

A Chinese Game: You Can't Win, Only Not Lose

Today I'm going to tell you about a game that is played by many Chinese manufacturers. It's a game they might win at and you as the customer can only play to avoid losing. To understand the game better, let me take you into the head of a factory manager so you can see it from his perspective. Close your eyes for a moment and imagine owning a factory in China.

You live in China. All around you are other factories making mostly foreign goods. You have some existing customers but you're wary of losing them either because they no longer need the products or they go elsewhere for manufacturing. So you need to keep hustling for business. You have contacts in the US and elsewhere who bring you business. Your concerns are to keep your factory busy, retain your employees and make as much profit as you can. After years of suppression in China, there is now the unleashed freedom to be a capitalist, to run your own show and ultimately to be a millionaire ... whatever that means. But the basic game plan is simple and exciting: Grow, Make profits, Be clever, Gain, Win, Earn More, Get Bigger, Repeat.

Nothing too surprising so far. You already knew most of this. Now let's crank it up a notch and get into operational details.

You are contacted by a new prospective customer! He wants a quote and asks about your facilities. You activate your *Get The Order*

play book. You quote a price low enough to get the job ... maybe a little lower to make sure. Reassure and impress the prospect every way you can. Need samples of your work? Make up the most beautiful, perfect samples possible. They want to visit your facilities? Set up a showcase section of your factory, with attractive workers in pristine white coats, clean machines, clean work benches, etc. You orchestrate the performance: no chit chat, steady production rate, no breaks, demonstrate efficiency. Spare nothing. This is the *Get the Order* operation! The visitors are impressed. They leave. You dismiss your actors and tell them you'll call them back for real work if you get the order.

Success! You got an initial order! Now, you set up the production line. Make many shipments to the customer's satisfaction. The business is steady, repeating and growing. Now the Game starts.

Objective: Increase profits! Time to get clever and think of all possible ways, which in China includes many approaches we might be shocked at: Cut out some of the material, or change to a cheaper grade material. Leave out non-essential parts. Cut corners on labor. Change to a cheaper chemical that does the same thing, or almost does the same thing. Make some parts smaller. Use less glue or screws. Make parts thinner, narrower, less finished. The idea of the game: how can you improve profits without incurring complaints? When you sit around socializing with your other factory friends, it's fun to swap stories of how clever you were and what you are getting away with.

Not all factories play this game or at least not to an extreme degree. But it is a prevalent phenomena in China nevertheless, partly due to the fact that so many zillions of items are being made and shipped that most importers in the US don't care or do not have the means to check on quality when they receive container after container of goods. This game is prevalent enough that there is a name for it: *Quality Fade*.

Most importers don't even know this game is going on. They occasionally see a defect in their product and complain. The manufacturer backs off a step in his game, corrects the "defect" and then plays on from there. Once in a while, a blatant move in the game causes headlines, like contaminated milk or toxic wall boards, but most moves in the game

are small and undetected.

There is even a corollary to this game. Some manufacturers maintain integrity of the goods for their primary customers in the US or other first world market, but then create a sub-quality copy of the same product to sell to other countries and markets. That is why within China, some discriminating customers want to buy “authentic” US-brand goods actually shipped back from the US; they suspect the identical product sold in China may not be of the same quality.

Sino Management Partners, a California firm based on high level executive connections throughout China, has Partners who actually own factories in China. The Partners know that *Quality Fade* is rampant in China and deal with it as a normal part of manufacturing management. Depending on the type of product, they install independent Quality Control inspectors, systems of random or regular checks, loyal managers with family ties or long time relationships, and other methods. Sino Management Partners can evaluate client situations and recommend appropriate quality programs to monitor the Game. For companies who do not have their own full time staff in China, SMP could be a way to your best win...which is not to lose.

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