



Luck is what the friendly waving cats are called - when buying in Asia, you need more than that. | Photo: www.asien.zunftweb.com

Trip to new sources of supplies

Nobody will receive a friendlier welcome in Asia as the customer who wants to spend. A lot of money can be lost here, by those who go with their luggage empty - well prepared rather than well negotiated.

It starts off with the search for the supplier. Buyers, who hold their ground, pull out quickly and work on their own initiative: a glance in the internet and the trip to find new supplier sources commences. And you already have a budget for this purchase; this along with a long distance journey is naturally especially pleasant. In fact the first opportunity is often missed because of this. For all the benefits offered by the internet when it comes to the modern purchase it is however just an overview of the suppliers with the best marketing. Finding the best manufacturer takes much longer this way too. The real bonus, especially in Asia, is often more to do with quality and price of their products than their successful presence on the web.

In order to find such pearls, you must make a thorough search in the place itself. But how should you go about this, if you only have two weeks to search in five countries? You are therefore limited to the honest buyers who in the end use the already existing connections and one or two new contacts from acquaintances or from the internet - and usually by buying in the market.

Know what to expect from suppliers

It is therefore better to have a systematic approach. It starts back home with a workshop, in which the purchase is defined as the only goal: the products to be purchased and the sustainability of demand must be clearly stated. Nothing is more embarrassing than the old trick of vendors luring you with quantities and orders, which end up not being met, as the stocks are too high or demand is decreasing. It is about travel preparation, bringing together characteristics of the product, dimensions, standards and features of quality.

This saves on back-chat, misunderstandings, haggling time and annoyance. Finally you should know what to expect from vendors: the necessary capacity, their machinery, their service, language skills and, of course, their price proposals.

So it is then aimed at the right selection. At a distance of eight to ten hours flying time is hardly possible, even with the internet.

It is better to use all local services. They have access to associations, internal databases and networks, which go far beyond the openly available sources. With these, they procure for themselves and their contractor a reliable overview regarding suppliers. "Long Lists" or Matching Tables" are the names given to these compilations of sources and perhaps the only lower-ranking interests. These needs are then classified, meaning, to determine exactly if they meet the needs set out in the workshop of the German customers' needs. The procedure finishes with a "Short List" corroborated contacts, that the buyer along with the supplier prioritises and then, of course, the place where it will be personally implemented.

The financial burden for such a procedure is usually between 4,000 and 6,000 Euro - and therefore very much lower than the flight and the travel costs of a 14 day purchasing trip.

Care is the key given by "traders", that offer your services for surprisingly little commission. This has nothing to do with Asian modesty. It is in because as soon as the German buyer is back in the air, that these clever gentlemen make their second trip to the supplier and negotiate their own commission. 10 percent minimum as a rule is involved. These hidden fees are charged to the customer in the end, and they quickly go into the hundreds of thousands.

Asians are - generally speaking -hopeful business partners. They rarely contradict and nod often. You quickly speak of customers as “Friends” or even “Family”. Lack of experience interprets it as something like an agreement or even a basis for trust. Nodding in Asia only means that they understand, it is never their agreement. And while talk of “Family” and “Friendship” although it is to connect with the customer, it does not hinder their business acumen.

In Asia, it is their advantage that counts in business. “Win-Win” is not an aim of negotiation. Asians also do not justify bad business through “securing the market share” or “profit margin at marginal cost”. Where there are no clear earnings, there is no business. Especially in China, there is, if needed, the pressure to meet new discounts and price reductions. The supplier’s profits however, remain amazingly stable. Then it is left to imagination: they ask another customer for more lucrative conditions, and the contract is reset. If the profit is too low, lesser quality is used whenever the customer is not around. That is why it is called trade. However, you must also properly assess the limits of your opponent.

Quicker wealth is more important than saving face

Know everything about the others, without letting others learn any thing about us; this is important for Asians in business. We learn from this: a glance into the supplier’s warehouse often leads to a large white shipping board where container numbers, recipient and shipping data is listed. With a bit of quick deduction you can quickly learn of the competitors who use the supplier and - at the current number - the quantity of exported containers. This little trick lets you see your own importance as a customer and quickly assess the risks of working together. Furthermore, we slowly get a fairly good overview of the market.

FOCUS ASIA - BOOM IN THE FAR EAST

On the other hand, you should, for example, keep your own distribution channels or even the use of the purchased components to yourself: this makes sure that your supplier has a minimal appetite for your own markets and customers.

Certainly, in today’s China, quicker wealth is more important than saving face. Decades of communism made business culture dry up, and money is the true god of the new China. In many Asian countries this concept remains unchanged in its meaning. When undermining the supplier with an error, you should take the royal route of a “misunderstanding”, when you do not want to lose the supplier. Sometimes you can even expect to be rewarded for this.

As one German entrepreneur suddenly had goods worth over \$40,000 US Dollars ordered for him as “free samples” He had, the previous year, accepted a significant over-delivery, paid and written off the supplier’s mistake as a “Misunderstanding”. Businesses in Asia have their nice sides too.

Text: Dr. Gunter Denk, Strategic Alliance Network, info@sanet.eu

A trained lawyer and entrepreneur Dr. Gunter Denk founded in 2004, along with Sanet (Strategic Alliance Network), a consultancy network, which concentrates on practical support for German small to medium sized businesses in the ASEAN States and China. Sanet coordinates activities in the ASEAN zone for the German-Asian business community. Denk is the author of the textbook “Asien für den Mittelstand – Strategien statt Illusionen”(Asia for the small to medium sized business- Strategies instead of illusions).