

CPG QUARTERLY NEWSLETTER



Editor: Jesse Alterman
Operations & Insights

7 ACTIONS TO PROTECT YOUR IP IN CHINA:



By Laura Dow
Business Director

- 1) Patents for all the countries you plan to sell your product
- 2) Copyright protection
- 3) Confidentiality agreements, such as an NDA or NNN
- 4) Tooling agreements that specify the supplier can only use the mold to produce your orders, and you own the molds
- 5) Manufacture components at different factories to prevent any one from understanding your entire product
- 6) Build trust with suppliers so they will protect your IP for commercial motives, not just legalities
- 7) Be the best: With brand loyalty, your customers will stick by you

A WORD FROM OUR CEO

By Michael De Clercq
CPG CEO



Welcome to our quarterly Newsletter, where we summarize recent events & talk about China supply chain trends.

The first half of 2023 was a post-Covid milestone & business is slowly returning to a new normal. Freight rates have returned to 2019 levels - a 40ft container from Shanghai to LA was \$1,775 in March after a record high of \$12,000 in September 2021. Idle Chinese factories are restarting. Buyers, anxious to reconnect with their supply base, are traveling to China again. The Canton Fair, mostly deserted in April, will be more active in October.

Two factors are worth your attention:

1. China is in a deflationary trend - prices are steady or dropping, while US prices continue to go up.
2. China's reduced Producer Price Index (PPI), down 4.6% in May, and the devaluation of the RMB creates short-term pricing opportunities for active buyers.

Looking ahead, concerns about resilience might affect strategy decisions, while ESG will become more important for nearly all buyers. Importers are evaluating how generative AI will impact the supply chain. Geopolitical discord continues to reverberate & will likely continue as we enter an election year.

CASE

A Global Packaging Supplier Fortifies

STUDY:

Supplier Relationships with Robust Quality Control

COMMUNICATION: THE KEY TO SUPPLY CHAIN

EXCELLENCE

By Chris Volz
Client Success Manager

One of the most critical yet overlooked aspects of achieving supply chain excellence is good communication.

Often, costly errors (in terms of time and money) can be avoided with careful communication within supplier networks.

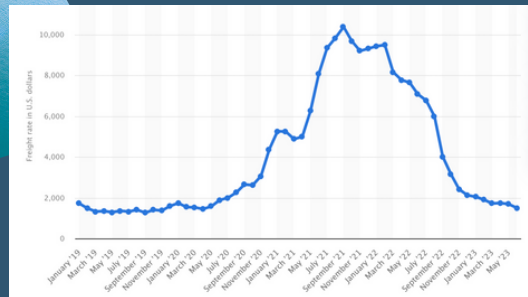
- Do you clearly outline quality requirements in writing *before* order placement?
- Do you have a trusted team on the ground monitoring your network and communicating in the local language, in a timely manner?
- Do you regularly visit/audit your factories to ensure your dollars are spent responsibly and effectively?

Ensure you can answer yes to each of these to prevent unnecessary problems.

SHIPPING COSTS

- International freight rates have dropped to pre-COVID levels
- September 2021 had a record global freight index of nearly \$10,400 USD
- June 2023's global freight index was \$1,500 USD

Source: Statista



DID YOU KNOW?

In 2010 a 2,400-year-old pot of soup was unearthed in Xi'an, China.



Q3 CHINA TRADE SHOWS

- Aug 10-Aug 12: World of Concrete Asia
- Aug 29-Aug 31: Shenzhen International Medical Devices Exhibition 2023
- Aug 25-Sep 3: Chengdu Motor Show
- Sep 5-Sep 8: 52nd China (Shanghai) International Furniture Fair

MARKET TRENDS: REBAR & HOT-ROLLED COIL

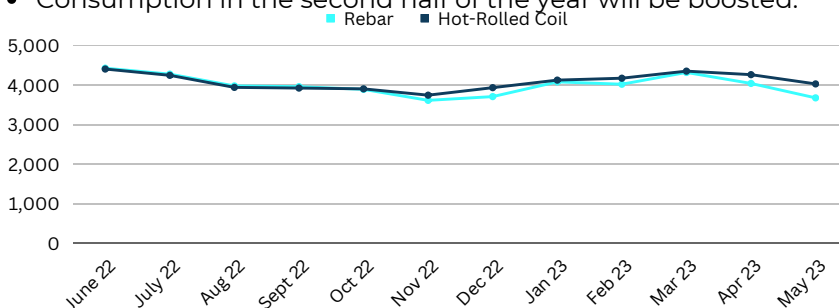
By Lisa Zhang
Sourcing Team Leader

Rebar: *Note that rebar is used as an indicator of steel prices *

- Since April the price of rebar has declined significantly.
- The second quarter rebar futures price will continue a downward trend.
- In the second half of the year, with the landing effect of the steady growth policy and the recovery of realistic demand, the rebar price will resume rising.

Hot-rolled coil:

- Prices rose for 5 months in a row and turned in April. They continue to fall.
- The demand remains low.
- Consumption in the second half of the year will be boosted.



EMPLOYEE SPOTLIGHT: JACK LI

Position:

Quality Team Leader

How long have you been at CPG?

More than 10 years

What do you do in your role?

Responsible for product quality control during the sourcing process

What do you love most about your job?

Enable the factory to fully understand customer needs and produce products that satisfy customers.

What are some notable achievements during your time at CPG?

Improved supplier management capabilities.

