



1



2



3

A Roy Morgan Gallup Poll found that 90% of Australians would prefer to buy Australian Made if they could find it

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4

A new YouGov survey found that 88% of Australians believe we should make more essential products at home and rely less on Chinese imports

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5

This increased demand for Australian-made provides a huge opportunity for Australian businesses

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6

And over the long-term a focus on Australian-made can create more jobs and grow the Australian economy

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Here's what you'll learn today

My four step system to sourcing Australian-made products:

1. Choose a hot product and make it outstanding
2. Estimate what it should cost to make
3. Find the right manufacturer
4. Negotiate the deal

You'll also get lots of great case studies on the way through

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Who is this system relevant for?

- Online sellers – eBay, Amazon, Gumtree, Shopify, FB etc...
- Retailers
- Wholesalers, agents and distributors
- Sellers of info products wanting to diversify
- Sellers of info products wanting to add a "subscription box" of consumables to their offering
- Those wanting to use a "free-plus-shipping" strategy to build a list
- Importers wanting to localize their supply chain to Australia

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Who am I and why should you listen to me?



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Steve Eagle

- Studied Sculpture and worked in Auto/Aerospace prototyping/production
- Moved into Product Development, Cost Estimating and Purchasing
- Sourced over a billion dollars' worth of products over more than 3,500 projects, all over the world in the last 22 years
- Worked for large companies like Ford and Toyota for 14 years, sourcing and selecting suppliers globally while side hustling (up until 2008)
- Life changing moment 2008. Stopped full time work in 2016... lasted 6 wks
- Now applying the strategies you'll learn today in my businesses and to help smaller businesses source Australian-made products in a way that is competitive with cheaper imports



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What Steve Does



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Some Examples of Active Brands

NUTRITION DEPOT
www.nutritiondepot.au
2000+ Sku's, 60+ Brands, ~30 Suppliers

Paw Depot
800+ Sku's, 5+ Brands, ~19 Suppliers

Vet's Own
BY VETS FOR PETS
93 Sku's, ~4 Suppliers, Exporting to Asia

69 SHOP
@69SHOP2020
3 Suppliers, 1 month old. Launched for \$180k/aud. 600 dresses sold in first month. Achieved profit in first 5 days and generating income equal to corporate job but operating from a bedroom. Now scaling wholesale with no inventory.

creativeXR labs
The Future is Just Beginning
2 Brands, ~49 Suppliers, Global clients

Pucci PET COUTURE
700+ Sku's, ~9 Suppliers, 9 countries

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Agenda for today

- Session 1 – Choose a hot product and make it outstanding
- Session 2 – Estimate what it should cost to make
- Session 3 – Find the right manufacturer
- Session 4 – Negotiate the deal

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Step One

How To Choose A Hot Product And Make It Outstanding

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First of all, don't be this guy...

More than 95% of online businesses fail to make money in the first 3 months and don't survive the first year.

This is a purchasing problem not a sales problem.



Guys my first inventory just landed the warehouse. This is my first time doing all this. My question is how And why will people...

Guys my first inventory just landed the warehouse. This is my first time doing all this. My question is how And why will people buy my product when there's a lot of competitors? I've putted a lot of work in it but the doubt inside the head is disturbing me now when the process is nearly completed. Thanks

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Rule #1...

Choose a product you know is going to sell



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7 Criteria That Make It Easy To Sell

1. Passionate following that's already buying (Merchant Words, Jungle Scout, Helium10 etc)
2. Large and growing market (see Google Trends)
3. Evergreen (not constantly changing, eg technology)
4. You're interested in it; "Results follow Focus"
5. Easy to find your target market
6. Not highly regulated
7. Able to compete / stand out with slight tweaks

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Rule #2...
Choose something you know can compete with imports



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5 Criteria That Make It Competitive With Imports

1. Not a commodity, so you can charge a premium for better quality
2. There is a demand for a higher quality product
3. Local Australian manufacturers are available
4. Manufacture uses automation rather than hand-crafting, so the labour component is smaller
5. Government grants and incentives may be available

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Niches and products that fit the criteria

- Electronics and Computers
- Garden and Tools
- Beauty and Healthcare
- Groceries and FMCG
- Toys, Kids and Baby Clothing
- Shoes and Bags
- Handmade Jewelry
- Sports and Outdoors
- Eco-Sustainable, biodegradable and organic products

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Niches and products to avoid

- Safety devices
 - Products requiring training to use
 - Products with "specific claims" on the labelling
 - Products that you don't understand yet (estimate/benchmark)
- Note:
- Brand Sensitive Niches can be challenged with innovation or pricing but requires significant marketing "know how"

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Before we go any further, let's define "Australian-made"

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Surprisingly, "Australian-made" is quite subjective!

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If something is grown or produced in Australia, then it's obviously Australian made

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But if it contains **imported parts**, things are less clear

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The ACCC states that things need to be **“substantially transformed”** in Australia, which means they are **“fundamentally different in identity, nature or essential character from all of their imported ingredients or components”**

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Changing the form or appearance of imported components is not seen as a **“substantial transformation”**. Eg Putting oil in a capsule is not enough



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To add to the confusion, the **Australian Made** logo now has a few variations...all with different definitions:

- Australian made
- Australian grown
- Product of Australia
- Australian seafood
- Australian
- etc!



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To keep it simple, our goal is to **maximise the Australian proportion of every product you source**

We believe that's the best way to help the Australian economy



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Let's look at an example

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Case Study

Mix of imported and local materials, local assembly

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Note: this is also a great “sell it before you build it” strategy

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Strategy

1. Find a hot product that isn't available in Australia
2. Approach the overseas supplier and arrange a distribution agreement for some component parts
3. Ask for samples
4. Source as many components as possible locally
5. Make sales at trade shows and direct to retailers
6. Order and fulfil

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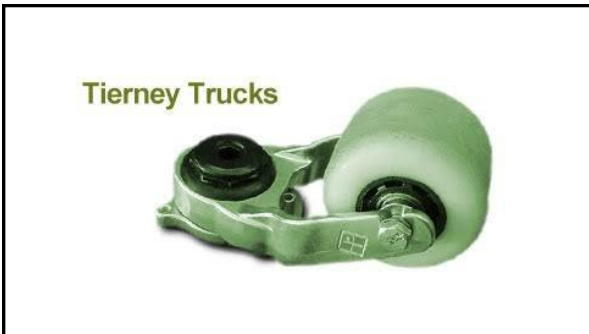
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Results

Cost per board:

- Wheels (imported from Tierney Rides) \$9.33
- Board (sourced locally) \$68.00
- Kit cost \$77.33
- Wholesale price \$150.00
- Profit per board \$72.67
- Retail \$240.00

No Amazon, No Shopify, No Facebook, No Smart Phone, No Laptop & With a Day Job

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With 100 sales per month, that's \$7,267 per month profit

...for a start up cost of under \$200

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Once You've Chosen Your Product, You Need To Make It Outstanding

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It's important to be unique...not a me-too

Or you end up competing just on price

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Steps to design a unique product

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Here's where real Aussie ingenuity comes into play

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China is excellent at copying existing products

Australian is great at innovating

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Here are the types of changes you can make...



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Simple improvements

- Bundle or de-bundle
- Change the colour/texture
- Change the packaging to reduce dead space or fill the dead space with accessories
- Add bonuses (high value, low cost)
- Create niched versions (eg golf umbrellas and aquarium tongs, e-sport supplements)



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Simple improvements

- Make it portable – add a carry bag, handle, wheels
- Make it easier to assemble – eg snap fit
- Make it easier to clean
- Make it more rugged (eg shock proof, scratch protection)
- Improve how it opens or closes (eg add a lock, make it clip-fit, use magnets)
- Make reusable or environmentally friendly versions of disposable products (eg drinking straws)



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If you're **creative** enough,
even commodities can be
differentiated to sell...

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What's this?

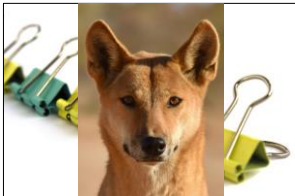


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But what about these...?



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Yep – Dingo Clips

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**Sometimes simply being
Australian-made is enough of
an innovation...**

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Differentiating by being Australian-made

- People are prepared to pay a premium for a product that is Australian made, Australian owned, Australian built, Australian grown, or developed with Australian ideas. On average people will pay a 13-18% premium
- There are many government grants and other incentives available for local manufacturers, producers and exporters
- Governments and corporates are keen to be seen to be “doing the right thing” and buying Australian-made from Australian brands (this is at all levels from start-up to enterprise)

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Questions?



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Biggest Ah-ha?



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Please be back on time



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Step Two
Estimate what your product should cost

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Now that we've decided on a product, the next step is to source it

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Or as we like to think of it...

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“Buy Like An Eagle”



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**When you buy like an Eagle,
you maximise profits**

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Maximising profits

To buy like an Eagle, means you get:

- The right product
- The right quality
- The best price
- The ideal quantity
- The best payment terms
- From the RIGHT supplier



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The first step is to estimate what your product should cost to make

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Knowing this puts you in a much stronger negotiating position

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Let's look in more detail at a "Cost Estimate"

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What is a Cost Estimate?

- A way to understand the cost of a product, including materials, labour, processes and market factors for your location
- A living document that improves over the lifetime of your product
- A powerful analysis and negotiation tool that delivers healthy profit to all while still being massively competitive

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How do you make a Cost Estimate?

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Step 1 – understand the materials

- What materials are there?
- How much do they weigh?
- Is there any critical feature based in the materials used?
- Are there any purchased parts?
- Make a list. This is your Bill of Materials or BoM

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Step 2 – identify processes and labour

- Is it mass produced or crafted?
- What are the main features? (bends, surfaces, holes, fitments)
- How much manual labour is needed vs automation? (assembly, manual processes)

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Step 3 - where will you make it?

- Labour rates
- Utilities
- Access to materials (only if some unique feature is required)
- Access to transport

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Example

Beard Trimmer

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Wahl 5 Star Magic Cordless Clipper - ✕
AfterPay & zipPay Available
 from Catch.com.au
 ★★★★★ 13 product reviews

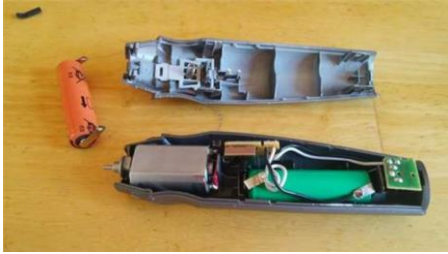
The moving top blade is made up of square teeth, alternating from tall to short creating a stagger tooth effect. Unlike our standard blades where all teeth are the same and cut ... [more >](#)

\$156.95
 Catch.com.au
 ★★★★★ (2,446)

[Shop](#)

\$159.95 [eBay.com.au - oznails-adelaide](#)
 \$156.95 [eBay.com.au - mysalonau](#)
 \$172.95 [eBay.com.au - ozbeautycafe](#)

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<https://www.aumanufacturing.com.au/its-time-to-bring-electronics-manufacturing-home>

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Product Cost Estimate - Beard Trimmer							
Product and Supplier Assumptions		Product:	Beard Trimmer				
		Supplier:	http://www.aumanufacturing.com.au/it				
		Estimate Currency:	AUD				
		Supplier location:	AUS				
		Link To Similar Product:	http://www.alfalpa.com/indirect-detail/head-5th-Dull-Crochet-Top-Brush-#001118703.001				
Raw Materials and Purchased Parts		Name	Direct/Indirect	Material cost	Machine/Labour Rate per hr	Cycle Time (Seconds)	Cost Estimate
		Material Spec:	PCV Granules	0.020000	NA	NA	NA
		Weight:	3Dg	705Zacs	NA	NA	\$ 0.13
		Purchased Parts:	Lithium Ion Battery	\$ 3.39	NA	NA	\$ 3.39
			Motor	\$ 2.90	NA	NA	\$ 2.90
			Blades	\$ 1.82	NA	NA	\$ 1.82
			PCB 1	\$ 0.80	NA	NA	\$ 0.80
			PCB 2	\$ 0.30	NA	NA	\$ 0.30
			Hardware	\$ 0.10	NA	NA	\$ 0.10
Manufacturing process, labor & materials consumption		Manufacturing Process:	Mold Case	\$ 0.13	\$ 22.00	13	\$ 0.29
			Assemble Battery	\$ 3.39	\$ 39.49	7	\$ 3.21
			Assemble motor	\$ 2.90	\$ 39.49	9	\$ 3.35
			Assemble PCB1	\$ 0.80	\$ 22.00	11	\$ 0.87
			Assemble PCB2	\$ 0.30	\$ 22.00	9	\$ 0.36
			Assemble Switches	\$ 0.10	\$ 22.00	24	\$ 0.27
			Assemble Blades	\$ 1.82	\$ 39.49	9	\$ 1.86
			Assemble Case	\$ 0.10	\$ 39.49	25	\$ 0.33
			Charge Test	\$ 0.05	\$ 39.49	88	\$ 0.11
Packaging			Printed Cartboard	\$ 0.11	\$ 39.49	12	\$ 0.10
			Plastic Bag	\$ 0.02	\$ 39.49	1	\$ 0.04
			Barcode/Labels	\$ 0.05	\$ 39.49	13	\$ 0.08
			Manufactured Cost	\$ 0.84		138.5	\$ 1.00 Per Piece

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	Items	Direct/Indirect	Material cost	Machine/Labour	Rate per hr	Cycle Time (Seconds)	Cost Estimate	Per Piece
Supplier Profitability @100%								
Manufactured Cost			\$ 9.14			128.5	\$ 9.88	Per Piece
Factory Markup							\$ 1.63	
Ex works Price		100%					\$ 11.51	Per Piece
Shipping Charges paid by Customer								
Shipping/Logistics								
	Logistics DRI for USA by Sea	1000	\$ -	\$ -	-		\$ -	
	Import Duty/Taxes	40%	\$ -	\$ -	-		\$ -	
	Customs Clearance	1000	\$ -	\$ -	-		\$ -	
Total Landed Cost							\$ 11.51	Per Piece
Profit Modeling								
	My profit per unit		52% of Ex Works				\$ 10.27	
	Wholesale Price		332% of Ex Works				\$ 30.03	
	Retail Price		200% of Ex Works				\$ 23.02	
	Retailer profit		93% of Wholesale				\$ 27.96	



- Excellent Profit for Supplier = Stability
- Excellent Profit for Retail Partners = Growth
- Data Driven Approach = Partnership

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And here's a “sell it before you build it” marketing strategy

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“Sell it before you build it” strategy

- Find a large retailer or franchise that currently sells existing leading brands of beard trimmer
- Offer that they can sell a similar product, but with their own branding, at a more competitive price with very little effort
- Get an initial order from the retailer, including a 50% deposit
- Place your order with the manufacturer using the deposit to secure your stock

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Results


- Cost of beard trimmer (manufactured locally) \$19.76
- Wholesale \$30.03
- Profit per unit \$10.27
- Retail \$57.99
- Retailer's profit \$27.96

If you sell 1,000 per month, that's \$10,270/month profit for you and \$27,960 for your retail partners which means they will sell your product for you all day long!

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And here's what can happen if you sell directly to the consumer...

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Results


- Cost of beard trimmer (manufactured locally) \$19.76
- Advertising or Platform Commission (15%) \$7.50
- Retail Price \$49.99
- Take Home Profit \$22.73

If you sell 1,000 per month, that's \$22,730/month profit for you and your family!!

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Here's a recent example...



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Bamboo toilet paper

- A client in Australia was sourcing eco-friendly bamboo toilet paper from China to sell to McDonalds and the Australian Government
- Using my sourcing system he pivoted to Australian-made...and found a supplier in Qld who price-matched his Chinese supplier
- We also helped him qualify for the Indigenous Business Australia Program, to get massive government support



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Bamboo toilet paper

- He's now gearing up to supply the Australian government and McDonalds with Australian-made, eco-friendly toilet paper from an Australian supplier at prices usually only seen in Asia!
- His long term goal is to export Aussie-made, eco-friendly loo paper, at China-competitive prices. The icing on the cake is that he will also qualify for Australian export grants
- He already has his first order for 14,000 maxi rolls from a NSW local council



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Questions?

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Biggest ah-ha?

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Case study



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Steve Baker

- Business Coach based in Hervey Bay
- Desire to leave a legacy business for the family
- Began his sourcing journey in May 2019
- Has been kicking massive goals in the last 7 months
- Approached an inventor / distributor who had designed an innovative product that solves a problem for anyone with a trailer
- They had large global orders (over 50,000 units per month from the US and Europe), so any cost savings on manufacturing would be substantial

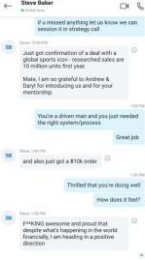


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Steve Baker

- The design is copyrighted
- Using the process to reduce the tooling joint ventured in the product
- The inventor was happy to tooling 50/50 delivering
- This was a no-money paid for the tooling and
- Steve's profit from this



...the product trade marked
 ..., Steve Baker was able
 to \$7,000 (86%) and
 sign
 based profit and saved
 for each unit to Steve
 Steve, as the inventor
 for 1st production
 ,000 per month



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Step Three
Find your ideal manufacturer

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**Here's how most people source
an imported product**

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Usual process to source imports

- Research Amazon, Jungle Scout, Merchant Words, Helium10 etc to see what's selling
- Research Alibaba to find a similar product
- Approach the supplier on Alibaba, or find a sourcing agent to identify a manufacturer (adding the cost of a middle-man)
- Many people try to "learn as you go" which is expensive and has a 95%+ failure rate to generate profit in the 1st year. They waste money on more ads, trying to get a poorly-chosen product to sell

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Problem faced by most importers

- Because they fail to do a cost estimate, fail to find the perfect manufacturer for them, and fail to negotiate well, they end up paying about 50% more for their product than they should
- They are usually dealing in USD, so if the Australian dollar falls they risk big losses
- Add on the cost of shipment, insurance and customs (about another 35%), and most imported products are not as cheap as you'd expect

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Let's look at how to do this properly...

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Finding your "Perfect Match"



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Where to begin

- Google search for suppliers in your industry and preferred location (e.g. Metal fabrication Melbourne)
- Visit Austrade.gov.au and search by industry or product
- Visit <https://www.australianmanufacturing.com.au>
- Contact the Chamber Of Commerce (Auscham)
- Go to trade shows and trade events that feature your product, similar products or similar industries
- A new resource for Australian producer/buyer match making: The Advanced Manufacturing Growth Center (this will be big) <https://www.amgc.org.au/>

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What is a Perfect Match?

1. Values your business, is proactive and responsive
2. Has expert knowledge, experience and longevity
3. In the right industry, State and area
4. Right size and scale to support and grow with you
5. Suitable score on Steve's 29 point Supplier Selection Checklist

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1. Proactive and responsive

- Does your supplier respond promptly to emails or missed calls and answer all of your questions clearly?
- Does your supplier follow up if you don't reply back?
- Does your supplier explain their business in a way that you understand and highlight points critical to your product? (i.e. supply or material issues)

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2. Expertise, experience and longevity

- How long have they been in business and how stable are they? (3yrs+ preferred)
- What level of experience do they have with your materials and assembly?
- Do they have in-house expertise that can help develop your product?

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3. Right industry, State and area

- Do local laws, regulations or trade agreements benefit you? (raw materials, labour and product)
- Is there any activity from the government to support the business? (tax law, grants, land subsidies as examples)
- Are they well located? (port, airport, raw materials suppliers)

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4. Right size and scale to support and grow with you

The Goldilocks principle:

- Not too Big!
- Not too Small!
- Just right!



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5. Good score on Supplier Selection Checklist

Steve has a 29 point Supplier Selection checklist that automatically calculates a Compatibility score:

- <50% = too high risk
- 50-75% = worth considering
- >75% = yes, good match

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Example

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Rode microphones

- Started in the 90's
- Observed a great fit for their product
- Launched Rode in 2007
- In fact their competitors
- Rode Recognised an opportunity that was a perfect fit for their factory and that they could scale into their business
- Over time they on-shore production in a time when they are 2x more expensive
- Rode sell globally and their microphones were a perfect fit for their product
- Launched Rode in 2007 with an estimated revenue of 20m annually with an estimated profit of 7m after brand regard
- In fact their competitors

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Be Prepared!

- The more info you have the better
- Take a similar product or sample with you
- If your design is sensitive use a Non Disclosure Agreement (NDA)
- Define your product specifications (Drawings, CAD, Bill of Materials)
- Know the critical quality features of your product and what is acceptable / not acceptable (create boundary samples)
- Have an open mind

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Example

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Olaf The Violin-Maker



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Olaf The Violin-Maker

- Was sourcing average quality violins that took weeks of work to bring them up to his standard
- Followed the sourcing process to "Buy like an Eagle"
- Found an ideal manufacturer using European woods
- Worked with his chosen manufacturer to create much better quality products, that took him just a few hours to bring up to standard
- Result – 4,300% productivity improvement, margins of 1000%+
- Olaf can now produce in 2 months what would usually take him 7 years and sales have immediately accelerated!

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Olaf The Violin-Maker

This has freed up Olaf's time to do marketing:

- Created a YouTube channel and has over 21,000 subscribers
- Joint Venturing with well-known violinists Two-set (2.4 million YouTube subscribers)
- Become a celebrity in his niche
- Building a brand and an IP asset
- Globally Competitive and Sought After
- Last month Olaf sold more in one month than he previously did in an entire quarter in 2019. He broke his sales record and is now expanding his brand and products

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Case Study
Government Suppliers
Practice Bullets



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Distributor to Australian Government

- Distributor had a contract to supply practice bullets to Australian Department of Defense
- Distributor's costs were \$7 per round for 50cal, and \$4 per round for 9mm
- I did a cost estimate and was able to improve the figures considerably

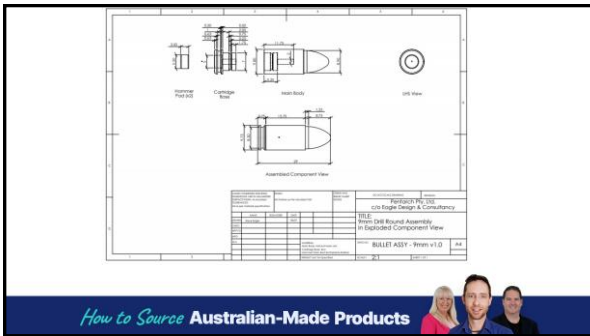


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Results

- Initial costs were \$7 per round for 50cal, and \$4 per round for 9mm
- Using similar materials, product was about 2.5 times over-priced
- By changing materials and process, I was able to further reduce cost
- Overall result was an increased profit for the distributor of 150%, and a reduction in cost to the Department of Defence
- For 24 year old Steve this produced a 6-figure income secured for 3 years based on delivery of first sample order. But this required only 12 hours a month to deliver meaning he could keep his day job if he wanted to

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Step Four

Negotiate a win-win

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Goal of negotiation with a manufacturer...

To get the best **VALUE**, at the right **COST** with the least **RISK**

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Your goal should ALWAYS be to get a win-win solution

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When negotiating with an Australian manufacturer, focus on “how we can work together to compete with foreign imports”

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Creating Value
NOT Reducing Cost
should be what sets the “Hard Limits” of your negotiation

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Here are the steps in my negotiation strategy



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Negotiation Strategy – price

1. Approach the negotiation by discussing process and capability in order to assess if the manufacturer meets your production and design requirements
2. If they clear the Supplier Selection process, request a quote
3. Compare the quote to your Cost Estimate. Adjust your Cost Estimate if necessary, and identify any gaps
4. Meet with the manufacturing team – sales, finance, operations and leadership to discuss the gaps and close them



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Negotiation Strategy – price

5. "Based on the information shared, and considering materials, labour and process costs we have a gap I'd like to close, I believe a fair price should be \$X. Can you please help me understand how you got \$Y"

Either:

- They can't explain it, and the price is then negotiable to \$X as estimated OR
- They explain it well (therefore adjusting the estimate) and you accept \$Y, in which case the product design becomes negotiable to keep the price at \$X

Repeat the process until all gaps are closed \$X=\$Y



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Negotiation Strategy – MOQ

The best way to negotiate on MOQs is...to side-step it all together!

1. Once you've agreed a price, place a sample order, eg 5 pieces
2. Explain that you need to test and ensure they are the right partners for you. Also for you to take photos, make videos, and make sales
3. Use the samples to get your first order (eg 100 pieces) and place an order for "sales samples"
4. Continue selling, and order as needed

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Negotiation Preparation Sheet

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Negotiation Preparation Sheet

- I complete a Negotiation Preparation Sheet for every major negotiation I go into
- This has saved me millions of dollars over the last 22 years

The components are:

- Details of product, Cost Estimate, lead time requirement
- Names and positions of each decision-maker
- "Current affairs", eg economic factors affecting pricing
- Topics to be covered at the meeting

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Negotiation Preparation Sheet

Also include:

- Must haves (Hard limits & mandatory product features)
- Nice-to-haves (Better lead times, more favorable payment terms)
- Sweeteners (things you can sacrifice if needed to get a better deal)




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Example



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Must Have	Nice to Have	Can Sacrifice/Sweeten
Surface finish at hardness of X as tested with " Hardness test Process"	Labels and hardware passed through at cost - not a profit center	Lead time can be extended if order volume over 1000pcs
Delivery time equal to 100pcs a week for 6 months	Ship in bulk for local repackaging for reduced packaging cost	Can provide hardness testing equipment and training to QA staff
Amortized tooling over 2500 parts	Label product as customs tariff #45678 (5% save)	6 months with no QA issues triggers automatic 6 month extension
Currency exchange fluctuation of 5% triggers pricing review	Technical support on call 24/7 through April sales period	
If quality of surface is out of spec in more than 10% over 6 months warranty claim is triggered, cost of return to be covered by manufacturer	Efficiency improvement price adjustments -3% after 1 year	
Notes:		



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EVERYTHING is Negotiable, but HOW?

- If you can't pay upfront can you pay over time? Or split it across order volume of X pieces (this is called "Amortization" often used for tooling)
- If a machine is not 100% used by your product can you only pay for the specific time used as defined by your order volume and cost estimate? (some factories use "blanket rates")
- Samples for free or cost absorbed into a production order later
- Productivity improvement after an agreed period of "learning" time

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EVERYTHING is Negotiable, but HOW?

- Does the insurance of the supplier or 3rd party cover your parts? To what value and what conditions?
- Responsibility of handling – faulty product should never be shipped; damaged in shipping should be worn by the organizer of that shipping
- How are raw materials and currency price adjustments handled and calculated? (how frequently? What spread is absorbed?)

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Questions?

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Biggest Ah-ha?

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