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HD **Manufacturing in China cost Amanda Bennett her business, here's some tips to avoid the same fate**

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A Chinese factory trying to increase its margins has been blamed for the collapse of Australian boot manufacturer, Bennett's Boots.

Once, desperate customers lined up outside Bennett's Boots stores. But it's all over. Founder Amanda Bennett has had to walk away from her once-thriving business, now mid-way through the liquidation process, $200,000 in debt.

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Bennett says: "Success to the Chinese is being able to do things behind your back and get away with it. I don't mean that in a derogatory way, it's a cultural thing.

"I'm not saying they're not bad people; they've got families to feed. And don't get me wrong, we made heaps of mistakes. We should have put quality control stickers on each boot, to start with."

The Melburnian came up with the business idea nine years ago while lecturing on business practices in Chinese universities, struggling to find boots to fit her wider calves. She wasn't alone; she discovered that 62 per cent women were in the same boat.

Buoyed by the statistics, she hired four Australian shoemakers to produce a boot to rival cheap fashion boots on the market.

She chose China because it had the capabilities to make the boots, hiring four more people to oversee manufacturing including a Chinese-based manager, who bought 30 per cent of the business.

When the first order arrived, the boots were perfect and were snapped up by women hungry for boots that fit.

A worker at the factory that made Bennet's boots in Wenzhou, China.

So, she opened stores in Sydney and Melbourne and signed deals to supply major Australian retailers. When she opened a store in Melbourne's Bridge Road in 2010, she sold $700,000 of boots in six weeks. Online sales grew annually, too.

"We were in the right place at the right time. Women wanted our boots, and we couldn't keep up with demand. For every pair of boots we were selling, we could have sold two more pairs, which we just didn't have. Customers happily waited 12 weeks for a pair."

In 2011, with mounting orders, Bennett and her husband re-mortgaged their house to finance a massive shipment from China. But days before they were due to arrive, Bennett's manager noticed poorer grade leather off-cuts on the factory floor.

It was too late, the 40ft shipping container, laden with boots, had left the dock. They managed to stop the second container from leaving Chinese ports, saving $200,000 worth of headaches.

When the first container arrived, it was worse than Bennett could have imagined. The zips and souls were cheap imitations, some pairs smelt strange, leather was a poor grade and stitching was so shoddy, the boots were falling apart. In all, 80 per cent were un-sellable. To add insult to injury, the premium YKK zips she had supplied the factory never turned up.

It was unfathomable.

"We had a room set up on the factory floor to check every boots before they were packed. We figure that our people were being bought the same few pairs of good boots, over and over."

It was a devastating blow the business never fully recovered from.

"It wasn't just all our money; it was money we had borrowed from the bank. We'd just opened a store in Sydney with a six month lease, and lost $100,000 because we didn't have any stock. Then there was the million dollars in lost sales.

"Our problem all along was that we couldn't get enough stock to satisfy the market. Other than an angel investor early on that didn't work out, we were funding it all ourselves."

Bennett refused to crumble, increasing the price of sellable stock, cutting staff and running a far leaner business. She also re-mortgaged the house again and read countless books on manufacturing in **China**, hoping better market knowledge would protect her against another faulty delivery. She admits it was taking a toll on the marriage.

She swapped factories and implemented new strategies to combat **China**'s tendency to cut corners. She also trialled just-in-time manufacturers, but money issues were now compounded by changing market trends, which made wide-calf boots easier to come by.

Bennett considered manufacturing in other parts of the world, including Australia, but couldn't find a way to make it work.

Hoping to make back the lost money, the couple sank a further $100,000 into a café and a children's play centre in Rye. But three days after it opened, Bennett was subject to an unprovoked attack in the centre, knocking her unconscious.

"I didn't want to be there anymore. And the permits hadn't come through a year after we opened, meaning we weren't allowed to advertise. So eventually, we shut up and let staff go. It was horrible."

As everything came crashing down, investors came out of the woodwork, but deals kept falling over, and money being put on the table was only ever enough to allow the business to tread water anyway.

After four years of struggling against a tide of mounting cash-flow issues, Bennett called in the liquidators in May this year.

According to Austrade, increased business activity in **China** has resulted in higher numbers of **commercial** disputes in recent years. While the government is called in to help resolve issues, often, there's little it can do. Last year, it launched its Doing Business in **China** initiative, which helps Australian companies manage the risks of doing business in **China**.

Faulty stock from **China** also recently left New Zealand brand YOURS Shoes out of pocket when its leather sneakers were sprayed incorrectly, resulting in the outer layer peeling away.

Company founder Andrew Henry decided to put the 80 faulty pairs to good use by artfully destroying them in the name of marketing. It gives him great pleasure to watch the ad, seen here.

"When I first started manufacturing in **China**, it used to get me angry and bitter. So, when this shipment arrived, I thought I may as well use the faulty pairs somehow, so I blew them up," Henry says.

Melbourne director and designer of men's clothing range Thrd Eye, Filippo D'Amico says that dealing with **Chinese** factories can be a gamble. He protects himself by factoring in a 5 per cent fail rate on each shipment and having adequate insurance.

"You hear stories of people saying they've negotiated a cheap deal with **China**, but what they don't realise is that the quality of your next shipment drops. You've got to be realistic about price points and do your homework," he says.

International business expert Chris O'Halloran helps Australian businesses navigate their way through the process of manufacturing in **China**. The **Chinese** will always work to improve their margins, O'Halloran, of Source **China**, says.

"The **Chinese** do business by going in cheap and then try to recover margins by cutting corners, hoping no-one notices. To the **Chinese**, if it looks the same to them, then it is the same. They're not trying to be nasty; it's just the way they do business," he says.

"Having said that, I've been in to factories in **China** completely that are completely automated, where you can eat off the floor, and that are far beyond anything we've got here."

When manufacturing in **China**, explain what you want in as few words as possible, don't leave anything open to interpretation and start slow, on a small scale, he says.

Bennett, meanwhile, is carving out a new existence; selling real **estate** in Ryde. Her husband Matt is doing a painting job before he decides what he wants to do.

"Really, you can't be bitter about these things. Everyone tried their best, but sometimes people get stuck in the fall-out," she says.

RE china : China | austr : Australia | melb : Melbourne | victor : Victoria (Australia) | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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