Strategies for improving business relationships between small U.S. buyers and Chinese suppliers

by

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ABSTRACT

To remain competitive in the U.S. economy, increasing numbers of small U.S. businesses are seeking low cost, adequate quality Chinese products. Without sufficient expertise, experience, or resources, however, those small U.S. buyers find it difficult to build reliable business relationships with Chinese suppliers. Long order lead-times, in particular, force many small U.S. buyers to give up the Chinese market.

This study employs several root cause analysis tools including flowcharts, fishbone diagrams, and Five Whys analysis to identify the root causes of long order lead-times. Ultimately, the study recommends strategies to reduce order lead-times and improve business relationships between small U.S. buyers and their Chinese suppliers – including Chinese trading companies and Chinese manufacturers.

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Chapter I: Introduction

Today, "Made in China" is synonymous with low cost, adequate quality products. To remain competitive globally, most Fortune 500 companies have invested or manufactured in China. In fact, the United States' largest retailer, Wal-Mart, has established steady supply alliances with more than 5,000 Chinese enterprises, which sell more than 70 percent of the commodities made in China (Jiang, 2004). Large businesses, however, are not the only ones taking advantage of the strategic outsourcing and manufacturing opportunities in China; small U.S. businesses are also working with the Chinese to leverage their low cost advantage.

Most small U.S. buyers use the internet, experts, or third-party trading companies to make initial contact with Chinese manufacturers. However, without the expertise, experience, or resources to work with Chinese suppliers consistently, long distance and language barriers bring huge—and often unanticipated—headaches, including ineffective communication, unreliable lead-times, and quality issues. As long as small U.S. buyers cannot resolve these issues, they are forced to give up the Chinese suppliers and their market.

Building a reliable business with Chinese suppliers requires a thorough understanding of China's low cost benefits. Compared to their larger counterparts, many small U.S. companies lack the money, knowledge, and experience to effectively handle international business issues. Creating a more reliable order process and improving international business relationships are critical in order for U.S. small businesses to work successfully with Chinese suppliers.

Statement of the Problem

Long order lead-times and ineffective communication have long hindered the ability of small U.S. buyers to effectively manage international business relationships. These issues are especially pronounced in U.S.-China business relationships, where lead-time frustrations, shipping delays, and communication breakdowns are all too common.

Purpose of the Study

The purpose of this study is to recommend strategies for improving the order process and business relationship between XYZ Company and its Chinese suppliers. This goal will be accomplished through the following:

- Presenting XYZ Company's current order process with its Chinese suppliers.
- Determining the reasons for long lead-times, through root cause analysis.
- Suggesting ways to improve order lead-times and strengthen international business relationships.

Background and significance

XYZ Company is a typical small U.S. buyer, searching for ways to improve its relationship with its Chinese suppliers. A small knitting wholesale company located in Newport Coast, California, XYZ Company earns approximately one half million dollars in annual sales. With five years experience in selling their own branded apparel, all of XYZ's sales and office personnel are contracted and paid in commissions. To thrive in this competitive market, XYZ continuously seeks creative ways to minimize cost and maximize growth opportunities.

Two years ago, XYZ Company contracted with an experienced, North American-based trading company to begin work with a Chinese manufacturing firm. After

satisfying the lead-time and quality requirements with their Chinese suppliers, XYZ decided to work directly with the Chinese supplier, instead of contracting through the North American-based firm. This decision to work directly with Chinese suppliers resulted in many frustrations for XYZ, most involving communication and lead-times. XYZ struggled to communicate the details of sample orders, drawings, and order modifications. Order lead-times expanded to approximately three months—even when using air shipments—and sizing and measurement errors were commonplace. Though their Chinese suppliers offered an attractive price, XYZ Company was frustrated.

XYZ Company is facing the difficult challenge of improving relationships with its current Chinese trading and manufacturing companies. Establishing a smooth and reliable order process with its Chinese suppliers is critical for XYZ Company's growing business.

Definition of Terms

Electronic data interchange (EDI): A set of standard business data, exchanged electronically between and within businesses or organizations.

Information flow: How messages, orders, or data are transferred to their next assignments, whether orally, electronically, or on paper.

Material flow: The physical flow of raw materials as they move from vendor to manufacturer to shipping, and ultimately, to users.

Manufacturing Lead-time: The time required for a complete operation, turning raw materials into final products.

Value added: Adding a part, service, or movement that results in increased product value.

Non-value added: Adding a part, service, or movement that does not result in increased product value.

Offshoring: A type of outsourcing characterized by U.S. buyers acquiring products from developing countries, in order to enjoy lower labor costs or tax savings.

Limitations of the Study

1. Findings and recommendations are applicable only to the companies examined in this study.
2. This study intends to determine the root causes of long order lead-times and suggest alternatives. It is an ongoing study that requires more time and people working together to continuously improve the order process.

Assumptions

1. All interviews and collected data present real information.
2. Both XYZ Company and its Chinese suppliers are willing to share order process information in order to reduce lead-times.
3. The companies will not make any significant changes to the order process during this study.

Methodology

This study focuses on root cause analysis tools to identify reasons for long order lead-times, finally recommending strategies to improve those lead-times. (Figure 1).

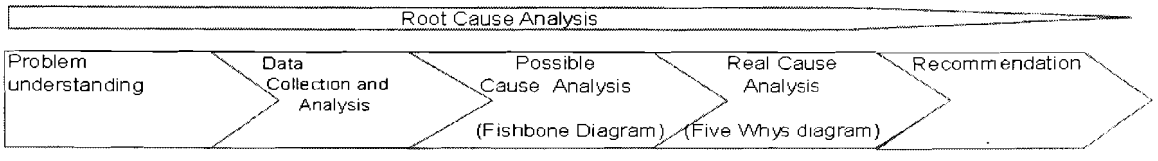


Figure 1: Methodologies used in the study

The study presents XYZ Company's order process through a series of flowcharts. Data was collected primarily via telephone interviews with XYZ Company's president and a representative of the Chinese trading company. Additional data was gathered through researcher observation and E-mails requesting additional information from the two companies, including purchase orders, order confirmations, and order modifications.

A fishbone diagram illustrates the possible reasons for long order lead-times, based on collected data.

A "Five Whys" diagram identifies the real causes of long lead-times, examining XYZ Company's 2007 Spring purchase order and Fall sample order to illustrate the argument.

Finally, the real root causes are examined, and recommendations are made to improve the relationship between XYZ Company and its Chinese suppliers

Chapter II: Literature Review

Lead-time

Lead-time is the time required to fulfill orders, from the point when orders are issued until products are received. Since "time is money," any opportunity to minimize total lead-times can have significant effects on profits (fibre2fashion.com, 2006). When managing orders in the garment industry, reducing lead-times allows manufacturers to provide more timely delivery of garments during their appropriate seasons, providing a competitive edge to the exporter in the international market (Stundza, 2005). For XYZ Company, long lead-times and late deliveries from Chinese suppliers had become a significant burden.

Of course, producing with shorter lead-times often means a higher unit cost for the buyer (Donohue, 2000). By shortening lead-times, however, the amount of "safety stock" can be reduced, the stock-out loss reduced, and customer service levels improved (Ouyang, Wu & Ho, 2006). As a result, total costs can still decrease (Chopra & Meindl, 2001). Toyota's Production System, for example, focuses on lead-time reduction, which consequently improves cost, quality, and delivery. In short, lead-time reduction results in waste elimination and increased service levels (Liker & Morgan, 2006).

Root cause analysis

Root causes are defined as the most basic causes that can reasonably be identified, for which management has the control to fix, and for which effective recommendations for preventing recurrence can be generated ("Root cause analysis handbook," 1999). Root cause analysis is simply a tool designed to help investigators

1. Describe *what* happened during a particular occurrence.

2. Determine *how* it happened
3. Understand *why* it happened.

Only when investigators are able to determine *why* an event or failure occurred will they be able to specify workable corrective measures.

Root cause analysis is a structured investigation that aims to identify the true cause of a problem, as well as the actions necessary to eliminate it (Anderson and Fagerhaug, 2000). Five steps contribute to the root cause analysis. This study follows those steps to determine the root cause of long lead-times (Figure 1).

Step 1: Problem understanding.

- Flowcharts: charts used to gain an overview of the order process
- Deployment charts

Step 2: Problem and cause data collection.

- Interviews
- Business documents and historical records (e.g., E-mails)
- Researcher observation
- Obtaining additional information from affected companies

Step 3: Possible cause generation and consensus reaching.

- Brainstorming: a system for generating as many ideas as possible related to a given subject

Step 4: Possible cause analysis.

- Fishbone diagram

Step 5: Cause-and-effect analysis: The heart of root cause analysis.

- Five Whys

After identifying a root cause in any particular case, recommendations for preventing its recurrence must be generated (Root Cause Analysis Handbook, 1999).

Flowcharts

A flowchart is a means of conveying information about a process (Murphy, 2005). Put simply, it is a diagram showing the movement of persons or things in any complex system. Flowcharts are defined in Standard ISO9004.4 Section A.6.2 as "pictorial representation[s] of the steps in a process, useful for investigating opportunities for improvement by gaining a detailed understanding of how the process actually works."

A deployment chart reflects the sequence of required activities, as well as the persons or teams responsible for completing them (Michalski & King, 2003). The chart's down-cross construction also indicates the approximate time for which activities are scheduled to be completed.

Cause-and-effect tool (Fishbone diagram and Five Whys)

The basis of this problem-solving process is the cause-and-effect principle, which simply states that everything has a cause (Gano, 2003). The cause-and-effect principle includes four important characteristics:

1. Cause and effect are the same thing.
2. Cause and effects are part of an infinite continuum of causes.
3. Each effect has at least two causes in the form of actions and conditions.
4. An effect exists only if its causes exist at the same point in time and space.

The Ishikawa Fishbone Diagram method employs a combination of categorical thinking and causal relationships (Gano, 2003). This method involves hypothesizing about the possible causes of an event (usually in brainstorming session), placing them

like a fish skeleton within predefined categories, and then identify which one(s) caused the problems (Figure 2, Table 1).

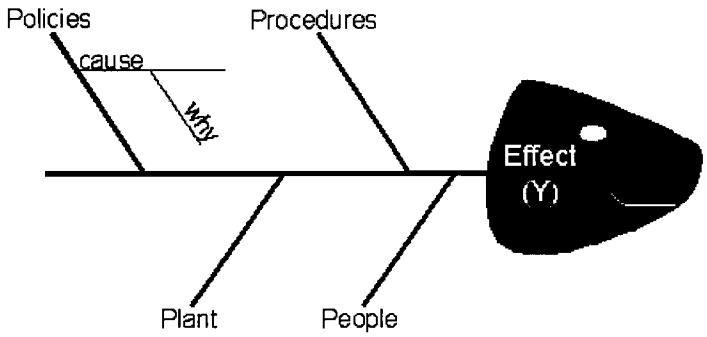


Figure 2: Fishbone diagram sample (Simon, 2007)

Service Industries (The 4 Ps)	Manufacturing Industries (The 6 Ms)	Process Steps (for example)
Policies	Machines	Determine Customers
Procedures	Methods	Advertise Product
People	Materials	Incent Purchase
Plant/Technology	Measurements	Sell Product
	Mother Nature (Envireonment)	Ship Product
	Manpower (People)	Provide Upgrade

Table 1: Suggested categories of Fishbone diagram (Simon, 2007)

The Five Whys method employs a systematic questionnaire technique to determine the root cause(s) of a problem (Michalski & King, 2003). This technique involves creating a logic tree diagram, then collecting and analyzing data to support or reject each branch of that diagram as contributing to the problem at hand. A pictorial Five Whys diagram can be used to represent the cause-and-effect logic that led to a final conclusion (Okes, 2005). In a wider root cause analysis, Five Whys can be used to question each identified cause:

- Is it a symptom?
- A lower-level cause?
- A root cause?

Continue the search for a true root cause, even after determining that a possible cause has been found (Anderson & Fagerhaug, 2000).

Maintaining buyer-supplier relationship (Recommendations)

For small entrepreneurs, outsourcing and off-shoring are often extremely difficult (Richtel, 2005). Taking advantage of cheap labor means navigating complex language and time-zone differences, in addition to dealing with complex importing regulations, shipping fees, and other unanticipated problems. Many small companies choose to focus their resources solely on their core business competency, relying heavily on a third party to engage in other business matters (Sheen & Tai, 2006). As a result, partnerships between buyers and suppliers are formed, reducing supply chain costs through quality and information improvements (Rushton, Oxley, & Rroucher, 2000). Morgan and Hunt (1994) identified the following criteria for improving buyer-supplier relationships:

- Mutual trust
- Mutual respect
- Good communication,
- Prioritizing the interests of the other party
- Support and assistance of the other party's long-term goals.

These successful, continuing relationships are characterized by trust and commitment.

To outsource effectively, companies must have a strong process discipline (Kakumanu & Portanova, 2006). Mentzer, Myers, and Stank (2007) suggest the following elements as most critical for the successful maintenance of outsourcing relationships:

1. Simple and flexible contracts (which can be referred to as "agreements"). These contracts will avoid future misunderstandings by clearly documenting both parties' agreements. Contracts should specify obligations, compensation, and penalties for both buyers and suppliers. They should be used as guides, however, rather than to specify all contingencies.
2. Intensive management involvement. To enhance the business relationship, a cross-functional team for both the buyer and the supplier must ensure open (preferably face to face) communication.
3. Periodic performance monitoring. Performance monitoring is critical for business. When buyers' orders are based on their suppliers' previous performance, those suppliers will actively pursue performance improvements as a result.
4. Internal controls. Companies must have rigorous internal controls to protect access to and distribution of confidential information. Especially in international business, designs and patents must be protected.
5. Problem-solving procedures. Companies must establish problem-solving procedures that reduce, and ultimately prevent, conflicts. Effective problem-solving procedures help both in reducing costs and enhancing relationships between buyers and suppliers.

"SMART" goals of recommendations

Because this study recommends process improvements to prevent problem recurrence, it is important that "SMART" goals be set (Bertels, 2003) (Figure 3):

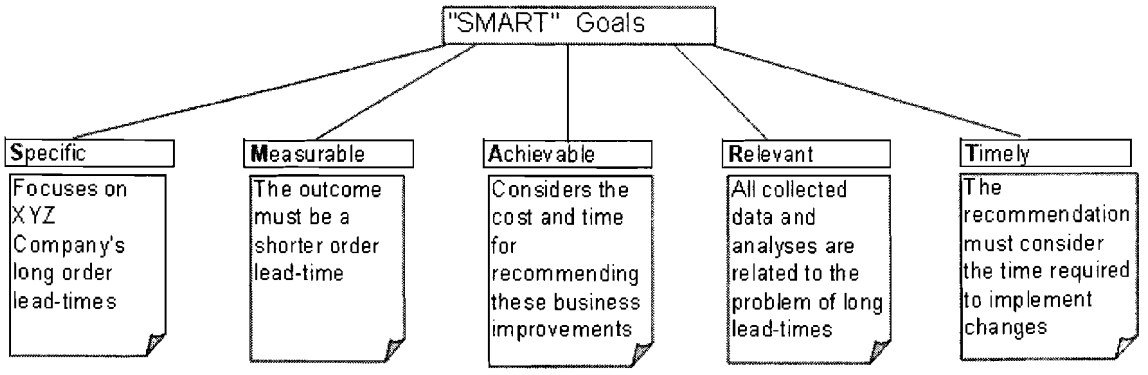


Figure 3: The study's "SMART" goals

- Specific: this study focuses on XYZ Company's long order lead-times
- Measurable: the outcome must be a shorter order lead-time
- Achievable: this study considers the cost and time for recommending these business improvements.
- Relevant: all collected data and analyses are related to the problem of long lead-times.
- Timely: the recommendation must consider the time required to implement changes.

Chapter III: Methodology

The objective of this study is to identify the root causes of long order lead-times between small U.S. buyers and their Chinese suppliers, ultimately recommending strategies based on those root causes.

This study uses the six-step problem solving methodology to analyze the root causes of long order lead time, as explained in Figure 4.

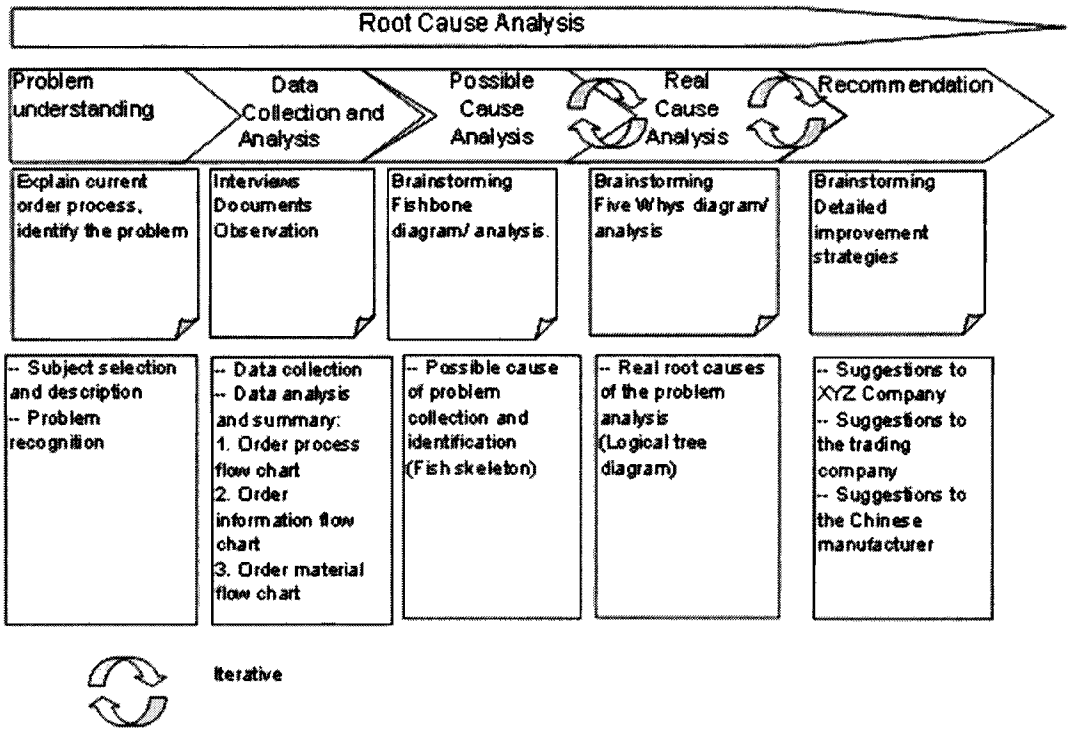


Figure 4: Diagram of problem solving methodology

Subject Selection and Description

Case studies are a preferred approach when 'how' or 'why' questions must be answered, when the researcher has little control over the event, and when the focus is on a current phenomenon in a real-life context (Yin, 1994). Ghauri and Gronhaug (2002) also recommended case studies as a research strategy when 'how' and 'why' questions

are asked. This paper examines XYZ Company as a case study to determine the issues between small U.S. buyers and Chinese suppliers.

Problem Recognition

Fewer industries are more time sensitive than the fashion industry. Any delay to the customers and market is extremely costly. Currently, XYZ Company's order lead-time is approximately three months or more—their most critical problem related to outsourcing in China. Establishing a good relationship with Chinese suppliers to reduce the current order process lead-times is critical for XYZ Company in realizing the benefit of China's low price.

Data Collection Procedures

The data collection process involved conducting telephone interviews and observations, inquiring about information via E-mail, and finally examining the documents and E-mail messages (Figure 5).

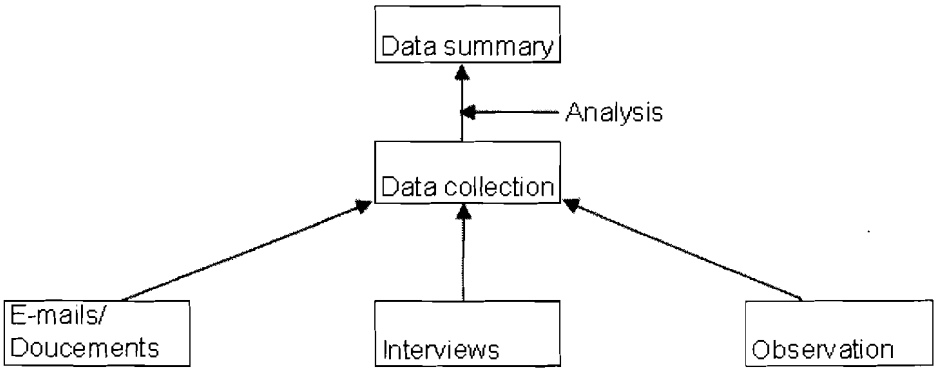


Figure 5: Data collection and analysis

To understand the business situation of XYZ Company, three telephone interviews were set up: two of them with the president of XYZ Company (Appendix A and B), and one with a representative of the Chinese trading company (Appendix C).

Additionally, E-mail inquiries for information were sent to both XYZ Company and the Chinese trading company. During the study, the author spent one week to observe the business processes when the president of XYZ Company visited the Chinese trading company and Chinese manufacturer.

In addition to these interviews and observations, nineteen purchase orders (Appendix D and F), E-mails between XYZ Company and the Chinese trading company (dated from October 2006 through April 2007) were collected and summarized (Appendix F and G).

Data Analysis (Possible cause generation and consensus reaching)

The current order process of XYZ Company is summarized from the interviews, documents, e-mails and observation by the author, as shown in Figure 6.

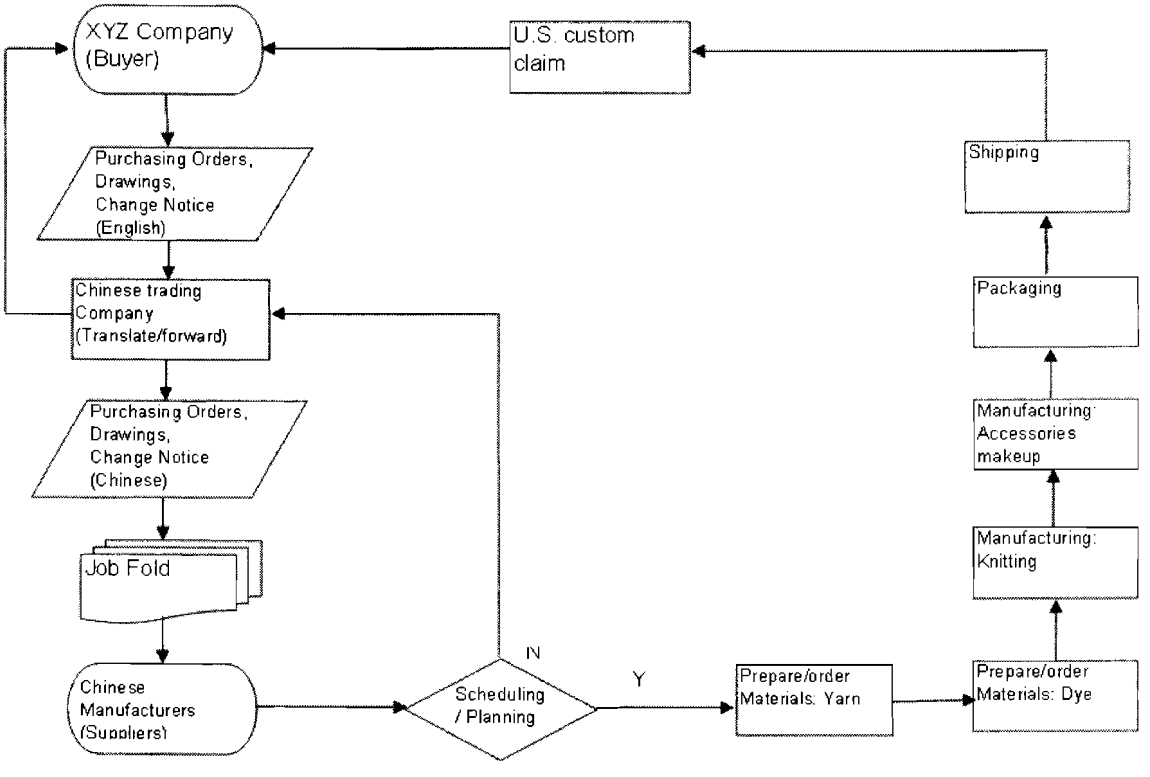


Figure 6: XYZ Company order process flowchart

The order process of XYZ Company's can be divided into information flow and material flow.

The information flow is the process involving documents released from XYZ Company (in English), to the Chinese trading company. The Chinese trading company, in turn, translates and organizes those requests until they are finally distributed to the Chinese manufacturer (Figure 7).

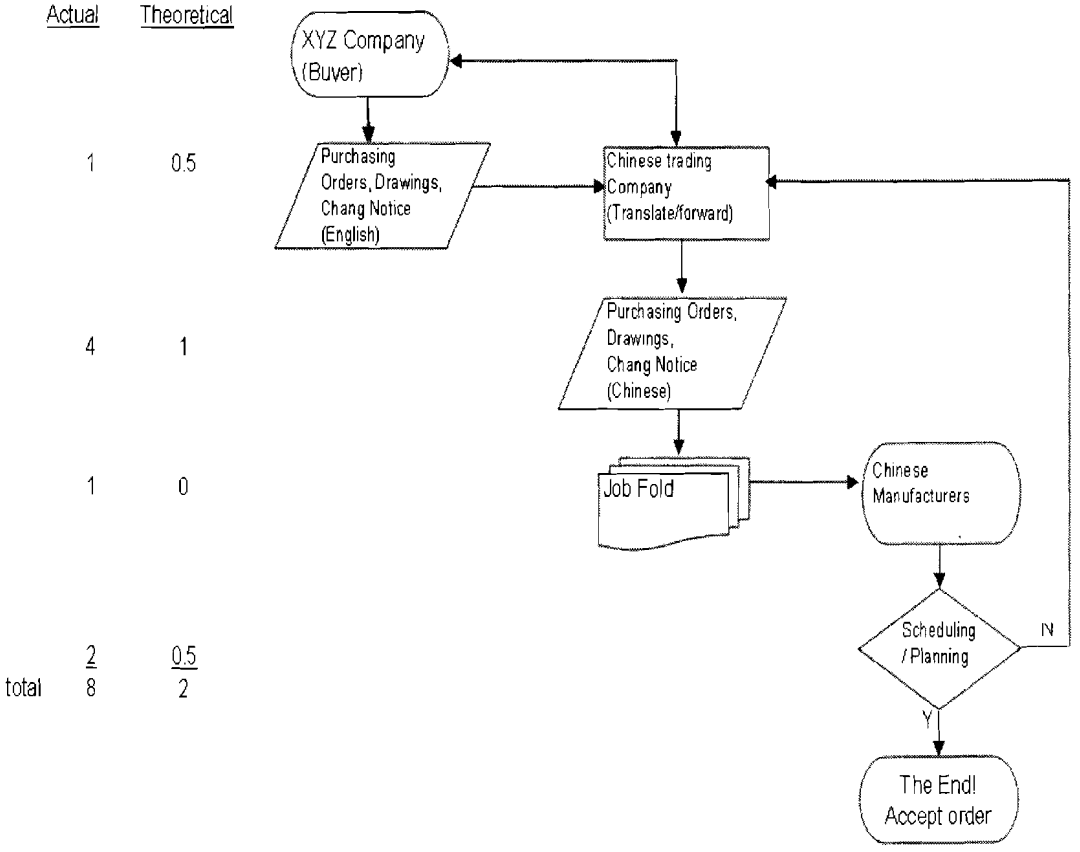


Figure 7: Deployment Flowchart: XYZ Company order information process

Theoretically, this information flow should take approximately two business days. However, that time is extended because XYZ Company does not have standard purchase orders, change notices, and drawings (According to the phone interview with XYZ Company and complains from Chinese trading company), and because the Chinese

trading company lacks knitting experience. As a result, information flow for the initial purchase order required approximately eight days before reaching the Chinese manufacturers. One additional business day is generally required to pass the inquiry from the Chinese trading company, and at least two additional business days if the inquiry comes from the Chinese manufacturer.

Spring 2007 purchase orders were issued on November 06 and November 13, 2006. However, the back and-forth communication and confirmation took approximately one month. The Chinese manufacturer had not prepared the raw material until December 12, 2006 (Appendix F, G and H). XYZ Company is trying to issue purchase orders as earlier as possible to alleviate these issues; however, changes in order quantities and design modifications often force XYZ to postpone firm purchase orders (Appendix F and G).

Material flow involves Chinese manufacturers receiving their orders from the Chinese trading company, arranging for manufacturing, and then moving product to the warehouse for shipment (Figure 8).

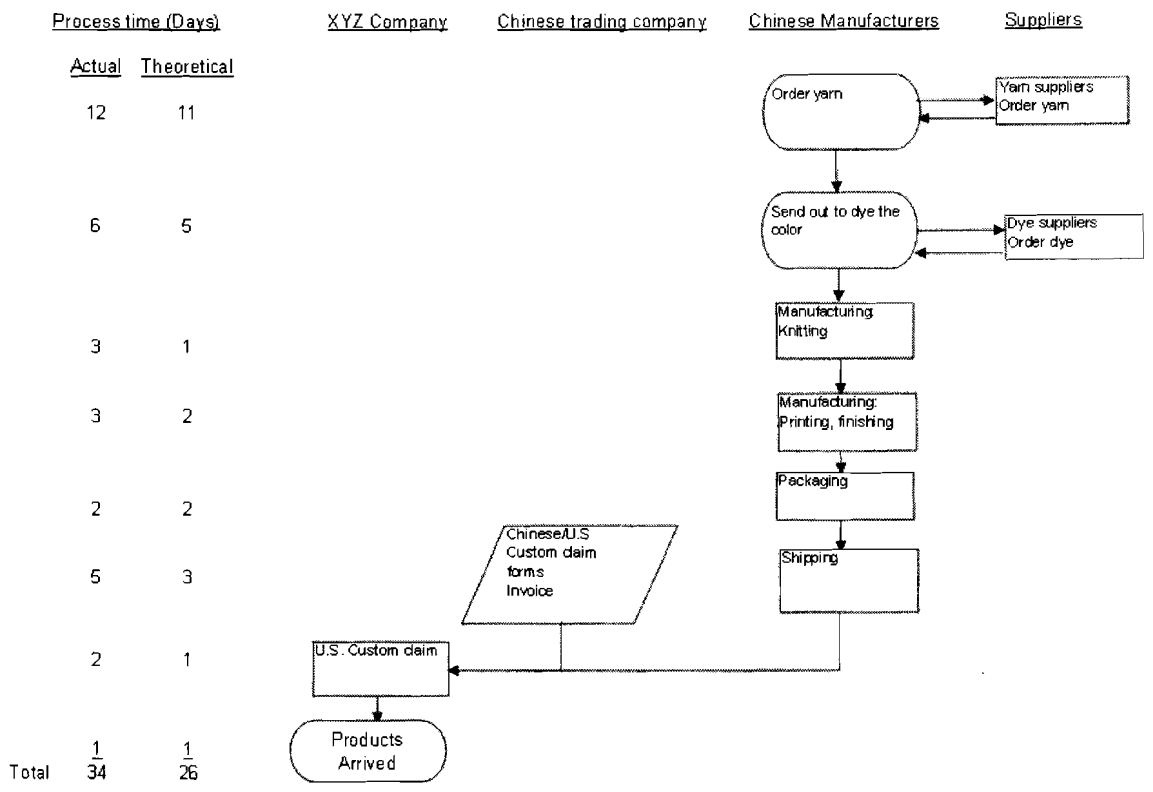


Figure 8: Deployment Flowchart: XYZ Company order material process

The Chinese manufacturers' bottleneck comes during the yarn-spinning and color-dyeing processes, which cannot be performed in the plant. The Chinese manufacturer must wait twelve days for the yarn and six days for the dye. To reduce mistakes and manage risks, Chinese manufacturers currently do not order raw materials for XYZ Company until firm purchase orders are received. When XYZ Company confirms materials and makes their initial purchase order deposit, however, the Chinese manufacturers are able to prepare the raw materials concurrently with the order delivery process.

XYZ Company's Spring 2007 order volume is less than one thousand pieces, including nineteen styles, with up to three colors and five sizes for each style (Appendix D and E). XYZ Company typically orders small quantities with many styles and colors.

The manufacturing lead-time alone is eight business days. When shipping and international customs are included, the total material flow is approximately one and half months. Figure 9 shows the trade-off among the prices including shipping cost and inventory holding cost, order lead-time and customer satisfaction.

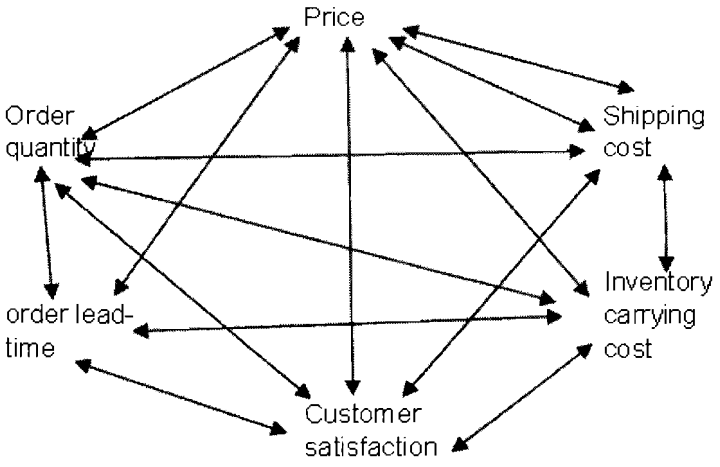


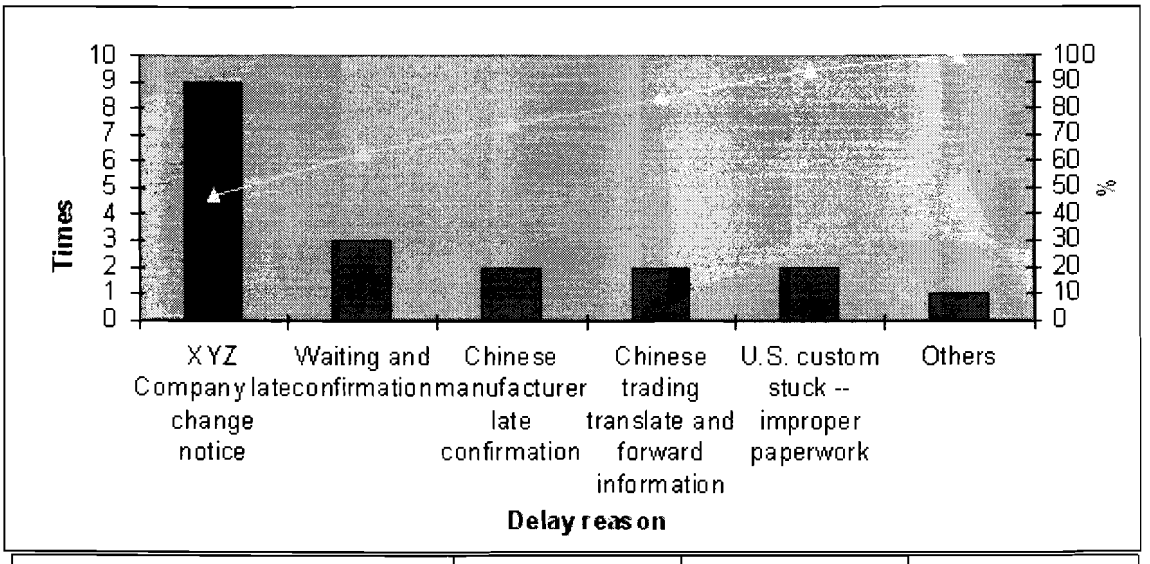
Figure 9: Trade-off diagram of Cost-time-customer satisfaction

XYZ could save money by shipping via boat instead of air, but at the cost of an additional month's lost sales. During the interview, the president of XYX Company said that its customers do not accept one more month lost sale. In order to make the products available to sell, the company decided to choose air shipment with additional one thousand dollars expense (Table 2).

	Shipping lead-time (days)	shipping cost	Customer satifaction	Sales (quantity)
By Air	2	$1,280	95%	Sold all
By boat	30	$120	0%	Nothing

Table 2: Correlation of shipping lead-time, shipping cost and customer satisfaction

Even product shipped via two day air must await acceptance in U.S. customs. In one instance, XYZ Company's Spring 2007 orders were delayed for a variety of reasons (Figure 10).



Delay reason	Times	Percent	Cumulative %
XYZ Company late change notice	9	47	47
Waiting and confirmation	3	16	63
Chinese manufacturer late confirmation	2	11	74
Chinese trading translate and forward information	2	11	84
U.S. custom stuck -- improper paperwork	2	11	95
Others	1	5	100
Total	19	100	100

Figure 10: Example of delay reason analysis for Spring 2007 orders

Because of U.S. Customs regulation changes and improper paperwork prepared by the Chinese trading company, products were detained by U.S. Customs for three business days, a significant burden to XYZ Company. As a result, XYZ Company failed to meet the order deadlines, missed an important New York City fashion trade show and lost valuable customer exposure.

Possible cause analysis

Based on the data collected and information gathered through conversations with XYZ Company's president and the representative of the Chinese trading company, the study generates many general possible root causes for long lead-times (Figure 11)

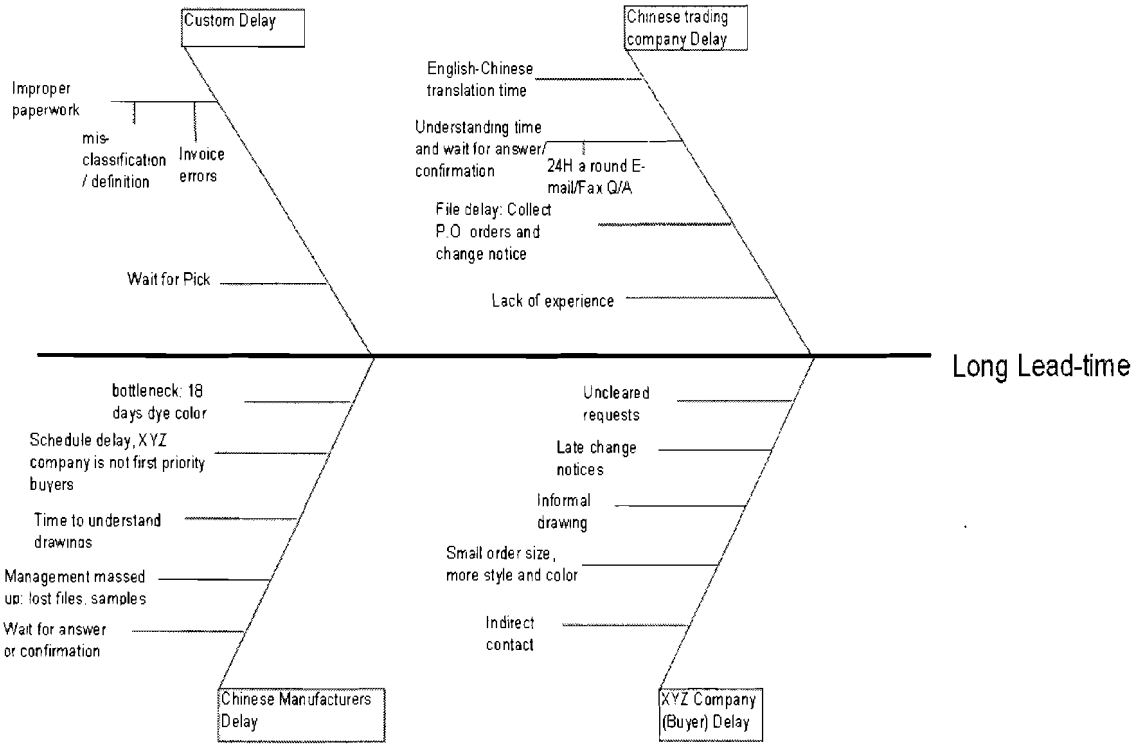


Figure 11: Fishbone Diagram: general possible cause of long lead-time

Real cause analysis

A general examination of possible long lead-time root causes is not adequate to identify the real causes behind the current three month lead time. This study summarizes XYZ Company's spring 2007 regular purchase orders (Appendix F), using the Five Whys cause-and-effect tool to dig deeper and determine the real causes of long lead-times (Figure 12).

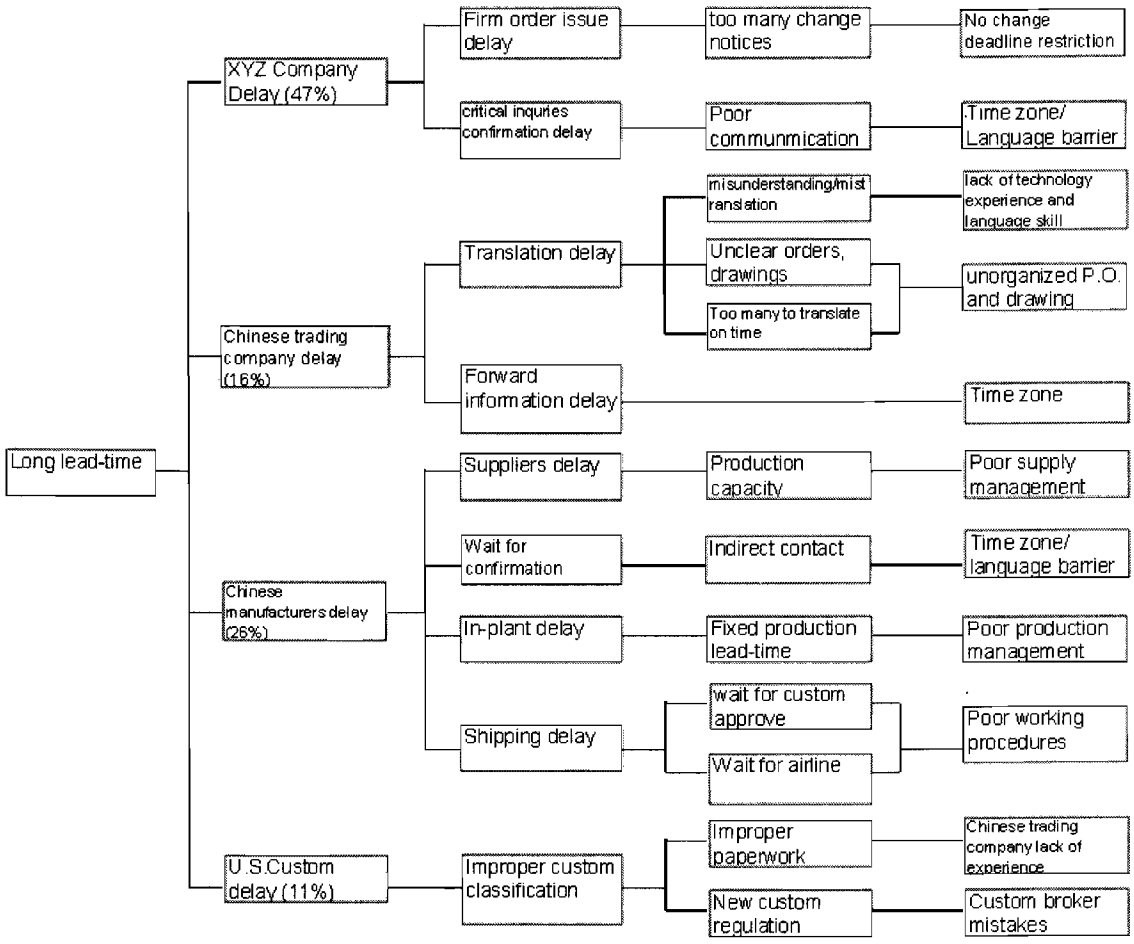


Figure 12: Five Whys root cause analysis

In addition, the study addresses the percentage of delays occurring at XYZ Company, the Chinese trading company, the Chinese manufacturers, and U.S. Customs

Limitations

Data was collected through XYZ Company and their Chinese suppliers. As a result, this study may only represent one type of small U.S. buyer, Chinese trading company, and Chinese manufacturer.

Chapter IV: Results and Recommendations

XYZ Company and its Chinese suppliers are both willing to improve their performance and build a more rewarding business relationship. By identifying the root cause(s) of XYZ Company's long order lead-times, this study allows recommendations to be made for reducing or eliminating non-value added procedures, thereby improving the order process and reducing lead-times.

The most obvious problem in this case study is a lack of discipline—including formal documentation and contracts instead of verbal agreements. The direct effect of this lack of discipline is that no one responds or pays for late deliveries. XYZ Company damaged its reputation with customers and missed critical business opportunities. Long order lead-times also damaged the relationship between XYZ Company and its Chinese suppliers.

Based on a Five Whys analysis, this study reclassifies root causes into those originating from XYZ Company, the Chinese trading company, and the Chinese manufacturers. The study references Root Cause Analysis Handbook (1999) and The Science of High-Performance Supplier Management (2002), integrating the suggestions from XYZ Company and their Chinese suppliers to recommend process improvements and reduce overall lead-times.

XYZ Company is a small U.S. company lacking international business management experience. When XYZ Company conducts business with its Chinese suppliers, the shortages can be identified as follows:

1. No change deadline restriction.

- Any order change will affect the Chinese manufacturer's schedule. Late change notices, particularly, will lead to waste and late shipments.

2. Unorganized requests.
   - Purchasing orders, change notices, and drawings are unclear to Chinese manufacturers. The Chinese trading company must provide better management of translation and document distribution.
   - Change notices are modified frequently after purchase orders are issued. The Chinese manufacturer must wait for firm purchase orders before preparing the raw materials and production schedule.

Based on the literature review and analysis, this study recommends that XYZ Company take the following actions:

1. XYZ Company should finalize the specifications before the purchase order is issued. In order to clarify responsibilities and protect against the changes, sign a contract with the Chinese supplier to build good discipline in the business (Appendix I).
   - XYZ Company responsibilities: no more change after signing the contract. In this way, the Chinese manufacturers can begin ordering raw materials as soon as XYZ Company's initial deposit is paid. This overlap in processing and raw materials ordering time would reduce manufacturing lead-times by appoximately one month.
   - The Chinese manufacturer responsibilities: As long as the Chinese manufacturer agrees to a delivery date, they must pay penalties for any delays.

Likewise, XYZ Company would pay a penalty for changes to specifications after the purchase order is agreed to.

- Additionally, the contract shall address potential future problems, issues, and concerns (Appendix I).

2. To simplify communication, develop organized, standardized forms for purchase orders, change notices, and drawings.
    - Create a single version for purchasing orders, change notices (Appendix J), and drawings, in both English with Chinese. Both XYZ Company and their Chinese manufacturer would understand the contents without the time and cost associated with translation. In this way, XYZ Company could contact the Chinese manufacturer directly, only involving the Chinese trading company as needed. Standard order information flow would be reduced to two business days, and technical or process confirmation times between XYZ and the Chinese manufacturer would be minimized as well.
    - To ease communication, establish revision levels for each change notice. Both XYZ Company and their Chinese supplier could then manage orders more readily, preventing mistakes or misunderstandings (Figure 13, Table 3):

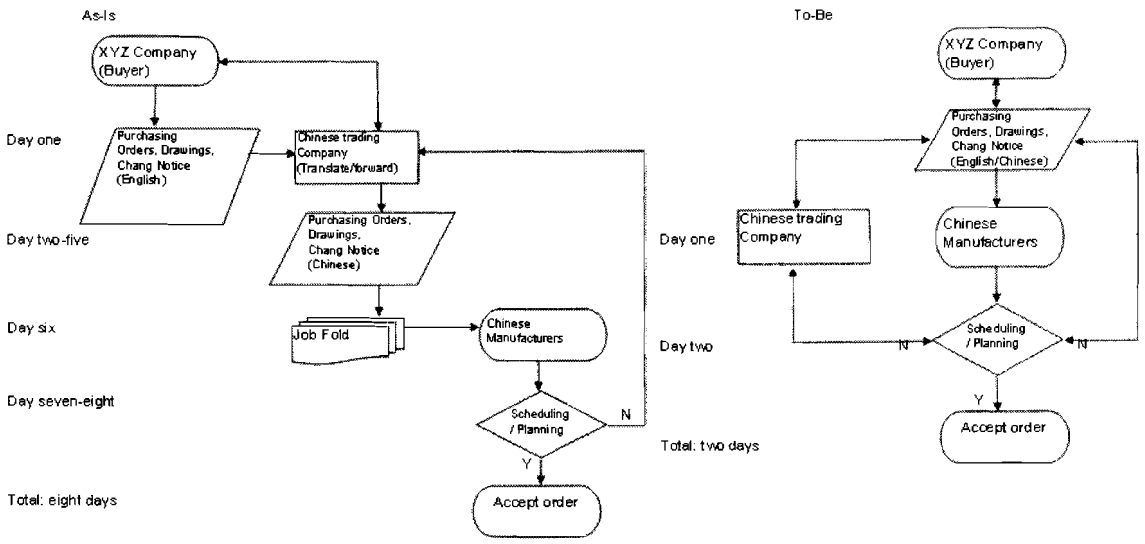


Figure 13: As-is vs. To-be information flow

As is		**To be**	
Activity	Time (Days)	Activity	Time (Days)
XYZ issue purchasing order, drawing,and change notice to the Chinese trading company (Engish forms)	1	XYZ issue purchasing order, drawing,and change notice to the Chinese manufacturer, copy the Chinese trading company (English/Chinese forms)	1
Chinese trading company translate (English-Chinese)	4	Omit	0
Chinese trading company file and forward to the Chinese manufacturer	1	Omit	0
Chinese manufacturer confirmation (planning/scheduling)	2	Chinese manufacturer confirmation (planning/scheduling)	1
Total	8	Total	2

Lead Time Saving : 6 days

Table 3: As-is vs. To-be information flow

3. Monitor the Chinese manufacturing process.
    - Monitor the manufacturer's order process, requesting weekly progress reports to guarantee the shipment.
    - Meet with Chinese suppliers periodically to resolve technical issues, improve the order process, and strengthen the relationship.
        - Conference calls with the Chinese trading company could result in improved order processes and increased business opportunities.

- Face–to-face communication with the Chinese supplier, to brainstorm and create improved procedures, could result in better product quality and reduced lead-times.

As increasing numbers of small U.S. buyers seek low-cost, adequate quality Chinese products, culture and language barriers will become more apparent. Expert assistance is required to effectively access Chinese manufacturers and markets. These small U.S. businesses long for a competent middleman who can represent them in China, searching new opportunities and enhancing current businesses with local manufacturers. However, without years of international experience, the Chinese trading company can hardly offer such professional services. The Chinese trading company who serves XYZ Company has the following shortcomings:

1. Lack of experience in working with small U.S. Company.
   - Small U.S. buyers need more guidance in searching for suppliers and monitoring market trends in China.
2. Lack of technical experience.
   - The Chinese trading company is essentially a middleman, helping foreign businesses locate the best-suited Chinese manufacturers, and handling international paperwork. For specific technical issues, the Chinese trading company must rely on the foreign business and Chinese manufacturer to resolve those issues by themselves. Additionally, because of their lack of technical experience, the Chinese trading company requires more time to translate technical drawings.

This Chinese trading company is willing to improve its service quality, working with XYZ Company to grow their business in China. This study recommends the trading company take the following actions (Table 4):

As is (Observation)	Issues	To be (Recommandation)
-- Translating the documents including Purchasing order, change notices, drawing -- Translating and forwarding messages bewteen XYZ Company and Chinese manufacturers	-- Take at least six days to translate new purchasing orders, and drawings -- Take at least two day to forward the messages between XYZ Company and the Chinese manufacturers	-- Createing standard forms(English/Chinese) to simpilify the communication.Translating and forwarding information as needed.
-- Expediting the production	-- Do not control the Chinese manufacturing's production schedule, then push the products when XYZ Company inquires or on the due day.	-- Monitoring the manufacturer's performance
-- Preparing the invoicing, collecting the payment.	N/A	-- Preparing the invoicing, collecting the payment.
-- Preparing the proper paperwork including custom claim	N/A	-- Preparing the proper paperwork including custom claim
-- Arranging the domestic and international shipment	N/A	-- Arranging the domestic and international shipment
		-- Helping foreign buyers to access Chinese manufacturers and market -- Improving the relationship between buyers and manufacturers -- Representing foreign buyers in China and sourcing new opportunities

Table 4: As-is vs. To-be Chinese trading company responsibility

1. Establish a business contract to against the changes (Appendix I).
    - The first priority for XYZ Company and its Chinese supplier is to make a contract clearly identifying restrictions and business responsibilities.
    - Besides being a legal contract, business contracts enhance work procedures, ultimately improving the current order process.
2. Represent XYZ Company in China to monitor the Chinese manufacturer's performance.
    - Long distances and language barriers mean difficulties in communication. The Chinese trading company must respond to XYZ Company and its Chinese manufacturer as needed. For example, the Chinese trading company should translate and forward the additional request or technical information on time.

Also notify XYZ Company as soon as possible of any potential delays in a delivery schedule.

3. Facilitate communication between XYZ Company and its Chinese manufacturer, resolving issues and problems as they arise. Periodic communication will enhance the business relationship between XYZ Company and its Chinese manufacturers.
4. Study Chinese market trends, seeking more opportunities for XYZ Company. For example, the Chinese trading company could source other potential suppliers in China and control the current cost.
5. Establish a standard customs claim process, and prepare the proper customs paperwork
    - Prepare customs paperwork no later than three business days after the Chinese manufacturer begins the production, and make sure all the documents are prepared before the products are ready to ship. This will minimize the claim time in Chinese customs.
    - Monitor the Chinese manufacturing schedule, and make airline arrangements on time to reduce time waiting for shipment.

Because of the excess labor available in China, government and labor markets encourage Chinese manufacturers to secure more business from international buyers. Meanwhile, the Chinese government offers huge tax deductions to encourage exports. However, many Chinese manufacturers are young, lacking mature manufacturing experience. Most of them are just beginning to work with international buyers. The shortcomings of Chinese manufacturers can be identified as follows:

1. Poor supply management.

- Since XYZ Company has specific color and material requirements, the Chinese manufacturers do not arrange the raw materials until they receive firm purchase orders and drawings.
- The yarn supplier takes approximately twelve days to arrive at the plant; the color supplier takes six days (Figure 14). Shipping the yarns directly to the color suppliers will save at least two shipping days (Figure 15).

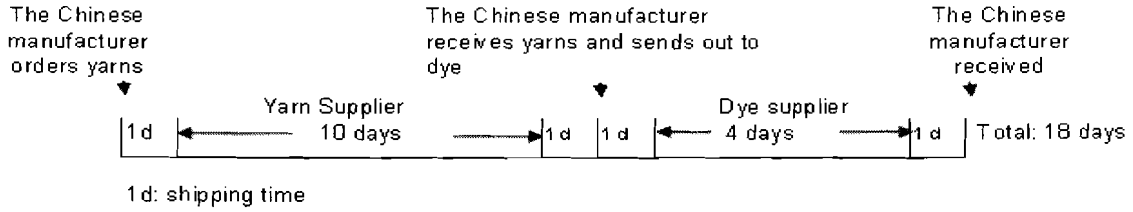


Figure 14: The Chinese manufacturer arrange the raw materials (As is)

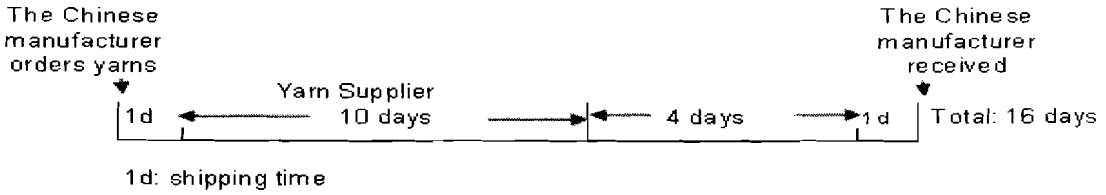


Figure 15: The Chinese manufacturer arrange the raw materials (To be)

2. Poor production management.
   - The Chinese manufacturer's production schedule is based on the raw materials receiving date, instead of the customers' requested date. The Chinese manufacturers will not pull the production if customers do not push the shipment.
   - Chinese manufacturers knit 350 to 400 pieces each day for regular orders. For XYZ Company, they only knit 100 pieces each day because of XYZ's smaller quantities and more styles. Chinese manufacturers cannot effectively manage small batch orders. As a result, they surcharged XYZ Company additional

2881.94 U.S. dollars for Spring 2007 orders. To address this, XYZ Company can continue to pay surcharge, increase order quantity or work with a supplier that can make small batches.

- Knitting, finishing, and packaging are all managed by different groups, which are located in different buildings. As a result, each step is scheduled for a different day. This is not continuous and smooth manufacturing management.

Based on literature reviews and ideas collected from XYZ Company, the Chinese trading company, and the Chinese manufacturers, this study recommends Chinese manufacturers take the following actions (Figure 16, Table 5):

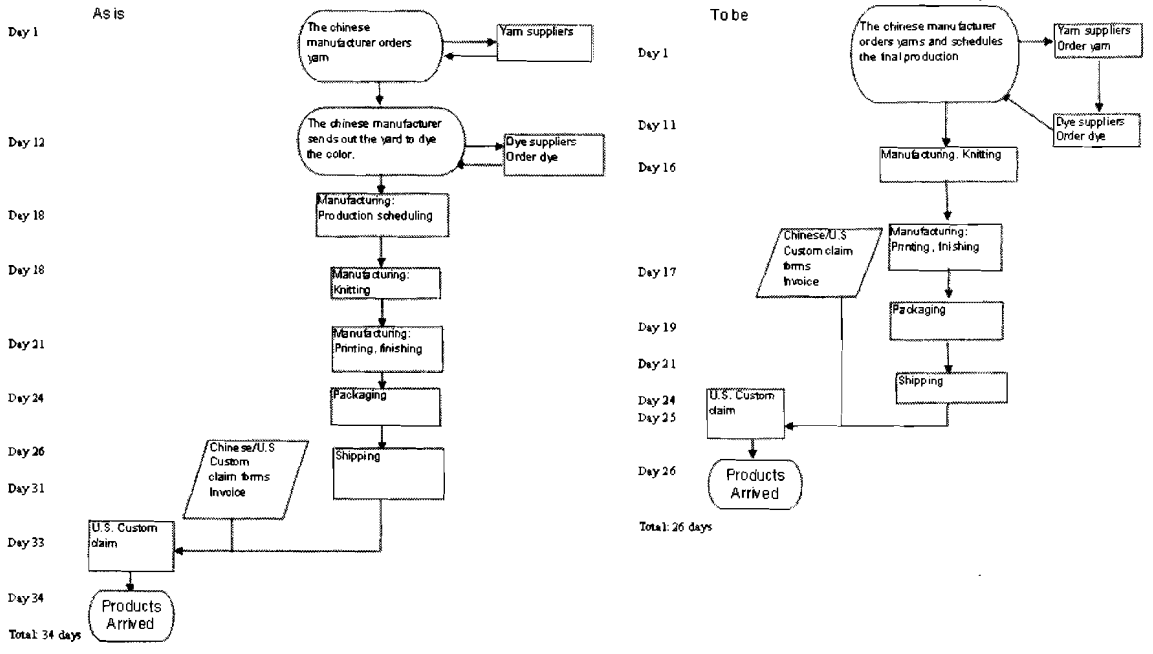


Figure 16: As-is vs. To-be material flow

As is		To be	
Activity	Time (Days)	Activity	Time (Days)
The Chinese manufacturing orders yarn and receive the yarn	12	The Chinese manufacturing orders yarn and scheudle the final production	11
The Chinese manufacturing orders dye and receives, then schedule the final production	6	Dye the yarn and ship yarn to the Chinese manufacturer	5
The Chinese manufacturing kintting	3	The Chinese manufacturing kintting	1
The Chinese manufacturing printing and finishing	3	The Chinese manufacturing printing and finishing	2
The Chinese manufacturing packaging	2	The Chinese manufacturing packaging	2
Shipping + Chinese Custom paperwork claim	5	Shipping + Chinese Custom paperwork claim	3
U.S. custom claim	2	U.S. custom claim	2
Arrive to XYZ Company	1	Arrive to XYZ Company	
Total	34	Total	26

Lead Time Saving = 8 days

Table 5: As-is vs. To-be material flow

1. Establish contracts with XYZ Company to clarify business responsibilities (Appendix I).
2. Prepare raw materials as soon as firm material requirements, quantities, and deposits are received.
    - Overlapping material preparation and order delivery times will reduce lead-times.
    - Work closely with raw material suppliers to manage materials more efficiently (e.g., Suppliers shipping directly to one another can save two shipping days).
3. Schedule production more efficiently.
    - Schedule production to meet customer requirements and requests.
    - Update the order process information periodically, informing XYZ Company immediately about any production issues or delays.
    - Work closely with XYZ Company, establishing problem-solving procedures to resolve quality and lead-time issues.
        - Brainstorm with XYZ Company to collect ideas for streamlining processes.

- Use value stream mapping tools to identify non-value-added processes.

Overall order lead-times can be reduced from three months to one and a half months. This figure includes two to five days order delivery time, approximately one month manufacturing time, and three days shipping time (Figure 17).

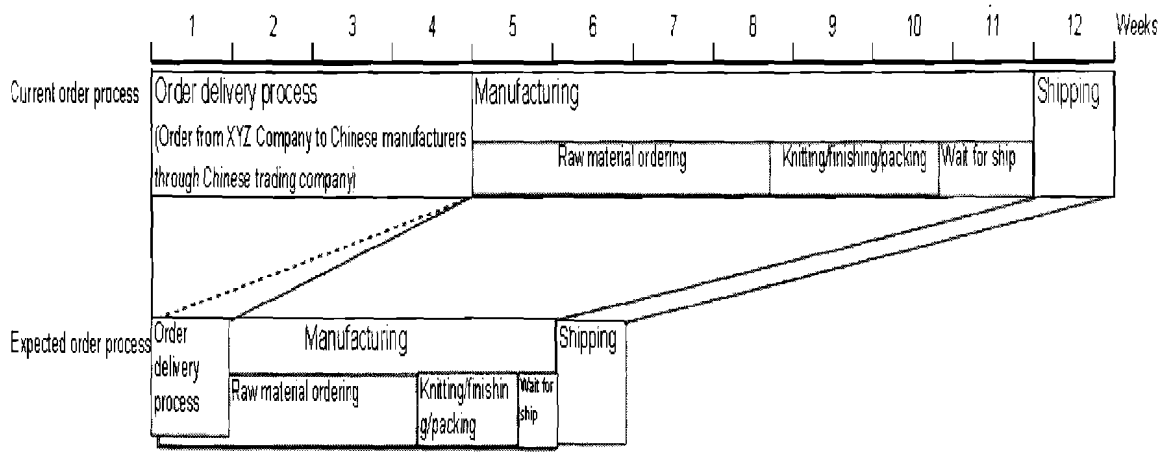


Figure 17: Current vs. Expected order process

Chapter V: Discussion

This study used root cause analysis tools to determine the real cause of long order lead-times for XYZ Company. Based on literature reviews and suggestions from XYZ Company and its Chinese suppliers, the study recommends the following strategies to reduce order lead-times and improve the companies' business relationship.

The first recommendation is that XYZ Company should finalize the specifications before delivering the purchase orders to the Chinese manufacturers. In order to clarify responsibilities and protect against the changes, the efficient way is to create a contract identifying all specifications, applicable restrictions, responsibilities, penalties, and remediation sign a contract with the Chinese supplier to build good discipline in the business. The Chinese trading company should facilitate the creation of this contract.

Secondly, work procedures for both companies must be improved. XYZ Company must work closely with the Chinese trading company to simplify its communication process. Establishing standard order processes—including creation of English/Chinese forms for purchase orders, change notices (Appendix J), and drawings—would be a valuable investment.

To improve their own efficiency and cost-savings, XYZ Company might consider consolidating their order styles, sizes, and materials. Any changes to materials or quantities must be communicated to the Chinese supplier and/or manufacturer as early as possible.

The Chinese trading company must provide more diligent monitoring of the Chinese manufacturer, facilitating periodic meetings to resolve business issues, improve order processes, and prepare customs paperwork.

The Chinese manufacturers can overlap their order and raw material delivery times, optimizing material shipments to reduce order lead-times.

Limitations

This study's findings and suggestions are only applicable to XYZ Company and its Chinese supplier, manufacturer, and trading company. The suggestions may only improve a portion of the current order process, and are not intended to achieve the best possible performance.

This is an ongoing study that requires more time and people working together to continuously improve the order process. By employing Six Sigma tools (e.g., Value Stream Mapping, Lean Thinking), manufacturing processes and procedures will be improved and streamlined, and non-value-added procedures will be eliminated.

Conclusions

Order lead-time is perhaps the most critical element in securing China's low price when conducting international business. Since some small U.S. businesses cannot find the right Chinese suppliers and cannot solve their lead-time issues, they are forced to give up many Chinese opportunities. Building a reliable relationship between small U.S. buyers and Chinese suppliers is critical to achieving business success.

Recommendations

This study is just beginning to identify critical problems between XYZ Company and its Chinese suppliers. All parties involved are willing to improve their procedures in order to make their businesses more reliable and rewarding. The Chinese trading company's facilitation of periodic meetings between XYZ Company and its Chinese suppliers is an especially critical component in improving these business relationships.

This is an ongoing project to improve the business relationship between XYZ Company and its Chinese suppliers.

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Appendix A: Interview questions for the president of XYZ Company on January. 08, 2007

1. How long have you owned the business?
2. What's your main product? What's your sales volume or amount?
3. What's your advantage in the garment market?
4. How long have you work with Chinese suppliers?
5. Why did you decide to make the products in China?
6. Why did you choose ABC Chinese trading company to work with?
7. What's the cost deduction that your products import from Chinese?
8. What's your plan in the next year and next five years?
9. Are you satisfied ABC Chinese trading company?
10. Are you satisfied with current manufacturers that ABC Chinese trading company chose?
11. What are the biggest concern/ difficulty to work with Chinese suppliers?
12. What's the lead-time for production and transportation?
13. Would you like to improve your relationship with Chinese suppliers?
14. Would you like to work with me to find the root cause of the problems or issues between you and Chinese suppliers, and then improve the relationship with them?
15. Could you forward some data of purchasing orders, change notices or drawing that you send to Chinese trading company that I can see more details?

Appendix B: Interview questions for the president of XYZ Company on February. 03, 2007

1. What's the lead-time from purchasing order issued to receive the products from China?
2. Do you monitor your purchasing order process after issue?
3. Do you know the exact date that your orders are scheduled in the manufacturing?
4. How do you deal with the backorders?
5. How often do you change your orders? E.g. color change, quantity change or drawing modification…
6. You mentioned about the size and measurement problems. Do you know why it happens?
7. I noted your orders were stocked at U.S. custom. Do you think the U.S. quota issue will affect your business?
8. What's your suggestion to improve the relationship between you and Chinese trading company and manufacturers?

Appendix C: Interview Questions for the Chinese trading Company on February. 04, 2007

1. How long have you work with XYZ Company?
2. How long have you worked in the international business? Especially knit business and U.S. buyers
3. What do you think the relationship with XYZ Company? What's your concern?
4. How do you control XYZ Company orders?
5. Why did you choose certain manufacturers for XYZ Company?
6. How long does it take to receive the XYZ Company purchasing orders, change notices and drawing to forward to the manufacturers?
7. How do you deal with the backorders?
8. How often do you check the XYZ Company order status with the manufacturers?
9. Can you on-time translate the problems between the manufacturers and XYZ Company?
10. Do you know the cause of longer lead-time and quality issues? E.g. Spring 2007 orders
11. There were some mistakes about size and measurement in the last couple orders. Do you have any plan to reduce the mistakes? Or you have done something already?
12. Do you like dealing with small U.S. buyers? What's their advantage or disadvantage?
13. What's your suggestion to improve the relationship between you and XYZ Company?

Appendix D: XYZ Company Spring 2007 purchasing orders (Summary)

Style	Description	Final Quantity
B3001	zip up cardigan	132
B3002	Racer Tank	63
B3003	tank	56
B3004	V-nekc pullover	45
B3005	Basic Tank	80
B3006	3/4 sleeves pollover	40
B3007	Banded Pants	120
B3008	short pants	50
B3009	leggings	55
B3010	printed long sleeves tunic	50
B3011	printed short sleeves tunic	50
B3012	Printed Middy	0
SC520	printed hoodie	60
SC521	Printed pants	0
SC512	pants	60
SC522	Basic Tank	56
SC523	sailor top	10
Sc524	V-neck printed top	20
Sc525	lace trim tee V-neck	15
Sc526	printed wrap	15
Sc528	2 pocket cardigan	10
Total		987

Chinese manufacturer requires surcharges (2881.94USD) for small quantity orders from XYZ Company

Appendix E: Sample of a detailed Purchasing order

Due Date	PO#	Item #	Description	Color	P	S	M	L	XL	TOTAL
		B3003	Banded Tank	Aqua	3	8	6	8	3	28
		B3003	Banded Tank	Black		8	8	8	4	28
			TOTAL							**56**

Appendix F: Detailed order time frame of Spring 2007 orders

Style	P.O. issued	Chinese trading company request additional information	Chinese trading company translate and forward it to Chinese manufacturer	Chinese Manufacturer reject (1)	XYZ Company reissue P.O	Chinese trading company forward to Chinese manufacturer	Chinese manufacturing confirmation	Chinese manufacturing order raw materials	Production began	Chinese manufacturer inquiring	Chinese trading company forward to XYZ Company	XYZ Company changes	Ship to warehouse	Flight to U.S	Clear U.S. custom (2)	Arrived
	Email	phone call	phone call	phone call	Email	Email	phone call	Email	Email	phone call	phone call	phone call	phone call	Email	Email	Email
B3001	11/13/06		11/23/06				11/27/06	12/12/06	1/11/07	1/12/07	1/15/07	1/19/07 (b)	1/26/07	1/31/07	2/7/07	2/9/07
B3002	11/13/06		11/23/06				11/27/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
B3003	11/13/06		11/23/06				11/27/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
B3004	11/13/06		11/23/06	11/24/06	11/27/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
B3005	11/13/06		11/23/06				11/27/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
B3006	11/13/06		11/23/06	11/24/06	11/27/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07	1/12/07	1/15/07	1/19/07 (b)	1/26/07	1/31/07	2/7/07	2/9/07
B3007	11/13/06		11/22/06				11/27/06	12/12/06	1/11/07	1/12/07	1/15/07	1/19/07 (b)	1/26/07	1/31/07	2/7/07	2/9/07
B3008					New 11/27/2006 (a)	12/5/06 (d)	12/10/06(c)	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
B3009	11/13/06		11/22/06				11/27/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
B3010	11/13/06		11/22/06				11/27/06	12/12/06	1/11/07				1/26/07	1/31/07	2/7/07	2/9/07
B3011	11/13/06		11/22/06				12/5/06	12/12/06	1/11/07				1/26/07	1/31/07	2/7/07	2/9/07
B3012	11/13/06	11/16/06	11/24/06		Cancelled 11/27/2006	12/5/06	12/10/06									
SC520	11/6/06		11/16/06				11/27/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
SC521	11/6/06		11/16/06		Cancelled 11/27/2006	12/5/06	12/10/06									
SC512					New 11/27/2006 (a)	12/5/06 (d)	12/10/06(c)	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
SC522	11/6/06		11/16/06				11/27/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
SC523	11/6/06		11/16/06	11/17/06	11/27/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
Sc524	11/6/06		11/16/06	11/17/06	11/27/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07	1/12/07	1/15/07	1/17/07(f)	1/26/07	1/31/07	2/7/07	2/9/07
Sc525	11/6/06	11/8/06	11/20/06	11/21/06	11/29/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
Sc526	11/6/06	11/8/06	11/20/06	11/21/06	11/29/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07
Sc528	11/6/06	11/8/06	11/20/06	11/21/06	11/29/2006 (a)	12/1/06	12/5/06	12/12/06	1/11/07				1/23/07	1/31/07	2/7/07	2/9/07

(1): Chinese company rejected and applied extra charge for small orders
(2):B3011 and B3010 paperwork mistake. In addition, due to new regulation for bamboo items imported to U.S. , the custom broker re-do the paperwork

Delay reason analysis for Spring 2007 orders
(a) XYZ Company late change notice: 9 times
(b) Waiting and confirmation: 3 times
(c) Chinese manufacturer late confirmation: 2 times
(d) Chinese trading translate and forward information: 2 times
(e) U.S. custom stuck -- improper paperwork: 2 times (B3011 and B3010)
(f) Others: 1 time
Total: 19 times

Delay analysis -- for Five Whys diagram
XYZ Company delay
Chinese manufacturer delay
Chinese manufacturer delay
Chinese trading company delay
U.S. custom delay
Chinese trading company delay

Appendix G: Sample of Fall 2007 sample orders time frame

Style	P.O. issued	Chinese trading company request additional information	Chinese trading company translate and forward to Chinese manufacturer	Chinese Manufacturer deny (1)	XYZ Company reissue P.O	Chinese trading company forward to Chinese manufacturer	Chinese manufacturing confirmation	XYZ Company color material confirmation	XYZ Company Change notice revision	Chinese manufacturing re-confirmation	Chinese manufacturing order raw materials	Production begin (2)	Ship to warehouse	Flight to U.S	Clear custom (2)	Arrived
No.1	12/6/06		12/14/06	12/20/06			12/28/06	12/29/06	1/8/07	1/17/07	1/19/06	2/12/07	3/6/07	3/12/07	3/15/07	3/16/07
No.4	12/6/06		12/14/06	12/20/06	Cancelled	12/26/06	12/28/06									
No.5	12/6/06	12/7/06	12/14/06	12/20/06			12/28/06	12/29/06			1/19/06	2/12/07	3/6/07	3/12/07	3/15/07	3/16/07
No.20	12/6/06	12/12/06	12/19/06	12/20/06			12/28/06	12/29/06		1/17/07	1/19/06	2/12/07	3/6/07	3/12/07	3/15/07	3/16/07
No.23	12/6/06	12/14/06	12/19/06	12/20/06			12/28/06	12/29/06	1/8/07	1/17/07	1/19/06	2/12/07	3/6/07	3/12/07	3/15/07	3/16/07
No.32	12/6/06		12/20/06	12/20/06	Cancelled	12/26/06	12/28/06									

(1): too many sample requests, the Chinese manufacturers deny.

(2): Chinese new year, plant shut down one week and two weeks half capacity

Appendix H: Sample of E-mails

-----Original Message-----
From: Chinese trading company
Sent: Tuesday, January 16, 2007 8:16 AM
To: XYZ company
Subject: Re: RE: 07AW SALESMAN SAMPLES SCHEDULE---#007 yarn in stock

You want to make #007 with the loden2 (same as #008). But the factory only has 0.9kgs in STOCK(not enough for 2 styles). So the factory supply us some more col. in stock SILK55% CASHMERE45% (in the picture: NO.23 blue 3.6kgs ; NO.45 teal 3.2kgs; NO.4 toast 1.0kgs). Can you accept any? If all not, we have to order 20kgs on this style, and cost time.(20kgs yarn estimate USD800.00). Considering both side cost, we must order the yarn very seriously according to your order. PLEASE CONFIRM BY RETURN.

#018 silk fabrics: I will check for you with the silk store here tomorrow. Reuse the fabric on the garment, can not.(many hole on it)

Best Regards
XXXXX

-----Original Message-----
From: XYZ Company
Sent: Monday, November 06, 2006 8:35 PM
To: Chinese trading company
Subject: Spring 2007 Orders
Hi XXX:

Here are the new totals for the silk/cotton and the bamboo (see attachment). I am tired so I don't know if I am repeating myself.

I spoke with my rep in LA and he says that a major problem he has is that it has been so hot (90 degrees today) and the stores are full of unsold merchandise.
He thinks the orders will come in January.

Can we do two shipments-350 pieces in January 250 pieces in late February, for instance, with a totalof minimum 600pieces? We cannot enter the order until the first week of December-it is critical to have the rest of November to sell.

Please advise.
XXX

Appendix I: Suggested business contract

CONTRACT

Date:

Buyer: XYZ Company
Seller: ZZZ manufacturing (AAA trading company)

The contract is made by and between the buyer and seller, whereby the buyer agrees to buy and the seller agrees to sell the under-mentioned commodity according to the terms and conditions stipulated below:

Commodity and specifications	Unit	Quantity	Unit price	Total value
Xxxxxxx	Xx	Xx	Xx	Xxx
Grand total (FOB: Shanghai, China)				

Time of shipment: Within 45 days after signing the contact and T/T payment of 30% of the contract value.
Transportation: By air.
Port of shipment: Shanghai, China
Port of destination: Los Angeles, U.S.
Insurance: Te be effected by the buyer for 110% of invoice value against ICC(A) and War risk
Terms of payment:
The buyers shall telegraph transfer 30% of the contract value to the seller's bank account and open the L/C at sight of 70% of the contact value to the seller within 3 business days after receiving the commodities.
Shipping documents:
The number and contents of the documents shall be complete and correct. If the buyer fails to pass the Customs and take over the goods in time due to the seller not having provided the documents, all losses shall be borne by the seller. The buyer's name with its complete address and telephone number must be printed on Air bill, otherwise the seller shall be responsible for the loss arising thereof.
Shipment and shipment advice:
1. The seller shall ship the goods within the time. Partial shipment is allowed. Whereas partial shipment happened, all the expenses and costs occurred thereof shall be borne by the seller.
2. The seller shall advise the buyer by fax/Email of the number of Air in one business day upon completion of loading the goods for the buyer to arrange take over the goods and customs clearance in time. In a word, in case the buyer fails to arrange take over the goods and custom clearance due to the seller not having fully advised, all losses shall be borne by the seller.
Guarantee of quality:
The seller shall guarantee that the goods are made by unused and correspond in all respects with the quality, specified technology and performed as stipulated in this contract.

Taxes and Duties:

1. All taxes arising inside of U.S. in connection with the execution of this contract shall be borne by the buyer.
2. All taxes arising inside of China in connection with the execution of this contract shall be borne by the seller.

Arbitration:

All disputes in connection with this contract or the execution thereof shall be settled through friendly negotiations. In case no settlement can be reached through negotiations, the case should be submitted for arbitration. Arbitration shall take place in a third country which is accepted to both parties, and the decision of the Arbitration Commission shall be final and binding upon both parties neither party shall seek resource to a low court nor other authorities to appeal for revision of decision Arbitration fee shall be borne by the losing party.

Responsibility:

1. XYZ Company shall clarify the order specifications and pay 30% of the contract value when signing this contract.
2. ZZZ manufacturing shall ship the products before or on the due day.
3. On behalf of ZZZ manufacturing, ABC trading company responds to translate the manufacturing documents, collect the XYZ Company payment for ZZZ manufacturing, prepare the Chinese and U.S. custom paperwork and arrange all domestic and international shipment.

Remark:

1. The buyer shall not change order specifications after signing this contract. The quantity changes shall be made before the production without the penalties. The seller could postpone the shipment 45 business days if the buyer changes the order quantity.
2. The buyer shall incur all costs if the order quantity changes after the production begins.
3. In case the seller delays the shipment more than 2 weeks, the buyer shall have the right to cancel the contract. In addition, the seller shall pay a penalty to the buyer if the shipment is delayed more than 2 weeks. The penalty shall equal the profit of lost sales had the shipment arrived on-time. The seller shall also be responsible for all costs including but not limited to material, labor, overhead, transportation and profit.
4. The buyer shall have the right to examine the goods on arrival, and within 3 business days after the delivery. Buyer must give notice to the seller of any claim for damages on account of the condition, quality, or grade of the property, and must specify the basis of his claim in detail. The failure of the buyer to comply with these rules shall constitute irrevocable acceptance of the goods.

Buyer:	Seller:
XYZ Company (Seal)	ZZZ Manufacturing (Seal) ABC trading company (Seal)
Representative: (Signature)	Representative: (Signature)
Tel:	Tel:
Account Bank:	Account Bank:
Account No.:	Account No.:
Date of Signature:	Date of Signature:

Appendix J: Suggested change notice

XYZ Company Change Notice
XYZ公司变更通知书

Order Number: S2007000001
订单号

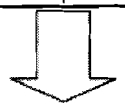
Change Date: XX/XX/XXXX
变更日

Change Reason: Quantity increase
变更原因

Revision #: 1
变更次数

Original
原单

Item NO. 物品编号	Descriptiion 规格及说明	Color 颜色	Size 大小	Drawing NO. 示样书编号	Quantity 数量
B0001			M		6



Revision
变更

Item NO. 物品编号	Descriptiion 规格及说明	Color 颜色	Size 大小	Drawing NO. 示样书编号	Quantity 数量
B0001			M		15

COMMENTS
备注