

Will U.S. Suppliers Strike Back?

"I Told You So" Is the Wrong Reaction for North American Manufacturers

It may seem like great news. China reduces (or eliminates) the rebates to their suppliers for nearly 3,000 products and quality concerns echo across the trades and business press. You're all over it. "Tried to tell you," you say.

But now is not the time for U.S. suppliers of discrete or standard products to dwell on this useful but minor victory. It's time for action. Sure, the bloodletting has been fierce. If you're still standing, you have reason to gloat a little. But only for a minute!

Once the initial buzz wears off, North American and European suppliers must act upon this. While many in manufacturing will debate the economic, cultural, and political ramifications, there's money to be made – but it has an expiration date.

The question for North American suppliers is: Can we capitalize, and can we regain some ground?

There are opportunities, and they aren't just hollow ideals from editors looking to fill space on a page. They mean business -- long-term, tangible business. Perception is reality, and when the companies that have substantial investments in China see the costs incurred by the adjusted rebates, they're going to come looking for viable alternatives to cut costs and to insulate themselves from exposure of further adjustments. These volatile times can play into the hands of savvy suppliers.

Here are some tips for North American manufacturers, to help us focus on righting the ship after 15 years of listing (or sinking):

- **Be Assertive.**

Do not be timid. Use your Web site to promote your strengths and values as a preferred partner. If you're a supplier of high-volume product, focus on the logistical strengths you bring to a partner. If you have a higher tolerance, low-volume in your approach, adjust your message to convey competence in the design, project management, and early stages of the sourcing cycle. Now is the time to prove you are a good partner before the buyers begin to research online.

- **What Are The Costs?**

A real strategic advantage that North American suppliers have in this scenario is time, but only a little. The products and materials affected by the value-added tax (VAT) rebates are confusing at this stage. Are watches hit by a 2% increase in the VAT, or are watches made from steel hit by 18%? It's going to take a while for buyers to determine the real impact of these adjustments on costs. And that means North American suppliers have time to reach buyers with their message of consistency and dependability.



- **It's About Competition.**
If there's a bottom line, it's this: we're not as expensive as we were two weeks ago. Not only that, we speak your language, we understand your vernacular, and our shipping costs are less. Everything you say and do from your marketing (Web site, mailings, e-mails, etc.) should drive that home.
- **Marketing Judo.**
Use your opponent's weight to your advantage. Of course, your prospect and customers aren't your opponents -- but where do you think they're going to go when they start looking for alternative sourcing solutions? According to MFG.com's latest Buyer Survey, 82% of buyers say a supplier's Web site is important to them when selecting a potential supplier. As these buyers move online in the coming months to examine their sourcing options, North American suppliers need to be there to capitalize on those behaviors. This is the fundamental function of a supplier's Web site. Distinguish where the buyers go to research online, and make your presence known. "Do the buyers of our services use MFG.com?" Then you need to be there, too.
- **Why Now?**
Honestly, there are a lot of folks speculating about why this is happening now. It could be that the Chinese government is sincere, and it wants to reduce the impact on its environment and endangered species. It could be a result of international pressures brought on for economic reasons. Maybe China is looking to move its manufacturing base from a low-technology position to a higher technology base, a la Japan in the 1970s.

The opportunities are real, and if North America is serious about reclaiming some of their customers lost due to pricing pressures, this is the place to start. Forget the government, forget your former customers -- it's in the supplier's hands now.

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