

China Sourcing Glossary (2026)

120 Essential Procurement, Manufacturing & Logistics Terms

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Procurement & Supply Chain Support

Introduction

This comprehensive glossary serves as a high-value field manual and operational checklist for procurement managers, global sourcing agents, and logistics professionals navigating the complexities of China's manufacturing ecosystems. Clear alignment on technical terms, commercial Incoterms, and quality definitions is vital to minimizing supply chain risks, preventing costly disputes, and establishing robust standard operating procedures (SOPs) with Chinese manufacturers.

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A–D Logistics & Compliance Terms

- Acceptable Quality Limit (AQL)** – Maximum number of defects allowed in a batch before it is rejected.
- Accessorial Charges** – Extra fees added by carriers for services beyond standard delivery (e.g., liftgate).
- Anti-Dumping Duty (ADD)** – High import tax placed on goods priced below market value to protect local industry.
- Air Waybill (AWB)** – Document issued by an airline that serves as evidence of the contract of carriage.
- Along Carrier (FAS)** – Incoterm where seller delivers goods next to the vessel at the named port.
- Automated Manifest System (AMS)** – Electronic transmission system required for goods entering the US.
- Arrival Notice** – Notification sent by the carrier informing the buyer that cargo has reached destination.
- Bill of Lading (B/L)** – Official contract between shipper and carrier listing goods and shipping terms.
- Bonded Warehouse** – Secured facility where imported goods can be stored before duties are paid.
- Booking Confirmation** – Document from a shipping line confirming space has been reserved on a vessel.

- **Break Bulk** – Loose cargo that is loaded individually onto a ship rather than in containers.
- **Buyer's Consolidation** – Combining multiple supplier orders into a single container to save costs.
- **Certificate of Origin (CoO)** – Official document stating the country where the goods were manufactured.
- **Consignee** – The legal recipient or buyer of the shipped goods.
- **Container Yard (CY)** – Area in a port where ocean containers are stored, loaded, or unloaded.
- **Cost, Insurance, and Freight (CIF)** – CFR plus seller provides marine insurance for the goods during transit.
- **Carriage and Insurance Paid To (CIP)** – CPT plus seller provides insurance coverage during transport.
- **Customs Clearance** – The process of getting permission from authorities to bring goods into a country.
- **Customs Bond** – Financial guarantee ensuring all duties and taxes are paid to the government.
- **Detention** – Penalty fee charged for keeping empty containers outside the port past the allowed time.
- **Delivered Duty Paid (DDP)** – Incoterm where seller handles all logistics, risks, and pays import duties/taxes.
- **Destination Port** – The final port where the ship unloads cargo for import clearance.
- **Drop Shipping** – Fulfillment model where supplier ships products directly to the end customer.
- **Dock Receipt** – Document issued by a carrier acknowledging receipt of cargo at the pier.
- **Bulk Cargo** – Unpackaged commodity cargo loaded directly into a ship's hold (e.g., grain, coal).
- **Certificate of Conformity (CoC)** – Document certifying that the product meets required standards and specs.
- **Commercial Invoice (CI)** – Detailed bill from the supplier used for customs declaration and valuation.
- **Consignor** – The entity or supplier sending the goods to the buyer.
- **Cost and Freight (CFR)** – Incoterm where seller pays for transport to destination port, but buyer assumes risk.
- **Carriage Paid To (CPT)** – Incoterm where seller pays for carriage to a named place, risk transfers to buyer.
- **Customs Broker** – Certified professional who manages customs clearance paperwork and compliance for importers.
- **Customs Declaration** – Official form listing specifications, value, and origin of imported goods.
- **Demurrage** – Penalty fee charged when containers remain inside the port past the allowed free time.
- **Delivered At Place (DAP)** – Incoterm where seller delivers goods to buyer's location, buyer pays import duties.
- **Delivered at Place Unloaded (DPU)** – Incoterm where seller delivers and unloads goods at destination.
- **Duty Rate** – Percentage of tax levied by customs based on the product's HS code classification.
- **De-consolidation** – Unloading a shared container to separate individual shipments for different buyers.
- **Dunnage** – Padding materials used to secure and protect cargo inside a container during transit.

Export License – Government permit allowing a factory to legally ship goods out of China.

Electronic Data Interchange (EDI) – Digital exchange of business documents like purchase orders between companies.

E–L Engineering & Manufacturing Terms

Engineering Change Order (ECO) – Approved document detailing modifications to a product's design or process.

Electronic Component Sourcing – Process of locating and vetting suppliers for microchips and circuit boards.

Factory Audit – On-site inspection of a factory to verify capability, quality control, and compliance.

Free on Board (FOB) – Incoterm where supplier is responsible until goods cross the ship's rail at loading port.

Final Random Inspection (FRI) – Quality check performed on finished goods when at least 80% of batch is packed.

Golden Sample – The perfect approved sample used as the benchmark for mass production quality.

Harmonized System Code (HS Code) – Standardized numerical code used globally to classify traded products.

Injection Molding – Manufacturing process producing plastic parts by injecting molten material into a mold.

Industrial Design (ID) – Creation of the physical appearance, ergonomics, and usability of a product.

Intellectual Property (IP) Rights – Legal protections for inventions, designs, and brand trademarks.

Lean Manufacturing – Production methodology focused on minimizing waste while maximizing productivity.

Ex Works (EXW) – Incoterm where buyer is fully responsible for logistics from the factory gate.

Environmental Compliance – Meeting regulations regarding hazardous substances (e.g., RoHS, REACH).

First Article Inspection (FAI) – Verification process inspecting the very first production unit against specs.

Free Carrier (FCA) – Incoterm where seller delivers goods to a carrier named by the buyer.

Finished Goods Inventory – Fully manufactured products awaiting inspection, packing, or shipment.

Gross Weight – Total weight of goods including all packaging, pallets, and container padding.

In-Process Inspection (DUPRO) – Quality check conducted while production is ongoing (typically 20-50% completed).

Incoterms – Standardized international trade terms defining buyer and seller responsibilities.

Inspection Certificate – Document issued by a third-party agency proving the batch passed quality checks.

Lead Time – Total time from placing a purchase order until the factory completes production.

Letter of Credit (L/C) – Bank guarantee ensuring supplier gets paid once shipping documents match terms.

- **Less than Container Load (LCL)** – Shipping small cargo volumes that share a container with other importers.
- **Logistics Management** – Planning and controlling the efficient movement and storage of goods.
- **Labeling Requirements** – Legal rules for markings on products and packaging (e.g., Country of Origin, CE).
- **Liability Insurance** – Insurance protecting against losses from defective or harmful products.
- **Material Safety Data Sheet (MSDS)** – Document outlining safety and handling procedures for chemical materials.
- **Non-Disclosure Agreement (NDA)** – Legal contract preventing a supplier from sharing your proprietary designs.
- **Original Equipment Manufacturer (OEM)** – Factory that manufactures products based on the buyer's designs.
- **On-Time Delivery (OTD)** – Metric tracking the percentage of orders completed and shipped by the deadline.
- **Order Confirmation** – Document from the factory acknowledging receipt and acceptance of a purchase order.
- **Logistics Provider** – Company providing transportation, warehousing, or freight forwarding services.
- **Lot Size** – Total quantity of items produced or ordered in a single production run.
- **Landed Cost** – Total cost of a product including unit price, freight, insurance, and import duties.
- **Low-Cost Country Sourcing (LCCS)** – Strategy of procuring materials from nations with lower labor costs.
- **Manufacturing Resource Planning (MRP)** – System used to calculate materials and schedules needed for production.
- **Non-Conformity Report (NCR)** – Document detailing a production defect and the corrective action required.
- **Original Design Manufacturer (ODM)** – Factory that designs and manufactures products sold under the buyer's brand.
- **Open-Account Terms** – Payment method where goods are shipped before payment is due (rare for new suppliers).
- **Out of Specification (OOS)** – Production units that fail to meet the defined tolerance limits.

M–Z Financial & Procurement Terms

- **Minimum Order Quantity (MOQ)** – Smallest number of units a factory is willing to accept for an order.
- **Master Carton** – Large outer box used to pack and protect multiple individual product boxes.
- **Original Bill of Lading** – Physical document required to claim ownership and release goods at destination port.
- **Marine Insurance** – Insurance covering damage or loss of cargo while in transit across oceans or air.
- **Net Weight** – Weight of the goods themselves, excluding all packaging and shipping materials.
- **Packing List (P/L)** – Detailed sheet showing weight, dimensions, and exact contents of each carton.

- **Palletization** – Securing cartons onto wooden or plastic pallets for easy forklift handling and safety.
- **Proforma Invoice (PI)** – Preliminary bill serving as an order agreement for making deposit payments.
- **Quality Assurance (QA)** – Systemic activities implemented to ensure product quality requirements are met.
- **Quality Management System (QMS)** – Formalized framework of procedures and policies governing production quality.
- **Request for Information (RFI)** – Inquiry used to gather general capabilities and background from potential suppliers.
- **Request for Quotation (RFQ)** – Structured request sent to factories asking for exact price per unit for specific designs.
- **Sample Approval** – Formal sign-off confirming a prototype meets all functional and cosmetic specs.
- **Shipping Mark** – Information printed on outer boxes showing buyer info, destination, and carton number.
- **Specification Sheet** – Document detailing precise dimensions, materials, tolerances, and test criteria.
- **Supply Chain Risk** – Likelihood of disruptions in production, shipping, or logistics affecting delivery.
- **Telegraphic Transfer (T/T)** – Standard electronic bank wire transfer used to pay Chinese suppliers.
- **Total Cost of Ownership (TCO)** – Comprehensive view of all costs associated with sourcing, importing, and overhead.
- **Value Added Tax (VAT) Refund** – Chinese government tax rebate returned to exporters for qualifying products.
- **Pre-Shipment Inspection (PSI)** – Final quality check performed right before goods are loaded for export.
- **Purchase Order (PO)** – Formal contract issued by the buyer detailing items, quantities, and prices.
- **Quality Control (QC)** – Direct operational techniques used to detect defects in manufactured units.
- **Quota** – Government-imposed limit on the quantity of a specific good allowed for import.
- **Request for Proposal (RFP)** – Document inviting suppliers to submit detailed technical and pricing solutions.
- **Return on Investment (ROI)** – Financial metric evaluating the profitability of a sourcing project or tooling investment.
- **Sea Waybill** – Non-negotiable transport document that allows quick cargo release without original paper bills.
- **Sourcing Agent** – Local professional in China hired to find factories, negotiate, and manage quality.
- **Supplier Relationship Management (SRM)** – Strategic management of factory interactions to maximize long-term value.
- **Tare Weight** – Weight of an empty shipping container, truck, or packaging material.
- **Third-Party Logistics (3PL)** – Outsourced provider managing fulfillment, warehousing, and freight forwarding.
- **Unit Cost** – Price paid to the factory for a single finished piece or item.
- **Vendor Verification** – Background and financial check to confirm a supplier is a legitimate business entity.

Vessel Sharing Agreement (VSA) – Operational agreement where shipping lines share container space on vessels.

Waybill – Document issued by a carrier giving details and instructions relating to the shipment.

Win-Win Sourcing – Negotiation philosophy aiming for sustainable benefits for both buyer and factory.

Zero Defects – Production goal aiming for flawless manufacturing output through rigorous quality control.

Volumetric Weight – Billable weight calculated based on dimensions rather than actual physical weight.

Wharfage – Fee charged by a port authority for handling cargo passing through a pier.

Warehouse Management System (WMS) – Software optimizing inventory tracking, picking, and receiving in a warehouse.

Zone Pricing – Pricing structure based on the geographic destination region of the shipment.

Bonus Section: Procurement Risk Checklist

- **Verify supplier before payment** – Conduct independent on-site audits or background checks before sending deposits.
- **Confirm Incoterm clearly in contract** – Explicitly define the transfer of risk, cost, and cargo ownership lines.
- **Define AQL before production** – Set clear defect tolerances using standard statistical models before signing production agreements.
- **Approve golden sample before mass production** – Retain a signed, physically sealed benchmark sample for final quality control comparison.
- **Use written specification sheet** – Never rely on verbal agreements; document every material, dimension, tolerance, and test standard explicitly.

"Used by procurement teams managing real sourcing projects in China manufacturing hubs."

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