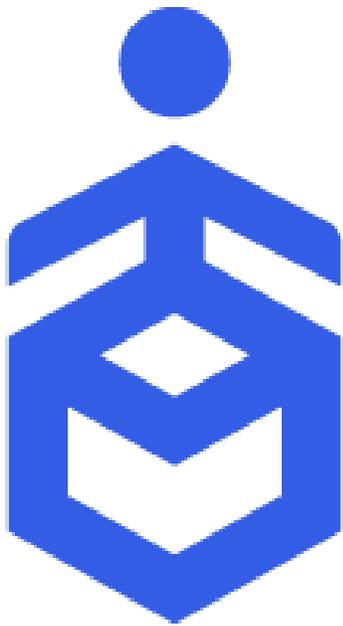




# Guided Imports

## Product Validation Guide

Product Validation is a critical step in the overall process of choosing, sourcing, and manufacturing a product. Ideally, this should be the first step you take after you find a product you'd like to sell. So after all the effort that you put into finding a product with the likes of Jungle Scout, AMZ Tracker, Unicorn Smasher, etc, you should move right into the product validation phase to help you decide if the product you picked will be profitable enough to manufacture.



### Before You Start

You're about to learn a process of developing a detailed manufacturing cost analysis on an item. In order to do this properly, it is crucial you understand your product and have a clear idea of what specifications you intend to include in your product.

The more accurate you can get with your specifications, the more accurate you'll be with your product validation. When we validate products for our clients, the clients who have clear [specification sheets](#) virtually always find greater success in the long run than those who get lazy with their requirements.

So, know exactly what product you're planning on manufacturing. Know the material used, the size, shape, everything! Once you have this, we can start with the first step.

## Why do I Need to do Product Validation?

By validating your product before you decide to manufacture it, you'll increase the odds that it will be actually be a viable and profitable product to sell in your market.

This is also the part of your due diligence that will function as sort of a preliminary cost analysis and profit forecast. When you complete this critical phase during your pre-production investigation, you will end up with a relatively accurate estimate of your product's total landed cost. Think of it as preparing an itemized list of all the costs associated with manufacturing, shipping, and vetting a specific product.

In addition to manufacturing costs, the product validation phase will help you discover any import/duty fees associated with your prospective product. Along the way you should also inquire about any specific certifications or compliance requirements that your product will need to ensure it doesn't get seized by customs. A fundamental misunderstanding by many US/Western private label sellers is thinking that factories and other suppliers in China will tell you if your product requires specific certifications. The fact is, they won't.

Each country has a plethora of different regulations regarding product compliance, labeling, and certification. And since China manufactures products for literally hundreds of countries, there is **very little chance** they have any accurate knowledge regarding the requisite product compliance specifications for your country.

## Step 1. - Selecting Factories for Validation Estimates

In order to obtain estimates, we need to rely on a small number of select factories. These are going to be the factories we compile data from to build out our estimations.

The most critical step here is building a small list of factories of which you can quickly determine the qualifications.

Ideally, you'll be looking for the following types of suppliers to obtain information:

- 1 - Trading Company
- 1 - Small Sized Factory (less than 100 employees)
- 2 - Medium Sized Factories (100 - 200 employees)
- 1 - Large Sized Factory (greater than 200 employees)

### **How To Find Them:**

As I will explain later in the sourcing stage, I am not a huge fan of relying solely on Alibaba. Personally, I find Global Sources to be a much more reliable source in terms of locating qualified suppliers, as they tend to be diligent at ensuring that the suppliers they list meet a certain level of quality. Alibaba however, tends to have a greater selection of factories, which can be good for the later stages of compiling a large list of suppliers, but for product validation, start with Global Sources.

1. Go to your favorite supplier database (Global Sources, Alibaba, Made in China, etc.)
2. Head to the advanced search setting to make your search as specific as possible regarding the product. Be sure to fill in as many filters as you can. The reason for this: we need to talk to suppliers who are detail oriented and can answer some basic questions quickly. If a supplier takes the time to fill out their listing details, there is a greater chance they'll be easy to talk to for validation purposes.
3. As you go through the list of your results, begin picking out 5 potential suppliers that can be used to fit one of the four types of suppliers mentioned above.
4. You can use additional filter results, usually located on the sidebar of most database sites, to continue to refine your list of selections.
5. Once you have your list of five suppliers selected, you might find it easier to organize them in a spreadsheet.

### **Additional Factors That May Help You Select the Best Validation Suppliers**

While you should be able to obtain somewhat accurate numbers by selecting any supplier that falls within one of the mentioned types, you're going to want to further

refine your estimates so they are as accurate as possible. Here is a list of additional qualifications that should be easily found on each supplier's product page or company profile page:

- Their main export market should be the same as yours
- Their main products should resemble the product you're looking to have manufactured
- Their profile pages should be well organized and appear as customer friendly as possible
- They should have photos not only of their products, but also of their factory, achievements, customers, and trade shows they've attended

## Step 2. - Reaching Out to Your Selected Factories

This might be the first time you'll be reaching out to factories. If it is, don't be worried: you possess all the necessary information to come across as a serious buyer.

Here are the key points of information you're going to want to gather from factories:

1. **Detailed quotation sheets** - while it is common for suppliers to be hesitant to give these out, your interest as a buyer should be enough for it not to be an issue.
  - a. From here, you should be able to obtain the important information: product specifications, carton size, carton weight, number of products per carton.
2. Required certifications needed to import into your country
3. H.S (Harmonized System) Code
4. Make a list of all the detailed questions these suppliers ask you.

For items 1 - 3, these will all be used to obtain pricing estimates. I will explain how to do this in step 3.

Item 4 is important in order for you to come across to future suppliers as being knowledgeable of your product, thus validating you as a qualified buyer.

In the event that factories ask a question about a specification that you are unsure of, now is the time to act as the “unprofessional, professional artist.” But instead of saying “err uh... whatever is the most popular,” engage with the sales agents and try to get an idea of the different options, otherwise you run the risk of being dismissed as an unprofessional buyer, causing you to lose both credibility and negotiating power.

In your [specification sheet](#), I mentioned that it is a good idea to come up with an order quantity range. Having a range will allow you to determine the best quantity to purchase. Since China works on scale, meaning, the larger the order quantity, the lower the price, your profit margins can change depending on your order quantity. Not only that, but shipping works the same way (to some extent). The more you ship, the lower your cost per unit. Especially once you move from Air freight to Sea freight.

It is worth mentioning that factories don't like giving price lists across multiple quantities and specifications. Because of this, your requirements need to be as detailed as possible. Spread your order quantities out. When reaching out to your list suppliers, you will want to use the higher numbers for the larger factories, lower quantities for the smaller suppliers and middle numbers for the medium sized suppliers.

I suggest obtaining pricing at increments of 250. For a desired order quantity of 500 - 1000 units, you'll want to obtain pricing quotations of 500, 750, and 1000 units.

Having organized all of this information so you know which supplier to talk to and what your intended order quantity is for each supplier, it is time to reach out to them directly.

This isn't rocket science, and if you look in various group discussions, guides and courses, you'll be given scripts on what you should say to the factories. For some strange reason, people are afraid of the telephone. The lost art of the phone conversation and negotiation is alive and well at Guided Imports. In fact, it's our main

form of supplier communication. Once we speak to a supplier via phone, we always follow up with an email so there is a paper trail.

In my opinion, messaging suppliers is similar to sending cold emails to potential customers. Just keep it simple, tell them what you want, how much you want and where you'll be selling. Provide some form of call to action for them to respond to if your listed specifications sound like something they can handle and they want to hear more information about your order.

*(Notice I'm purposely not providing a template here as I am hoping you've learned the necessity here is to simply come across genuine and serious.)*

**QUICK TIP:** These are not native English speakers! Keep your phone calls simple and use basic English. Avoid colloquialisms and idioms. Use the metric system! In email correspondence suppliers prefer getting a list of numbered bullet points so they can reference them in their response. Keep your emails short, to the point, and use the agent's name when replying.

### **Step 3. - Obtaining Pricing and Requirement Estimates**

After you reach out to your selected suppliers, your communication should begin and quotations should start rolling in.

Begin organizing the information you've obtained.

#### **Pricing Organization**

For pricing, if multiple suppliers provided different prices for the same order quantity, take the average. Ideally, you should notice that the larger order quantities equate to lower prices, and vice versa.

In the event this is not the case, there are a couple reasons that could explain why.

1. The larger factories required orders that were much larger than your requested order quantity. So, instead of rejecting your order, they inflated the price.
2. One factory is quoting a much higher price with either the expectation that you will haggle it lower, or they are simply expensive.
3. The products you were quoted were not exactly the same. Minor changes could lead to price differences.

With these potential reasons explained, it is really your decision on what to do, whether you'll want to accept the potential inaccuracies or find new suppliers. .

Here are some potential options.

1. Find another supplier to use for pricing estimation.
2. Take the high price into account and use that as your high number figure.
3. Speak with the supplier about their price difference when compared to others and ask if they can offer a reason.

Once you have all of this sorted out, you'll want to create a general high/ low pricing profile. You'll also want to be able to list the estimated prices per order quantity.

### **Product Requirement Organization**

As you're speaking with the suppliers and asking them the necessary questions we've highlighted, you may begin learning about product certification and compliance requirements. It is recommended to take these into account for accurate pricing estimations.

If two or more factories mention you'll need a compliance certification, such as FDA, then there is a good chance it is required. For compliance requirements, these are

not set by the factory, rather by the country in which you intend to sell your products. So if one factory tells you their customers don't have an FDA certification, and other factories say you need it, you'll want to do additional research into the matter. You can't rely on suppliers to know the compliance requirements for every country to which they export their products. But if in your validation process you find out that a particular supplier exports nearly 90% of their products to the USA, then there is a good chance they will indeed know the certification and compliance requirements.

As you begin understanding these requirements, you may want to speak with all the factories again, informing them of these compliance conditions and asking if they can provide you with a quotation on obtaining it. Be sure to add these costs and factor them into your landed cost.

*Don't worry, if you are still unsure about compliance requirements after speaking with your selected suppliers, I'll be explaining how to get this required information for free, from licensed professionals.*

In addition to potential compliance requirements, there are also production startup fees, moulding and tooling fees, that might need to be factored in. This should all become more clear as your product specification sheet and product validation process progress.

Some factories might have different requirements than others. If your product has customizations that require the creation of a new mould, the price can differ. Taking the price from all factories and creating an estimate is the easiest way to factor in these costs.

### Let's Review

By now, you should have the skills to obtain the following information.

1. Estimated high and low pricing across a multitude of product quantities
2. A general understanding of additional product specifications you may not have considered

3. A general idea of necessary compliance requirements
4. A general idea of startup fees, mould fees, and customization fees

As you do this more, you should be able to obtain this information in three days or less, depending on how much time you put in and the responsiveness of the suppliers.

Now it is time to get estimated shipping prices!

## Step 4. - Obtaining Shipping Quotations

In this step, I am going to explain how to find freight forwarders, how to request shipping quotations, how to find out import duties and taxes, and how to verify any compliance requirements.

People say shipping is hard. It's complex, but not difficult. The reason why I am not going to go into extreme detail is simply because I am trying to provide you with only necessary information, and confuse you with information that you'll eventually learn by going through the process.



There are four main types of shipping that I've highlighted below:

### 1. Air - Express

This is the most common for small quantities. It is fast, shipped usually by UPS, DHL or FedEx. It is the most expensive option, however the service is door to door and there is no additional paperwork.

## 2. Air - Cargo

This is the least expensive option for air shipping. Air shipping in general is incredibly expensive and should be avoided at all costs, but at times, due to its speed, it is necessary. Normally Air Cargo is port to port, meaning you or an additional logistics company will need to pick the goods up at the airport. For cartons that are too small for LCL, cargo is a potential option.

## 3. Sea - Less Than Container (LCL)

Shipping containers come in various sizes, but sometimes orders don't fill an entire container. In that event, you can share a container with other shipments. This is the most expensive sea shipping option, but still much less expensive than shipping by air.

## 4. Sea - Full Container (FCL)

Depending on your order quantity, you might be eligible for FCL. If so, this is great because these are the most competitive rates.

Essentially, shipping by air is faster, more expensive and less work, and shipping by sea is slower, less expensive and requires some paperwork. But nothing too difficult.

## **Finding Freight Forwarders**

Remember when you were sourcing four types of suppliers for your validation estimates? Well, you'll need to do the same for finding freight forwarders.

All forwarders specialize in different types of shipping, and while many are capable of multiple methods, you'll find better prices when finding speciality forwarders.

Freight forwarders can be found both locally via local Google searches, and also on an international level via both Google and supplier database websites.

**For Air Express Forwarders** - head over to Alibaba and search for a local Chinese forwarder. At this time, it is difficult to get listed on Alibaba as a forwarder, so the ones that are on there currently are worth looking into.

Type 'Freight Forwarder' into the search bar and you'll be rewarded with a plethora of choices.

**For Air Cargo Forwarders** - you can use the ones you found on Alibaba, but you might also want to look at ones with offices in your country. For this, you can perform a Google search with your country, China and freight forwarder in the search bar.

**For LCL & FCL** - You can use the same method for cargo forwarders, but you can also search for some of the larger companies such as FlexPort, Livingston International, C.H. Robinson and DB Schenker.



## **Incoterms**

If this isn't your first rodeo, feel free to skip this section. I'll briefly cover Incoterms. It stands for, International Commercial Trade Terms. They are short, three letter abbreviations that explain which party is responsible for which charges.

The only ones we're going to go over are FOB and EXW, since these are the only two which you should consider.

**FOB** - Free On Board - this is the most common term and essentially explains that the factory holds responsibility for the goods until they board the ship. This means they need to pay for all export and loading fees, and you'll be responsible for everything else.

**EXW** - Ex Works - this term should only be used for goods being shipped via express. This term dictates that the goods are the buyers the responsibility the

moment they leave the factories doors. Since there are often additional fees with everything outside of express shipments, you will always want the factory handling them on their side. But EXW is an easy way to save some money on your goods as the shipping to your local Chinese forwarder will most often be much less than the added price of FOB.

The chart below has all of the incoterms listed as well as the associated risk and details of each. This is just for your reference. There are very few times, if any that you'll want to deviate from using EXW or FOB. But knowledge is power, so here you go (if you want to see a larger version, [click here](#)):

DESCRIPTION	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight/Risk	MORE DETAILS
<b>EXW</b> Ex Works	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Seller's premises. Risk Seller's premises.	Seller is only responsible for making the goods available at the seller's premises. The buyer bears the full risk from there to the destination.
<b>FCA</b> Free Carrier	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Freight handler. Risk Freight handler.	Seller is responsible for delivery to the custody of the carrier, which is provided by the buyer. Risk is transferred as soon as loading has taken place.
<b>CPT</b> Carriage Paid to	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Destination. Risk First freight handler.	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport to the destination.
<b>CIP</b> Carriage and Insurance Paid to	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Destination. Risk First freight handler.	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport and insurance to the named destination. Risk is transferred at the place of delivery, whereas seller pays for transport and insurance to the destination.
<b>DAT</b> Delivered at Terminal	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Destination. Risk Destination.	Seller delivers the goods unloaded at a specified place inside the agreed terminal. Risk is transferred as soon as the goods have been unloaded.
<b>DAP</b> Delivered at Place	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Place of destination. Risk Arriving means of transport at destination.	Seller delivers the goods to the disposal of the buyer on the arriving means of transport at the agreed place. Seller assumes the risk until the goods are made ready for unloading from the arriving means of transport.
<b>DDP</b> Delivered Duty Paid	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Destination. Risk Destination.	Seller is responsible for bringing the goods to the destination, paying any duty and making the goods available to the buyer. Risk is transferred as soon as the buyer has access to the goods ready for unloading at the agreed destination.
<b>FAS</b> Free Alongside Ship	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Shipside in port of departure. Risk Shipside in port of departure.	Seller is responsible for delivery of the goods at the quay alongside the ship. From this point onwards, risk lies with the buyer.
<b>FOB</b> Free on Board	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight On board ship. Risk On board ship.	Seller is responsible for delivery of the goods loaded on board the ship. Risk is transferred as soon as the goods have been set down inside the ship.
<b>CFR</b> Cost and Freight	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Port of destination. Risk On board ship.	Seller covers cost of freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.
<b>CIF</b> Cost, Insurance and Freight	SELLER	BUYER	SELLER	BUYER	SELLER	BUYER	Freight Port of destination. Risk Port of destination.	Seller covers cost of insurance and freight, duty unpaid, to the named port of destination. Risk is transferred as soon as the goods have been set down inside the ship.

## Contacting and Requesting Quotations

One of the more important things to remember when requesting a shipping quotation is to **obtain the quotation in writing as an itemized quote**. For more complex quotes, especially with sea shipments, there are multiple charges. When

you obtain them, you might want to begin Google searching what each itemization is, so you have a better idea of what the charges consist of.

When you reach out to these forwarders, they only need some basic information to give you a quotation, and since you've already obtained the necessary information from your selected factories, it should be easy for them to quote.

You want to provide them with the following information:

- Item name
- H.S. code
- Total quantity
- Total number of cartons
- Carton height
- Carton width
- Carton real weight
- Carton gross weight
- Incoterm
- Destination
- Origin

Just as you were instructed to approach each supplier with a single order quantity, the same should be done with shipping companies. The only difference, once you begin speaking with them and building a brief rapport, you should be able to get them to provide you the quotations for additional quantities

For Air Express, if you are on Alibaba during China business hours, you should be able to chat with someone on the Alibaba chat feature and get the prices quickly.

For all other methods, after you find a forwarder, you'll probably want to email them, so they can respond to you with a detailed quotation.

To email them, simply tell them that you're interested in using them as your forwarder for a shipment you'll have ready in about 30 days. Ask them if they could give you an itemized quotation on the following shipment.

Here you will provide the above listed specifications.

Most of the forwarders will respond to you telling you that your order date is outside of their quotation validity date, but that is okay. Shipping prices fluctuate, but not enough to completely invalidate your estimates.

As the quotations begin coming in, you'll start to have a better idea of your total landed cost. Your landed cost is everything factored into the pricing, giving you a final number that you can use as an understanding of the total cost of the order.

### **Obtaining Compliance Requirements, Duties and VAT**

After you reach out to different forwarders and back and forth communication has been established, it is time to utilize the bigger companies' in-house customs brokers as a free way to obtain compliance requirements and import fees.

After spending time to review the quotations, ask the forwarders who quoted you sea prices if they can have their customs broker help you determine compliance requirements and imports duties. You can also use the [duty calculator tool](#) to give you an idea of what to expect.

After a couple of days, you should be receiving responses from their customs broker explaining the requirements they have found.

Congratulations, you just saved yourself a bunch of money by not having to hire a customs broker to get this information for you! But remember, the option to [hire a full service freight forwarder and/or customs agent](#) is always available if you want to save time and reduce the chance of an error. The downside: added cost.

See if the information equates to what your suppliers were saying. If you were informed of a requirement by the customs broker that was not listed by the

factories, be sure to let them know about the requirement, and have them look into the costs of obtaining it.

## Step 5. - Organizing Your Data

You now have all of the key pieces of information to develop an accurate product validation estimation.

With your obtained information, I've always found it helpful to develop pricing tables. With order quantity along the X axis, and shipping cost along the Y axis, you'll be able to build yourself a very simple diagram to determine which order quantity and shipping method is ideal.

Now, begin playing with the numbers. Feel free to incorporate additional costs, such as [Amazon's FBA calculator](#) to determine the validity of your product.

What happens if it turns out that my product does not leave any room for profit?

There is no magic pill that fixes this. Your options are to either figure out a way to lower the costs using the information you've gathered from the factories and understanding your product. You can increase your quantity to see if the overall price comes down. But ultimately, if the numbers reveal little to no room for profit, regardless of what you do, the product is probably a bust. Just move on to the next one and know you gained a significant amount of experience and product knowledge by completing this process.

The whole validation process should have taken about three days. After doing this for a few products, you'll become proficient enough to where you can validate multiple products at once. Regardless, spending three days to rule out a product is a lot better than wasting weeks to months by neglecting to validate your product and going straight to the sourcing stage.

Having this information, along with incredibly detailed product specifications and requirements will allow you to begin sourcing suppliers who will see you as a truly prepared and legitimate buyer, and someone that will be easy to work with.

Congratulations! By validating a product, you are now not only able to determine if the product itself is a viable option for you to source, but you are now fully prepared to begin sourcing suppliers.

### **How Long Does This Take?**

In theory, practice makes perfect. Once you get comfortable with the process of supplier validation, you should be able to receive all quotations back within approximately three days, and begin filling out the validation sheet.

As you work on more orders in China, you'll begin to develop relationships with various freight forwarders, which will allow you to producing shipping tables. These will allow you to quickly calculate shippings costs and save you time by reducing the number of forwarders you contact.

When you factor in the recommendation that you should be reaching out to no less than 50 suppliers during the sourcing stage, three short days of validation will end up saving you countless weeks and resources.

### **You Can Do It!**

We've covered the reasons why validating your product is important. Along the way to finding out whether or not your product will be profitable enough to sell, the process also uncovers both obvious and hidden costs within the supply chain.

Completing product validation can be an intimidating endeavor for the uninitiated. As long as you go step by step, stay organized, and proceed with a purpose, the task is completely achievable. Purchasing from an international vendor and conducting business on a global scale presents its own unique challenges. If you want a leg up on your competition by saving time and effort so you can focus on your business, you can always outsource this task to an experienced partner.



## Is There an Easier Way?

Guided Imports offers both [Product Validation](#) and full-service [freight forwarding](#). If you'd rather spend your time on growing your business and building your brand, we can help. We ship hundreds of products from China to the USA each quarter. Many of them direct to Amazon FBA warehouses.

Our [A-Z package](#) is a one-stop solution for ALL of your China side business, and includes product validation, negotiation, supplier relationship management, product sourcing, FBA prep, kitting/bundling, labeling, shipping, customs, detailed customer reporting, sample evaluation and consolidation, purchase agreements, production manuals, quality control, [inspections](#), product photography, and more! We handle every aspect of China for you, so you can effectively eliminate China from your task list altogether and focus on scaling your business.

We are the **#1** most recommended sourcing and automated supply chain management company in the ecommerce industry. [Let us show you why! Click here to see how Guided imports stacks up vs. our competitors!](#)



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