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THE ULTIMATE GUIDE TO CHINESE NEW YEAR PLANNING 2022



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WELCOME

If you outsource any product from China, you're probably familiar with Chinese New Year, also known as CNY. Perhaps your supply chain has even experienced CNY before. If so, you know that this holiday is in a class by itself when it comes to preparing for production and shipping disruptions. If Chinese New Year 2022 will be your first rodeo, let our guide help keep your supply chain on track while minimizing any negative impacts.

Chinese New Year 2022 will begin on Tuesday, February 1st, marking the Year of the Tiger. Typically, Chinese offices and factories close for about three working weeks, allowing workers time to travel back home to spend the holiday with their families.

In 2018, it was estimated that 385 million Chinese people would leave the major cities to visit families in rural parts of the country. The massive holiday migration goes back to the late 1970s, when economic reforms caused extraordinary growth in cities in coastal regions of China, especially in the cities of Shenzhen, Xiamen, Shantou and Zhuhai. Rural Chinese citizens, looking for a stable paycheck, moved to cities hundreds of miles from home. But just like in the U.S., holidays are considered family time and the Chinese business calendar reflects that.



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HOW TO PLAN FOR CHINESE NEW YEAR.

What can you do to keep your supply chain running smoothly when one of the world's largest exporters shuts down for nearly a month? We've outlined 10 tips to proactively plan for Chinese New Year and minimize any disruptions to your supply chain.

WHAT DOES CHINESE NEW YEAR MEAN FOR YOU?

Maybe you're halfway around the world wondering why you should be mindful of and plan for the largest Chinese holiday of the year. Grab your calendar and follow along.

Although CNY officially lasts for only one week, many factories and businesses close about 10 days before CNY to allow time for workers to travel home. There is always a mad rush to ship product out of ports before they shut down. This can lead to increased freight costs and longer transit times if there is a delay at port or a container is not loaded on its intended vessel.

Don't forget to account for travel time back to the city. In all, the holiday can disrupt production and shipping schedules for up to three weeks or more. Interestingly, the CNY holiday is also considered an ideal time to switch jobs, and many workers don't return to work at all. This can lead to even longer production times as factories struggle to find new workers and ramp up on production orders.

Since China is an economic giant in the global exporting industry, the effects of CNY can ripple around the world, especially for retailers and anyone else who relies on imports from China.



tip
01

UNDERSTAND WHAT HAPPENS DURING CHINESE NEW YEAR

In the United States, it's hard to fathom our businesses closing for three weeks or more. Sure, some of us take nice long vacations for the holidays, but there's a good chance our offices are still open while we're gone. Once you understand that China shuts down nearly everything for CNY and nothing, absolutely nothing will get out of the country during that time, the better you can plan. Your orders need to ship prior to CNY, and don't forget to plan for inventory needs to get you through the holiday. There is no way to avoid CNY. It happens every year (albeit on different dates), and it requires advanced planning to minimize interruptions on your end.

tip
02

DEVELOP TRUSTING RELATIONSHIPS WITH SUPPLIERS

There are few things as valuable as establishing a strong relationship with your China supplier or manufacturing partner early on. If you're just beginning to build your supplier network, it will be difficult to build that relationship in the months immediately prior to the holiday. If your business is the newest account at the factory, it's likely that your goods will be their last priority when it comes order completion and shipping pre-CNY. When working with a manufacturing partner with experience handling the CNY rush, ask what measures they have in place to help their customers plan. One of the advantages of working with a manufacturing partner is that they have usually spent years building a trustworthy supplier network and can, therefore, help ensure your product is shipped on time during the hectic holiday rush.



— tip 03 —

CREATE A FORECAST

If you're able to forecast how much product you'll need for the first 3 to 4 months of the next year, you'll have a leg up on ensuring your company has enough stock on hand to last you through CNY. We've created a simple rule to help account for CNY delays: For orders normally received in January, take 50% of the volume and receive it in November of the previous year. Receive the other 50% of that volume in December. Another great advantage of providing a forecast to your supplier or manufacturing partner is that they will be able to see your demand after CNY so the factory can begin recruiting and training workers earlier, already knowing that a portion of their staff will not return.

— tip 04 —

INCREASE INVENTORY

That forecast you created for our last tip will come in handy for this next piece as well. If you already know how much product you'll need for the first part of next year, you could begin to order a little more product now to hold in inventory which will account for the lack of orders to be received in January of next year. An accurate forecast and previous sales history will be beneficial to keep inventory at a manageable level and ensure you don't over order product.



tip
05

DELIVER CARGO WELL BEFORE SHIP DATE

If you're responsible for arranging your own logistics from China to your company or customer's door, book shipments with steamship lines well in advance of CNY. Steamship lines are notorious for taking advantage of the Chinese New Year situation when there is an abundance of shipments waiting to leave port before everything shuts down. These lines often impose large freight rate increases during this time, as the demand to get on board a cargo ship is high, and those who can afford to pay the higher cost will leave the port on time. It's not uncommon to hear of containers getting rolled to the next booking during the weeks leading up to CNY; this means the container gets bumped to the next available vessel leaving port. Depending on how often a container gets rolled, this could mean days or weeks of delays. Here is where another trusted relationship with a freight forwarder or manufacturing partner will come in handy as many work with shipping lines that are more organized and better prepared to deal with the peak demand of CNY.



tip
06

DON'T PUT ALL YOUR EGGS IN ONE BASKET

Consider working with a manufacturer who has operations in countries other than China. Not only will this help diversify your supply chain, but it's possible your manufacturer could find a backup supplier if needed during the Chinese holiday.

Some products are made of components from various countries which helps alleviate the pressure of one factory doing all the work. For example, components could be sourced from China, then shipped to Vietnam for assembly and packaging.

Keep in mind that Vietnam also celebrates their Lunar New Year holiday, called Tet, on the same day as Chinese New Year. However, Tet usually only lasts for one week, at most. The Tet effect is nowhere near as sizable as Chinese New Year, but factories and businesses still shut down for a week to allow workers to spend time with their families.

— tip 07 —

IMPLEMENT A PLAN FOR QUALITY MANAGEMENT

The last thing you want is for an order of goods with quality issues to ship right before CNY. Sometimes quality can take a back seat as the factory is producing in high gear and is in a rush to get product out the door. This is yet another time when a trusted supplier or manufacturer relationship will help tremendously. Having a quality management and thorough inspection plan in place will drastically reduce the risk of a delayed shipment due to quality issues, or worse, shipping defective goods to your customer's door.



— tip 08 —

CONSIDER VENDOR MANAGED INVENTORY

Vendor-Managed Inventory (VMI) is a business model that allows a vendor and a buyer to maintain an agreed level of inventory for a product. The vendor will ensure the required level of inventory is maintained by ordering more efficiently and adjusting for seasonal demand and shift in the market, helping to reduce the cost for the buyer. Your vendor will normally need your sales history and current inventory on hand to forecast and develop an ordering schedule. VMI is ideal for those who find long lead times challenging and to deal with holidays like CNY, which could wreak havoc on a supply chain without proper planning

— tip 09 —

DON'T FORGET ABOUT AFTER THE HOLIDAY

Earlier in this guide, we mentioned that not all factory workers will return to their old job after CNY. This is a perfect example of why you don't just need to plan for the holiday itself, but for the potential issues that could arise once it concludes. In the event of a workforce shortage, it could take weeks, sometimes months, for the factory to get back up to normal production speed as they search for replacements. Having that accurate forecast we mentioned or increased inventory on hand should help tide you over until the factories are producing at full capacity again.

tip
10

START THE PLANNING PROCESS EARLY

It is never too early to start planning for China's biggest holiday. The earlier you can begin, the better your supply chain will be. Analyze your sales history from the past year, start developing a forecast as accurately as possible and start communicating with your suppliers and manufacturing partners now to begin planning for the upcoming Chinese holiday.

Knowing what to expect during CNY is only half the battle. Being well prepared is the best way to alleviate any negative impact on your supply chain. We hope these 10 tips reduce the CNY stress and contribute to a successful plan and smooth sailing through the year. Remember, Chinese New Year 2022 begins on Tuesday, February 1st.

