

SUGOWEAR: Sole Proprietor Sourcing from China

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Abstract. This female protagonist case has two purposes. This is a demonstration case showing the practical paths that can be taken for an entrepreneur to source from overseas and sell on the web in the home country. Details of the supply chain functions and costs are provided. The case also highlights a typical inventory dilemma for new products: whether to order large batches and risk unsold inventory, or order in small batches and risk lost sales.

Keywords: female protagonist case, mini case, China, entrepreneurship, inventory.

Background

Susan Gomez is an experienced internet entrepreneur based in Houston, Texas. She created several web-based businesses starting in 2018. A sampling: a “print on demand” company where she worked with customers to create designs on physical products (e.g., T-shirts, caps, blankets). The printing service company she worked with held base product inventory, performed production, and shipped directly to customers. “Modern Hygiene Solutions” sold retail products she sourced from China. The Chinese source shipped product directly to customers, rather than Susan holding inventory in the US, which was less expensive for her, but unfortunately led to serious time delays for her customers. Yet another business took her closer to her heart and soul: she created SugoPetite.com (Su Go for Susan Gomez) where she personally designed dresses for petite women.

There are other potential solutions that relieve entrepreneurs of the burden of website building and can draw a wide audience, as well as verify sales information and secure customer payment, such as Etsy, Personalization Mall, and eBay. Those sites provide a brand name that draws customers, but entrepreneurs using those platforms frequently warehouse, pack, and ship orders themselves.

Over the course of running her businesses, Susan found the order fulfillment costs from running her own websites to be prohibitive. Amazon and its main competitor, Walmart, have become dominant hosts for small businesses like hers. Amazon has over a million active sellers in the US (two million worldwide). Over half of Amazon’s sales now come from independent

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sellers like Susan. Amazon provides the needed marketing muscle that eBay and Etsy have, but also provide warehousing and order fulfillment.

This led her to become a seller on Amazon Marketplace in addition to the websites she had built out for her other businesses. For Susan, initial warehousing after customs is done by a third-party logistics firm, Agile Supply Chain, that takes in the large shipments and transships to a local Amazon warehouse as needed. This is necessary as Amazon has maximum inventory limits based on sales. It is also cost effective, as Agile's holding cost charges are less than Amazon's. She contracts with the third-party quality assurance firm HQTS to open the boxes from China and verify count and assess product quality. Once in Amazon's possession, Susan pays a bit extra to have her belts distributed to Amazon warehouses across the US to facilitate overnight customer delivery. Although the Agile warehouse and Susan are both in Houston, Susan herself only sees or handles prototypes and samples.

Search for the Next Product

Susan was looking for some inspiration for her next products. She and 134,000 of her closest friends attended the MAGIC trade show in Las Vegas. This is a comprehensive event for fashion industry manufacturers, brands, and retailers. While there were plenty of manufacturer representatives there, she could not locate a single representative for an American manufacturer – the vast bulk provided access to Chinese manufacturers. So, she decided to go to the source.

In April 2023 she spent nine days at the 133rd Canton Fair, known as “the world's largest trade show.” The Canton Fair is held in Guangzhou, China, 80 miles up the Pearl River Delta from Hong Kong. It features 25,000 exhibitors spread out over 12 million square feet in the Canton Fair Complex. The fair is tailor-made for a businesswoman like Susan, mostly functioning as a meeting place for export-oriented Chinese manufacturers and trade companies with foreigners interested in importing products to their home countries. The connection with Amazon was helpful – she attended a trip organized by a group of Amazon sellers.

Based on her online experience she was looking for products to sell with the following characteristics. A retail price between \$15 and \$50, which is room enough for profit but not so expensive as to cause buyer's pause. Amazon's fees for in-bound warehouse placement, inventory carrying, and fulfillment are based on size and weight, giving more percentage profit potential for products that are low weight and physically small. Amazon also has other rules for products to qualify for their warehousing and shipping program called FBA (Fulfillment By Amazon). Based on these criteria, her own history and expertise in women's apparel, and the product opportunities afforded at the Canton Fair, she created the brand SUGOWEAR, and decided to start with women's belts contracting with QSP Fashion, a Chinese