

7 CHECK POINTS

**Before Making Down
Payment to Chinese
Suppliers**



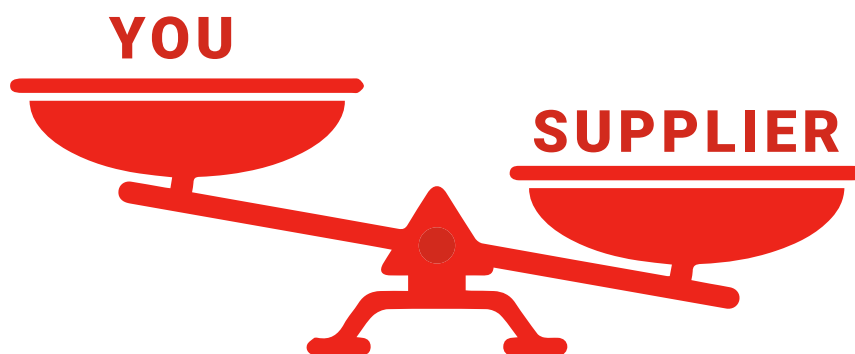
SOURCING WARRIOR
DISCOVER HIDDEN PROFIT

Whether it is a 30% or a 50% down payment, once the money is sent, it is nonrefundable. Even if you use Alibaba Trade Assurance, even with the most favorable settlement (after you dispute), your down payment is not going to come back in money; it is going to be in replacement parts. That is the best-case scenario.

Remember: leverage is like a scale. Before down payment, the scale is tilting on your side; after the down payment, you will be in the air at a disadvantage.

Because it is so critical to take all necessary precautions before down payment, I made a 10-Point Checklist for the students who are enrolled in the Power Sourcing training course.

In this article, I will share **7 of the 10 Check Points**.



#1 Where Is the Pickup Point?

Make sure you know exactly where your product is going to be picked up, not just a general city name.

If you are buying under ex works (EXW) factory terms, the pickup location is especially important because you are responsible for arranging the shipping, and your shipping rate is based on the pickup location. The pickup location could be far from the ocean port, and it could cost you a lot of money to pick up your load from a remote location.

Furthermore, the actual pickup location gives you a second chance to evaluate if the supplier-disclosed factory address (in your RFQ) matches the actual pick up location. If the two addresses don't match, you must ask why (am I dealing with a trading company?).

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#2 What Do I Know About the Supplier Factory?

In addition to the photos you saw on Alibaba, do you know anything about the supplier's factory? What does the building look like? Do they have quality control (QC) processes in place? Is the production area well-organized and clean? Is the shipping area free of dust and contamination for your beautifully customized packaging?

Ideally, you should have hired someone to perform a formal factory audit using Sourcing Warrior's factory audit checklist. At the minimum, your supplier should have answered the questions on the Supplier Audit Self-Assessment Questionnaire and provided you with adequate photos to support their answers.

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#3 If the Supplier Steals My Design What Is My Recourse?

The Non-Compete, Non-Disclosure, Non-Circumvention Agreement (NNN Agreement) is the “intention test” for the supplier.

If the supplier doesn't sign the agreement, it doesn't mean they will steal your design. However, the simple act of demanding that the supplier sign the NNN shows your seriousness about brand protection. The supplier's willingness or unwillingness to sign this agreement reveals their intention. When the supplier does sign the agreement, this NNN Agreement becomes your legal recourse.

I have always recommended that businesses make an effort to have the NNN put into place. The process of attempting this can be very revealing as the supplier responds to your request.

**Sourcing Warrior Mastermind© Lesson 8.0, 8.01, 8.02,8.03,8.04*



#4 When Things Go Wrong with My Order, How Do I Fight for My Rights?

What could go wrong with the purchase order? Defects and delays are two major possibilities.

If the shipment doesn't pass inspection, how is the issue going to be resolved? Who is going to pay for the 2nd inspection? If the product fails to pass the inspection again, what happens then? If the production is delayed, how is the penalty to be calculated? What about warranty after the sale? Have you thought about all of these factors?

Your purchase order is a contract. The terms & conditions spelled out on the PO are the contract terms. Make sure they are clear and concise, and that consequences are fully understood by the supplier.

**Sourcing Warrior Mastermind© Lesson 5.01, 5.02, 5.03, 5.04, 5.05*





#5 Do I Have a Solid Product Specification Sheet Developed?

You are ready to make the down payment; now double-check your product specifications. Are they clear and clearly understood? The more thorough your specifications, the better chance you will have in getting the product quality you need.

Example: You tell your supplier that you want a yellow ball. Don't be surprised if you receive different shades of yellow each time – or even in the same shipment. To be clear, you need to specify the Pantone or RAL number for the exact yellow that you want.

If you have no experience with product specifications, use the Sourcing Warrior Checklist. If you are not part of the Sourcing Warrior training yet, a good starting point would be to ask the supplier to provide you with their stocking item's specification sheet. If they don't have one, you will need to start from scratch.

Spending time developing a detailed and clear specification document is not a waste of time. Once you have it done, the specification sheet can be used as a reference document for final inspection.



#6 Have I Done the Total Landed Cost Analysis?

This exercise will force you to consider the shipping costs and negotiate more based on three buying scenarios (buying at the minimum order quantity (MOQ), buying at the 3-month average supply, and buying at the 6-month average supply). Product costs and shipping costs are often going to differ with each quantity changes. This exercise is to help you find your worst-case and your scale up profitability scenarios.

Lots of people jump into buying without knowing their worst-case scenario, and they act surprised when they lose money.

Remember, money is made when you BUY. If you don't know how much money you could make when you put your money down, you are jumping off the cliff with your eyes closed.

**Sourcing Warrior Mastermind© Lesson 1.12, 1.13, 1.14, 1.06, 1.07, 1.08, 1.09, 1.10*



#7 Did I Verify My Bill?

This is the time to carry out a final check on your bill – the Proforma Invoice (P.I.). There are 5 critical points on supplier's P.I. you need to verify. I will explain one of them here: the delivery date (or the ready date). If this ready date is missing on the P.I., you need to ask the supplier to include it and resend an updated P.I. Why? The ready date acknowledged in the P.I. will be used to measure the supplier's on-time delivery – and the consequent penalty if they are late.

Tip:

- It is OK to accept "Ready Before September 9th, 2019."
- It is not OK to accept "Ready in early September."

**Sourcing Warrior Mastermind© Lesson 5.06*



Summary

In business, you can be ruthless, but you cannot be careless.

After you learn the 7 checkpoints, I recommend that you incorporate these disciplines into your sourcing practices. The benefits you receive from these disciplines are 100 times more valuable than the extra time you might spend on each checkpoint.

***About the author:** Yuping Wang has 20 years of sourcing experience. She is known for being a tough negotiator and a strong relationship builder. She was born and raised in China, and practiced law in Beijing before she moved to the United States.

You can learn more about Yuping Wang and other free resources at [**www.sourcingwarrior.com**](http://www.sourcingwarrior.com)

About Yuping Wang



I am the Founder of the Sourcing Warrior™.

The passion for sourcing runs deep in my blood otherwise I would not have done it for 20 years. My suppliers would say these 3 things about me: Yuping is a tough negotiator, a strong relationship builder and a tenacious profit finder.

Out of all people, how could I become the top supply chain professional in the nation?

When I first came to the USA, I had nothing and knew very little English. But in my mind, there was an uncompromising desire to be the best in everything I do. I put myself through law school in China. In the USA, I pursued the best-in-class training. MBA, CPIM, CSCP, Six Sigma Black Belt certifications are tough to get but are incredibly valuable for my sourcing career.

Professionally, I only want to compete in the most demanding companies. Some are Fortune 500s, some are Hi-Techs, some are small businesses, but all of them are incredibly competitive in the field of sourcing, that is exactly where I excelled.

The experience I gained through 20 years of sourcing is now condensed into Sourcing Warrior's programs to serve more people. As I hold myself to the highest standard of honesty and integrity, I work hard to make sure Sourcing Warrior's programs are the best-in-class. Otherwise, I will refuse to offer them to the world because my name is Yuping Wang.

[Learn More About The Course](#)

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