

# WHAT ARE PRODUCT INSPECTIONS

and how can they help your import or private label business?

## SELLER BEFORE INSPECTIONS:

**1** Your private label and white label imports business has a **2-3% returns**, and maintains an order defect rate between **0.1-0.4%**, well below the required **1%**.

**2** You recently increased order volume on a high velocity SKU you've had in production more than a year. These have always had a reasonable return rate, and averaged a decent **4.2 star rating**.

**3** You start noticing a distinct drop in the product ratings, so you do a deep dive into what the customer complaints are. To your surprise, you find your supplier has changed the product design without informing you, including key custom features. Now your return rate is well above normal, **the return rate of over 10%**, with customers claiming that the product is not longer sturdy. Because this is one of your **highest velocity SKUs**, these changes significantly impact your seller ratings and overall sales.

## WHAT STEPS CAN YOU TAKE TO PREVENT THIS SCENARIO FROM HAPPENING?

There are **three common methods** many large-scale importers use to monitor and maintain the quality of their supply chain:

### 1 CONTRACTS AND RECORDKEEPING

Use clearly worded purchasing contracts that require the supplier to inform you in advance of any changes manufacturing methods. While your supplier may not be honest with you, at least you make clear this issue matters, and you are watching.



### 2 IN-HOUSE QUALITY CONTROL INSPECTIONS

Direct shipments to you first for a quality control check. You will need space, time and employees to do this inspection for you. If problems arise, the best you can do is set them aside to liquidate (as you have already taken possession of the goods), but at least you didn't hurt your seller account performance metrics unwittingly.

### 3 OUTSOURCED QUALITY CONTROL INSPECTIONS

Inspect the product before taking possession of the goods at point of origin. As many importers do not have the resources to hire dedicated employees for this task in multiple points of origin, consider hiring a third party service provider to do the work for you, and require the supplier to pass inspection before taking possession of the goods.



## WHAT ARE THE CHALLENGES OF WORKING WITH A 3RD PARTY SERVICE PROVIDER TO HANDLE INSPECTIONS?

The most common challenges of working with a **3rd party service provider** to handle inspections is:

### 1 DETERMINING WHICH PROVIDER TO WORK WITH

If you are sourcing from multiple areas of the world, it's likely you will have challenges finding a service provider based in one part of the world that can handle inspections elsewhere without having to outsource that work. Most service providers are happy to give you information about which areas they can service themselves, and in which they will need to work with partners. Working with partners may become problematic for your service provider, as there is no guarantee it will properly share with outsourced providers your SOP (standard operating procedure) for how you want the inspection to proceed.

### 2 HOW MUCH TO PAY INSPECTIONS PROVIDERS

Typically, inspections in Asia can range from \$260-\$350 per one man day, and up to \$700 in North America or Europe, plus out of pocket costs such as gas mileage or airfare. Before Chinese New Year or mid-Autumn Festival, availability can be scarce and prices go up. Large or complex shipments may need more than one man day to accomplish your inspection. Depending on the product type, one inspector can inspect between 75-150 products in a day on average. You will have to balance this cost with what it's worth to maintain your brand's reputation and ratings on Amazon.



### 3 YOUR PROVIDER WILL INSPECT AGAINST YOUR AQL (ACCEPTABLE QUALITY LEVEL)

The default is general inspection level II, with an AQL of 0 critical failures, 2.5 major failures, and 4.0 minor failures, which is a statistically based model that allows you to evaluate a small number of products and have a relative confidence level that that sample is representative of your entire shipment. A critical failure is a failure that would make it illegal or dangerous to sell your product; a major failure could significantly damage your reputation if you sell it; and a minor failure is a measure of the number of quality defects the shipment has.

#### FOR EXAMPLE,

if your shipment is **3500** pieces, then the inspector would inspect **200** pieces at general level II, and the shipment would be accepted with less than **10 major failures, and 14 minor failures**, which could result in up to **5% failure rate for the shipment**, far higher than the acceptable **1% ODR** accepted by Amazon.

While customers may not return low cost products, you should have the provider inspect the goods with a tolerance level more closely conforming to the level of quality you want for the products sold on Amazon. You might then choose an AQL of .65 and 1.0, or a 1.5% failure rate, which is much closer to what Amazon expects. You may also say that minor failures are really not all that important to you (smudges or light scratches) and have a rate of .65 and 4.0, with a heavy emphasis on critical and major failures and ignore relatively unimportant minor failures.

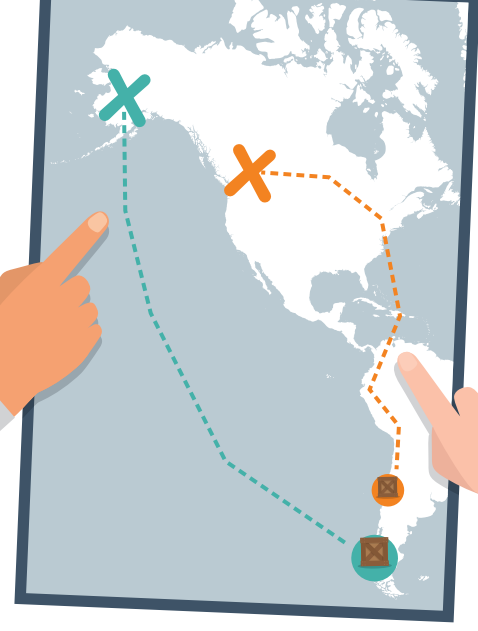
### 4 WORK WITH THE PROVIDER ON HOW THE SHIPMENT INSPECTION SHOULD PROCEED

Once you've decided on the acceptable quality level for your product, work with the provider on how the shipment inspection should proceed. There are different approaches to inspections: raw materials, during production, and pre-shipment inspection. We recommend:

**A** Raw materials inspections on products with strict chemical requirements where, if a failing inspection is used in the production line, the entire shipment cannot be accepted.

**B** During production for products that have high complexity or are sealed shut when the production is complete.

**C** Pre-shipment inspections for home goods, certain kinds of electronics, and items where failures can be addressed even after the product has been finished. You could send pictures or spec packs, or the provider keeps one of your approved samples on site, or have the inspectors inspect deviations in the shipment (they use the first item as the reference sample to determine production variability). This is also where you decide with the provider what instructions they can provide the factory in case they don't meet your quality standards.



## SELLER AFTER INSPECTIONS:

**1** You send in an inspector to ensure that quality is **maintained every 4-6 months** or so without informing the supplier too much ahead of time which shipments are to be inspected.

**2** Much to your dismay, you get a failing inspection report from a shipment after a year of solid sales. It appears that the product isn't the same color in two areas as the approved sample, and it failed the drop test the inspector put it through.

**3** Further, **multiple corners aren't lining up**, and the overall quality was sloppy enough to cause the entire shipment to fail.

**4** When you ask your supplier for a **CAP (corrective action plan)**, it offers a plan to remove the failing items from the shipment, eliminate its own supplier that provided the defective components, and update its training checklists to ensure more conformity of production. You approve the **CAP**, send in the 3rd party provider for a re-inspection. The shipment passes inspection, meeting your acceptable quality level, so you agree to take possession of the goods. Your Amazon ratings don't suffer, and your customers continue to get the products consistent with your listing information and other previous customer reviews.

