CROSS BLUE
OVERSEAS PRINTING

The Benefits and Risks of Buying Directly from China

A White Paper

At-a-Glance Benefits vs. Risks of Buying Directly from China.

Benefits	Risks
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❦ *Overview.*

Overseas printing is very unlike printing domestically in the U.S.; overseas printing is half printing and half transportation. With the inherent nature of printing – each single job is highly customized and very different from another, difference in perceived values in quality, language, and lack of market-recognized standards overseas, choosing your next overseas printing factory may not turn out to be as easy as buying that Nintendo Wii on the Internet. Buying anything overseas carry its own benefits and risks. With overseas printing, the process is many times more complex than most people recognize. The decision to buy overseas printing directly from China should not be based on the lowest price alone or the myth that "because you can, you should." There should be multiple and well-thought through considerations before this action is undertaken. Just exactly what are the risks and benefits?

❦ *The Benefit of Buying Direct.*

To most people, at least on the surface, it may sound like a wonderful idea. Cut out the middle-man and get better pricing. While this can be true in certain other products, in the highly customized business such as printing, there might be more than meets the eyes. This benefit stands out singularly as the number one and most common reason for U.S. buyers wanting to buy direct. The Internet, and its many search engines, has made finding potential factories much easier, but the Internet cannot shield you from the many risks that are involved in buying direct.

Nonetheless, the single and most attractive benefit of buying direct is a perceived lower pricing.

Is this true? While on the surface, it is hard to argue against it. But add in other factors such as possible lower quality, additional customs and transportation fees, and personal time and resources spent, the final costs may not always point to buying direct as the lowest price winner.

❦ *The Risks of Buying Direct.*

Before the advent of Internet (and e-commerce), buying something out-of-state is strictly in the realm of mail-order catalogs. The power and versatility of Internet have helped to narrow the distance between, say a store in

California and a seller in New York. With globalization, buying direct seemingly feels like buying from an out-of-state vendor except with even lower prices! While this is not entirely false, many consumers neglect to remember that although the Internet and globalization have bridged the gap of a domestic buyer with overseas vendor, buying direct from an overseas vendor is governed under different sets of rules and transacted in different ways.

Overseas printing is international trading, not interstate commerce. In the case of interstate commerce, both the buyer and seller are protected under the same laws. Common shippers such as UPS or FedEx is used to deliver the goods to the customers. In interstate commerce, industry customs and quality expectations are commonly shared by seller and buyer, there is less room for the unexpected. Furthermore, in the interstate commerce scenario, both buyer and seller speak the same language, so there is a lesser likelihood of miscommunication and misunderstanding.

While international trading isn't exactly "Indiana Jones," nor do you want it turned into an "adventure," in international trading, a whole lot more is involved – most of the rules are more complicated and very different.

[-] RISK. Common Seller Tactics: Low Ball Pricing.

To get the attention of U.S. buyers, many overseas factories will offer a "low-ball" pricing first. Once they have eliminated most of the competitors, they will gradually increase the overall quote. Not very different from how it's done in the car selling business here in the U.S.

Since overseas printing is not just simply printing, and the standards are very different between the U.S. and overseas, there are many wiggle rooms for these overseas factories to play with when it comes time to increase prices. Unlike shopping for a car, when the buyer knows exactly how much to pay for the model and equipment desired since everything is manufactured by the same car maker with exactly the same quality, there can be many different variation in the end product from one overseas factory to the next. And it is exactly the nature of printing, highly customized and imprecise, that lends itself to such different variation in quality.

As most people may have some past negative experience being caught in the low-ball pricing strategy of unscrupulous car dealers, the same downward-spiraling and self-perpetuating force will just as easily entangle unsuspecting U.S. print buyers into a ditch that only money can fill. Money in additional cost to get the job delivered in-place and on-time, or worse, money to redo the job elsewhere or domestically.

[-] RISK. Common Seller Tactics: Bait and Switch.

To lower costs, many overseas factories will put in leftover or inferior paper into the job. While the term "leftover" is not a reasonable one as anything can be considered as "leftovers" once the seal on the paper is broken especially when it pertains to "house stock." In this instance, it is used to describe the practice of using actual leftovers from a previous job where the cost of paper had already been paid for despite the fact the paper (weight or grade) may be different from what the current job calls for. Needless to say, this will save the factory quite a bit of cost since such "fillers" have already been paid by the previous job.

Or worse, an inferior paper will be ordered to fulfill the job. A few hundred copies will be printed using the paper specified in the quote, and those will be either sent to the buyer in advance of the ocean shipment or on the top of each carton. Most U.S. buyers will look at such an unethical practice with disbelief, intentionally or not, they are being practiced in China.

Unlike most developed countries, such as U.S., where the paper industry is populated by paper mills with a more homogenous demographics in size and capability, the paper industry in China is still very polarized. On one end, there are the gigantic foreign and state owned paper mills that produce most of the paper used in China. On the other end, there are tons of small companies, even home-based businesses in small villages, that produce very cheap paper. On the average, paper is about 40% to 60% of the overall printing price, so the source and quality of paper can very easily affect the overall cost of the job.

[-] RISK. Common Seller Tactics: Freight Excluded.

Many overseas factories will quote a price based on "will-call" or just ship to the port of export. Buyer is left on his/her own to take care of ocean freight, customs, and everything else that comes with importing. While this sounds outlandish, many U.S. buyers have "compare and shop" print orders based on lack of understanding in international trading.

The term “EXW” means the goods will be in the factory for buyer to pick-up; this is similar to the “will-call” in U.S. Many factories like to play this game. They first offer a rock-bottom price. Once the job is finished, the buyer will be very likely to pay the added costs for transportation. By doing this, the factory, in effect, lowers the overall price to lure in the buyer. By having paid some form of deposit, the buyer is stuck with this factory and will usually resort to paying the added cost for all freight charges. On smaller printing jobs, the cost of freight might be a big chunk of the overall price.

The term “FOB” means the goods will be shipped to the port of export, and the buyer will have to arrange for all the subsequent transportation. This is usually favored by buyers who have frequent and high volume orders; otherwise, the headache and cost of arranging for everything else that comes afterwards will easily make a grown-man cry.

The term “CIF” means the job will be shipped to the named port of entry. While this may sound like a relief compared to the above two, there are still many other costs associated in getting the shipment out of the port and into the buyer’s hands. While it is not complete, this should be the very minimum that an overseas factory should based its prices on. Unfortunately, to calculate CIF price involves knowing the total weight, volume, pallets, etc. of the job in question and finding out the different freight charges to the named port of entry, many overseas factories just don’t have the resource, time, and patience to go through with this for buyers who are just shopping around.

The term “DDU” means the job will be shipped to buyer’s door with the buyer responsible for duty. The term “DDP” includes shipping to door with duty paid by the shipper (factory or trading company). Needless to say, DDP is the best and most secured way to go for U.S. buyers. Although usually not offered on small to medium jobs, buyers with large jobs should always demand this.

Keep in mind that even with an agreement signed by both party with the shipping term clearly specified (i.e. DDP), there are many instances where the factories will back out of the deal and change the shipment to CIF, or worse FOB, because they later found out that the cost of shipping to the buyer’s door is much higher than their original estimation. Unfortunately, this news is usually not revealed to the buyer prior to receiving the deposit to start the job.

What can a buyer do if the overseas factory changes its original term of shipment? The sad truth is that there is not much anybody can do. While international court is always a possibility, or even trying to sue the factory in China may be considered, the factories who make this kind of practice for a living have already calculated that such possibilities are very slim as the cost, time, and complexity involved in such actions are well beyond the cost of the job in question. This is especially true for small to medium sized jobs.

[-] RISK. Buyer Expectations: Paper Quality.

Since the paper specs used in U.S. and Asia are very different, many overseas factories will use lesser grade/weight paper to quote a job without fully explain to the U.S. buyer the difference in paper weight and quality.

Compared to the U.S., paper selection in China is very limited. The main reason is the domestic Chinese market has not yet risen to a level where demand for subtle difference in paper quality and style is desirable. Since paper is about half of the overall printing cost, using the right paper for the job will make a big difference in the overall pricing.

U.S. buyers must be aware of the difference in paper they are buying into. The only way to fully appreciate and then accept the difference in paper is to get the exact paper sample the quote is based on. However, unfortunately, since “bait and switch” is a common practice with some overseas factories, one can never be really sure if the paper sample received will be the paper used on the actual job.

[-] RISK. Buyer Expectations: Shipping and Logistics.

Many U.S. buyers erroneous believe that shipping from overseas is like getting stuff shipped via UPS Ground from a different state. The export and import process is complicated beyond belief. Not something to be taken lightly for a once-a-year purchase.

In addition to the complex shipping terms described previously (i.e. FOB, CIF, etc.), each shipping term will bring forth a different set of documentation to prepare, fees to pay, and people to push the shipment to the next stage.

While it is beyond the scope of this writing to fully detail all the intricacies involved in the logistics side of overseas printing, it is worth noting that when a shipment is not guaranteed for delivery to door, an inexperienced buyer can expect to be entangled in the import quagmire that, unfortunately, even the professionals may sometimes find difficult to handle.

[-] RISK. Buyer Expectations: Communication.

With the factories advertising themselves on the various Internet search engines, most U.S. buyers are lead to believe that the same factories will be able to communicate with them and attend to their needs in a professional manner. The matter of fact is that communication barrier is usually the root cause of most of the issues relating to unsatisfactory results at the end of the job. Just because these factories can translate what they do into the English language, it does not necessarily mean that they can interact with the U.S. buyers in a professional and real job setting.

Most overseas factories do not have qualified printing professionals with competent English proficiency. Printing is considered as a "traditional" industry in China, younger generation with the English skills usually choose a relatively more "modern" profession; this fact alone causes a lack of qualified printing professionals with adequate English skills. To make up for this deficiency, most factories who hire new graduates with basic English skills who cannot get jobs elsewhere. In turn, these workers are really translators than real printing professionals. Due to the fact that the printing industry is usually not their first-choice of profession, the turn-over rate is very high – as soon as they can find a more "likable" position in another industry, they bolt. This turn-over makes it very difficult for them to learn on the job and eventually become a qualified printing professional; furthermore, it makes it difficult for overseas buyers to develop a working relationship since the point of contact changes all the time.

While these young workers help the overseas factories "translate" U.S. buyers' communications, the translation is always imperfect. Due to the lack of knowledge in printing and U.S. market, there will be many miscommunications of buyers' wishes and specifications. Domestically in the U.S., as any experienced print buyers will attest, even with the best intentions, there are always miscommunications that will make the job turn-out in an unsatisfactory manner. This miscommunication problem takes place between real print professionals and buyers here in the U.S., speaking the same English language with the same understanding of the market demands and technical requirements. The same problem will certain takes place between an U.S. buyer and its overseas factory working under even more difficult conditions – difference in perceived values, traditions, quality, etc… Add in the overseas point of contact's inadequacy in English and understanding of U.S. market, it is quite a wonder, if not miracle, that any job would get produced as the U.S. buyer had originally envisioned it.

[-] RISK. Buyer Expectations: Quality of Printing.

Most overseas factories print based on quality standard for their domestic market, which is really, really, really different from what the buyers in U.S. are used to get from their local printers. This is not an unreasonable phenomenon as different markets and culture share different values on the abstract idea of "quality."

Despite of its recent economic booms, China is still a developing country. Although millionaires are on the raise, especially in big metropolitan areas, the vast majority of the population still have a relatively lower standard of living. For most of citizens in China, a colorful catalog that has nice looking pictures will help the merchant move stuff off the shelves. There is very little demand for quality printing that really brings out the details and the quality of the products being sold. As long as it's in color, everything is fine. This value is definitely not shared among the U.S. population.

To go further in appreciating the difference in perception of quality, one must accept the premise that a printing factory's majority business comes from local customers. This is true in the U.S., and it is also very true in China. With this accepted fact in mind, a buyer can then better understand the fact that most of these overseas factories produce jobs to cater to local market demands rather than their rare overseas orders. No printing factory in China can live on overseas orders alone. Furthermore, it should also be common sense to understand the fact that "quality" is not a switch that can be turned-on for overseas order and turned-off for local jobs. It is a philosophy shared by individual employees who are mentally aligned to the same goal to physically turn this abstract concept into tangible products that they produce.

So, the simple conclusion is that factories who do not have the proper quality training and understanding of the U.S. market will not be able to produce jobs that are acceptable here in the U.S. The only way to rectify the situation is for the buyers to lower their expectation of quality. Sad but true.

[-] RISK. Facts: Packing up the Shipment.

This is the most commonly overlooked item in the entire overseas printing process. Many jobs arrive in the U.S. damaged or becomes liable for additional freight and customs costs due to lack of knowledge and experience of the factory in question. Details from the material of the cartons and pallets to how and how many are packed per packaging unit will determine the final quality and cost of the shipment.

For inexperienced and insincere overseas factories, this is also one of the many ways to cut back on their own cost since they do not suffer the consequences of their fallacies. The U.S. buyer will end-up with inferior products at added costs that the factories will never be legally bound to remedy.

[-] RISK. Facts: Exporting from China.

For exports in China, the printer must have the necessary government granted license to publish books and export print collateral. Without these, the job must be handled through a third-party trading company that knows nothing about printing.

The down-side of this is that the party who is doing the manufacturing is not handling the exporting, and the party who's handling the exporting wishes to know nothing about what the job is. If something should go wrong, and they often do, there will be a lot of finger-pointing in a language and custom that no U.S. buyer will understand. Furthermore, financial transaction is made more complicated, risky, and takes longer in this situation. Buyers should expect a longer turn-around time for all parties involved to clear the payment before job begins and/or ships.

Unfortunately, the majority of factories in China fall into this category. Licenses to legally print books, magazines, and catalogs are awarded to bigger factories only. Export licenses of the same print collateral are even harder to get. The only way that so many factories can get overseas orders are to print the job illegally and then export the job through a third-party trading company.

While this is a common practice, and the government officials usually turn a blind-eye to this, there are many instances where the same officials, both city inspectors and customs officers will extort the factories for money under the table in order for them to keep conducting their businesses illegally. This is at least an annual event. The problem with that is if your job should get caught during these "special events," delays are very likely as everybody has to negotiate to an agreeable fee.

Even with the "protection money" paid, higher-up government local officials might sometimes jump into the foray and demand "proper documentation" be presented and certified on export items in order to conform to the demands and guidelines of the central government. The term used to describe such an activity is "anti-piracy." When an anti-piracy event takes place, the U.S. buyer will be required to furnish many different types of documentation to prove that the factory contracted to produce the job, and the job in question, is indeed legitimate. While most people think this may not be a huge problem, it will definitely take up weeks of valuable time as the demand for the proper documentation will needed to be prepared, translated, submitted, inspected, and certified. More often than not, the entire job will needed to be translated into Chinese by a government agency that handles translation to ensure that there is no "conflict of interest." When this happens, the entire process may be measured in months instead of weeks. This is usually a result of smaller factories not experienced with exporting print collaterals. It may sound far-fetched, but when it happens to your precious and time-sensitive job, it'll feel like you are in the movie "Midnight Express."

[-] RISK. Facts. Importing into U.S.

Not because everybody is doing it, so why shouldn't you? And not everybody is doing it.

Importing in the U.S. is one of the best and easiest in the world. There is no corruption in the system unlike other countries. Although some of the fees associated with importation is unreasonably high, and some are just plainly "unreasonable," such fees are collected routinely and legally by the various agencies and companies that are linked to the shipment in question. Despite the facts, the term "best" an "easiest" are very relative. Importation still involves quite a bit of work and money.

For instance, even the most experienced customs broker will erroneous classified the shipment in the inappropriate customs category, and, in turn, a higher fee is assessed. This has a lot to do with the experience and willingness of the customs broker to go to bat for the buyer; how the exporter (factory or trading company) prepares the official documentation also have a great deal to do with this.

When importing goods into the U.S., the buyer is usually the “consignee” of the shipment. For an experienced importer, this should not be a major issue. For others, the label “consignee” carries tons of both responsibility and liability. Needless to say, there is always money to be paid to someone in order to get the shipment delivered – this is true even if the overseas factory specifies the quoted price is “to door.” There are certain fees pertaining to getting the shipment into U.S. and to your door that the overseas factory just cannot handle even under the best of intentions when the buyer is the “consignee” of the goods.

[-] RISK. Key Issue: Legal Liability.

Not a concern for overseas factories. Buyers are on their own.

While there may be some forms of legal recourse should the U.S. buyers seriously wishes to navigate through the complex and often futile course of international and/or Chinese laws, this usually is not classified as a “last resort.” If something should go wrong, it is usually resolved based on the integrity of the overseas factory in question. In other words, it is entirely up to the overseas factory if it wants to resolve any issues with the U.S. buyers. This is the greatest risk of all. When an U.S. buyer ventures overseas, not just to China, but anywhere in the world, the risk of not getting what was paid for is always there. Different countries have varying degree of such a risk. While the focus is on China right now, it can just as easily happen in India.

Overseas printing is international trading. It has all the risks involved with international trading and more. The fact that every job is highly customized and being produced in a country that has all the different standards and values as the U.S. makes buying overseas printing directly that much more risky.

Established in 1999 and headquartered in City of Industry (Los Angeles County), California, the Beacon Star Company was founded by two co-founders with extensive background in graphics and printing; each of our co-founders has 20 years of printing experience.

Launched in 2002, Cross Blue is a line of services from the Beacon Star Company dedicated to market and service overseas printing (cross = over; blue = sea) in China. The scope of this service unit is nothing short of end-to-end overseas printing service delivered door-to-door to our customers in the States as well as world-wide.

Coupled with our printing knowledge and our partners positioned in various logistics, shipping, and mailing services, we are able to bring our customers in the U.S. a complete line of overseas printing service from prepress in the U.S., printing overseas, export, import, customs clearance, freight forwarding, to world-wide shipping and delivery. In addition, our on-line job tracking service provides up-to-date schedule and details of each job 24/7.

With branch office/operation center in Shanghai, Hong Kong, and Taipei, we are poised that our customers in the U.S. will find Beacon Star/Cross Blue the premier service provider for their overseas printing needs.

Headquartered in City of Industry (Los Angeles County), California

For more facts about overseas printing, go to: www.crossblue.com

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