



Attachment

4.2 Using Multiple Suppliers

In some cases, you may need to work with more than one supplier. For example, Supplier A manufacturer of your product, while Supplier B produces the packaging. You may also work with additional suppliers, making accessories for the 'main product'. In this tutorial, you will learn how to coordinate a supply chain involving more than one supplier.

Step 1: Select a primary supplier

You must select a primary supplier, that is tasked with final assembly and packaging. You should select the primary supplier based on the following criteria:

- Which supplier has the highest order value?
- Which supplier is most suitable to assemble and/or pack the components?

For example, a Watch factory is experienced with strap assembly and final packaging. Hence, you should instruct the strap and gift box suppliers to ship their goods to the Watch factory - and not the other way around.

a. Create Assembly Manual (PDF)

To ensure that the supplier assembles and/or packs the final products correctly, you should create an assembly manual. The assembly manual must include the following:

- Step by step assembly instructions in simple English
- Images
- Examples of incorrect assembly
- Instruction video

b. Confirm primary supplier factory address

You must confirm the address of the primary supplier's factory:

- Company name
- Contact person
- Phone
- Email
- Address
- Zip Code
- City
- Province

Provide this information in both Chinese characters and English.

Step 2: Buy according to FOB terms from all suppliers

You must ensure that the components and/or packaging can be cleared for exports. Hence, you shall not buy according to EXW terms, but according to FOB or FCA terms from each supplier - including the primary supplier.

Step 3: All secondary suppliers send goods to the primary supplier

Once the secondary suppliers have completed their components and/or packaging, you shall send the following information about the primary supplier, to each secondary supplier:

- Company name
- Contact person
- Phone
- Email
- Address
- Zip Code
- City
- Province

Provide this information in both Chinese characters and English.

Notice: Returning defective components and/or packaging may not be possible, once the shipment has arrived in the primary supplier warehouse. To avoid quality issues, you should get the components and/or packaging quality checked by a third-party inspector (see Dashboard) before the shipment leaves the factory of a secondary supplier.

Step 4: Primary supplier assembles the final product units

Once the components and/or packaging are received by the primary supplier, the final units shall be assembled. Notice that you must order a quality inspection (See Dashboard) before the final products are shipped.

Step 5: Exporting the finished product

As mentioned, you shall buy according to FCA or FOB terms from all suppliers - not EXW terms. Hence, each supplier (primary and secondary) shall pay for export clearance charges, and provide any documentation required by your freight forwarder.

However, notice that the customs value must include the total sum paid to all suppliers.

Example

- Product Value: \$10
- Component A Value: \$4
- Component B Value: \$2
- Packaging Value: \$2
- Customs Value = \$10 + \$4 + \$2 + \$2 = \$18

Notice: The customs value may also include other costs. See Part 5 and 6 for more information.