



## QC INSIGHTS

### AUGUST ISSUE

*Help for your supply chain*



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### FEATURE ARTICLE

#### Games Suppliers Play

A Russia company ordered 20 tons of stainless steel from their regular supplier in China. Later the order was cancelled when the company chose another supplier who offered the product at price much lower than the market price.

The original supplier advised the client to consider doing comprehensive due diligence on the new supplier, since the quoted price was unreasonable. The buyer stated they had made up their mind and were buying from the new supplier. The 30% pre-order deposit was made to start the order and prepare the cargo.

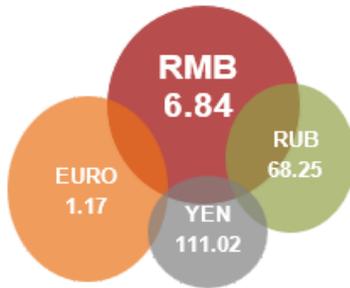
The original supplier referred a 3<sup>rd</sup> party inspection service to the client to confirm the quality and quantity of the order before it was shipped. However, the client chose to use the freelance inspector recommended by the new supplier, as they did not want to pay the cost of an accredited provider. The new supplier was able to talk the client into accepting this

since they were paying for the inspection and would save 70% on the cost of the inspection. The inspector delivered a positive inspection report stating the quality and quantity matched the order. Based on this, the client made the final payment of 70% and arranged for shipping of the product.

Once the shipment was received, the client found that the shipment only included 16 tons of stainless steel, which was four tons short. This represented a loss of more than 10,000USD – all for the sake of saving less than 150USD for an accredited inspector.

The client had to learn the hard way the truth in the old saying, "if it sounds too good to be true, it probably is". Even though it makes sense to explore better pricing, failing to performing proper quality control cost the company far more than the extra cost. The service of true professionals is always worth the cost.

Currency to Dollar



#### AUG. CLOSING

The EURO continues to rise against the US Dollar while the Ruble and Japanese Yen slide. However some economists look for the dollar to slip in the short term due to inflationary pressures from the rising cost of oil rising interest rates.

## 4 IMPORTANT SKILLS FOR SUPPLY CHAIN LEADERS

### Definition of an Understatement

*"The supply chain stuff is really tricky."* — Elon Musk

## SURVIVING THE "TRADE WAR"

A couple months ago we said "don't overreact". While sky has not yet fallen, there is reason for concern. The fact is that the trade standoff between China and the USA is heating up, and may continue to do so for at least the foreseeable future. In the meantime, what steps can you take to prepare for the worst case scenario? A few steps are shown below.

- Compare various sourcing scenarios based on how you expect to be impacted.
- Establish better visibility in your supply chain. In other words know who your supplier's suppliers are.
- Employ spend analytics as a key component of your supply chain strategy.
- China is doing little to stop the decline of the RMB, which will ease the impact. So, watch the rates, and explore ways of binding your pricing to changes in the rate.

1

### Market and Economic Dynamics

From understanding buyer behavior to global industry issues, having the ability to quickly analyze and grasp the underlying impact on strategies is key to future success.

2

### Project Management Skills

Every aspect of managing supply chains requires PM skills. These include the ability to cross manage budgets, resources, and schedules, as well as risk management.

3

### Empowering Staff

USA President Reagan said, "the greatest leader is not the one who does the greatest things, but who can get people to do the greatest things". Enough said.

4

### IT and Automation

Not only will you and your staff use IT, but you will have direct input into purchase decisions. So having a solid understanding of IT is critical.

*"You don't get what you want, you get what you negotiate."*

— Harvey Mackay

## TRENDS IN MANUFACTURING

Some of the largest contract technology manufacturers in Taiwan are signaling their strong interest in diversifying their manufacturing out of China and into South Asia.

This effort was already underway due to combined pressures of higher wages and infrastructure costs in China. However, the recent drum beat of trade war between the USA and China has accelerated this trend. Since only 18% of China exports go the USA, China believes it can take a

hard line in trade negotiations with the Trump administration.

These factors are moving an increasing number of companies to explore ways to diversify their manufacturing and sourcing efforts away from China to other emerging markets, especially in South Asia, which represents a viable alternative for many consumer goods.



## AUGUST SNEAK PEAK

-  **The Games Vendors Play**
-  **Partnering with Key Accounts**
-  **Trends in Supply Chain Services**
-  **Regulatory and Industry Updates**

## UPCOMING EVENTS

### Tokyo International Gift Show

Sept 4 - 7, 2018  
Big Sight  
Tokyo  
Booth E3-T22-44

### Asia Fruit Logistica

Sept 5 - 7, 2018  
Asia World-Expo  
Hong Kong  
Booth 5K18K

**HQTS** is a full service quality assurance and supply chain services company.

## Regulatory Updates

## HQTS NEWS

### HQTS Teams Up With Alibaba

Alibaba's Tmall announced a new clothing platform featuring "Excellent Products Selection" and cloud quality assurance services. As the first service provider on this platform, HQTS was invited to participate in this event at Alibaba headquarters.

HQTS will offer QA services on the new cloud based platform. This agreement is a natural outgrowth from many years of partnership with Alibaba to meet the quality assurance needs of companies around the world who import products from China.

HQTS looks forward to improving HQTS brand awareness, increasing our testing and inspections market share, and providing quick and convenient services to our global customers through this strategic relationship.



### QC Dog's Corner

Our subsidiary, Yoshida Sorting and Inspection Co., has long experience in meeting the exacting needs and requirements of Japanese clients.

They place great importance on accuracy, carefully checking and rechecking all report information. Descriptions and terminology must not be verbose or they will generate complaints, negative comments, an general dissatisfaction.

Maintaining good relationships is based on trust, which is largely earned by accurate reports, fast communication, and a shared work ethic.

Price is seldom an issue, and once trust is established, they are loyal customers, and often refer us to others in their vast business networks.

### EU & Children's' Textile

The CEN has issued three new standards for sleeping bags, cot bumpers and cot duvets to minimize the risks for babies and young children using these products in a sleep environment.

[CLICK FOR ARTICLE](#)

### USA Jewelry Revisions

(FTC) approved the final revision to the "Guides for the Jewelry, Precious Metals, and Pewter Industries" (16 CFR 23) to help prevent deception in jewelry marketing which explain to businesses how to avoid making deceptive claims .

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### New York Expands BPA Ban

State issued a bill to ban BPA substitution chemicals in children's products. The bill would amend the "Bisphenol A-free Children and Babies Act" in the Environmental Conservation Law that prohibits the sale of children's products containing BPA.

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### EU Toy Safety

The EU published Communication 2018/C 282/02 to announce the latest list of toy safety standards for presumption of conformity with Directive 2009/48/EC (Toy Safety Directive, TSD).

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