for assuring that the goods comply with a variety of specific rules and regulations. Importing goods that are unsafe, that fail to meet health code requirements, or that violate restrictions could end up costing you quite a bit of money in fines and penalties. At the very least, such goods would be detained, and possibly destroyed.
- 4 Classify your goods and calculate the landed cost.** Determine the 10-digit tariff classification number (HS code). These numbers along with the Certificate of Origin are used to determine the rate of duty you must pay when importing. Certificate of Origin, also known as C/O or CO, is a shipping document which is used for certification that the products exported are wholly obtained, produced or manufactured in a particular Country.

Logistics

TIMELINE

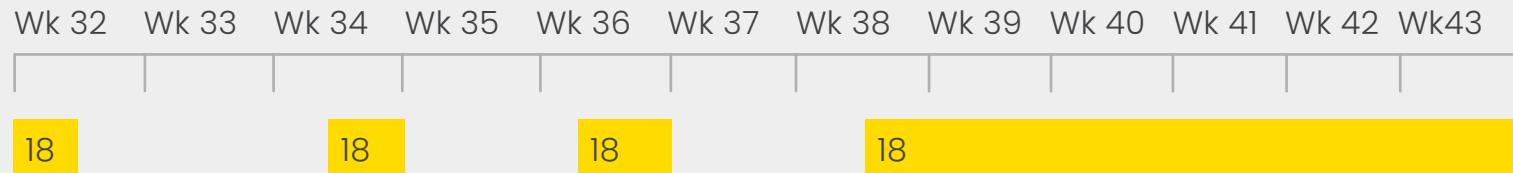


WHO: You and a freight forwarder

- 5 Arrange your cargo transport.** There are many costs associated with shipping goods, including container fees, packaging, terminal handling, and broker fees. In order to get a complete picture of shipping costs, each of these factors should be taken into account.
- 6 Track your cargo** and get prepared for arrival.
- 7 Obtain your shipment.**

Logistics | Things to Consider

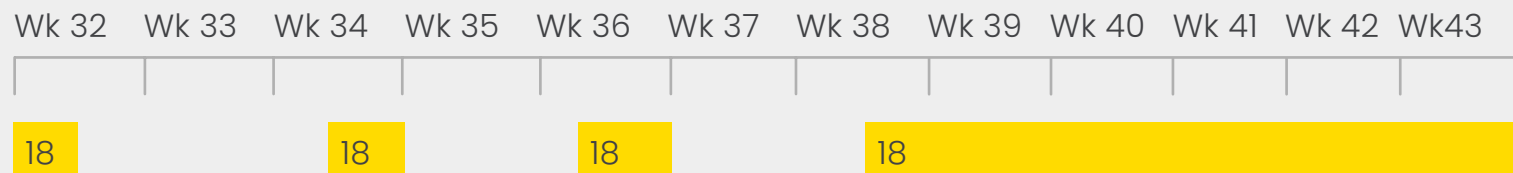
TIMELINE



WHO: You

- How best to freight
- Any specific timeframe goods are needed by, for product launch
- Sea freight takes around 4 weeks from China + 1 week in UK to clear customs
- Air freight is very costly for heavy weight or large volume, but can be considered, transit is approx. 1 week.
- A courier for small production items may be the most cost effective, so it is worth reviewing.
- How to freight, i.e. on pallet or loose cartons. If placed on pallets there is usually a charge per pallet to prepare of up to \$45 USD, also consider how this can be unloaded at the destination, i.e. if there will be a pallet truck available and if so will a tail lift be needed?
- To obtain any freight quotes from a freight forwarder the weight and volume must be known, even if it is only an estimate. Other information required will be point of origin, i.e. ex-factory – the address is needed or if FOB, which port. The destination address will also be required. It is strongly advisable to request a quote with insurance to have the added protection as although it is quite rare, ships can lose containers in rough seas.
- Incoterms. FOB – Free on board (delivered to port), CIF – Cost Insurance Freight (delivered to port), Ex-Works – pick up from manufacturer (port charges applicable).

TIMELINE

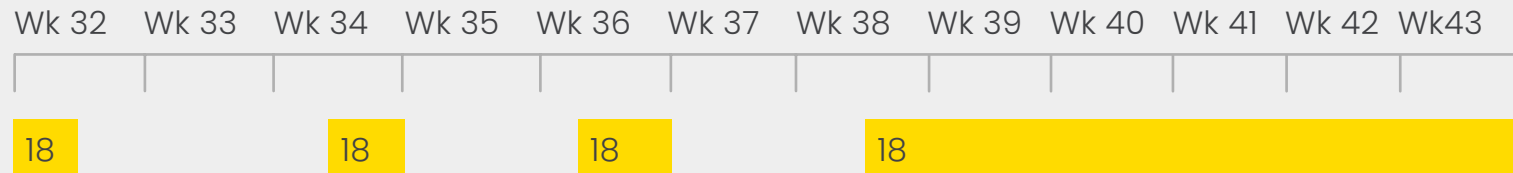


WHO: You

- It is advisable to make final payment pre-shipping through the bank using their business service instead of direct to the manufacturer until you have an established relationship. Before shipping, the manufacturer prepares documents disclosing the goods that are being shipped, which are required for clearing the goods by the nominated freight forwarder in the UK. If using the bank service to handle this final transaction the bank only releases the funds to the manufacturer, once the bank is in possession of the shipping documents, they release the funds to the manufacturer and send the documents to the importer. There is usually a small charge for this service of around £40.
- Three sets of 'original' documents are required to release the goods, unless the bill of landing declares 'Telex' or 'Express' release. If the Bill of landing or 'BOL' contains the latter text being stamped onto it, then the shipment can be electronically cleared and originals are not required to be presented to customs. If originals are required any delay in sending these to the freight forwarder may result in port storage charges to be applied if the goods have docked. These are expensive so it is mindful to forward originals onto the freight forwarder as a matter of urgency.
- It is worth checking if a 'Certificate of Origin' can offer preferential duty rates for the importer ahead of any shipment. Use of this document could reduce the amount of duty that an importer is required to pay. The manufacturer will need to prepare this document and there may be a small charge for this of around £20.



TIMELINE



WHO: You

- If manufacturers are shipping as loose container loads (LCL) instead of a full container load (FCL) they may apply a charge to prepare the documents and all port charges back to the client. Some will not apply this levy, but it is becoming more frequent. The charge does vary, but as an approx. figure, this will be around £300.
- On occasion, the confirmed docking date can move due to weather conditions in the UK and throughout the vessel's journey, it is therefore worth considering adding in an extra week into transit if lead times to onward customers are tight.
- Clients should always check the packing list and invoice prior to shipping. Regarding the invoice, this must be accurate as it will be used by customs clearance to determine the duty and VAT that is required to be paid upon clearance. The client should always request an email copy of these before the goods ship so that they can be checked before originals are prepared and declared at the origin port.
- Goods should be checked in depth upon receipt to ensure there is no obvious defective stock and that the full quantity has been received. If any discrepancy is found it is best to raise immediately with the manufacturer.
- If exporting to another country, you can refer to the Chamber of Commerce for advice, most cities in the UK have a local office and you can enquire online or by telephone.



In Summary



Manufacturing a product can seem like a daunting process. However, we find a lot of our clients actually find that they can manage it very effectively. Passion for your product will motivate and inspire you to learn new things and handle the different challenges that come up. Your capacity to learn will come into play but remember, the result of seeing your product become a reality makes it all worthwhile.

There is also a lot of professional help available and this doesn't always need to cost a fortune. Get in touch and we can refer you to various parties who can support and help throughout the process.

Thank you



We hope you have found this guide useful.

If you require any further information on any of the things we have covered, please do contact us:



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