

Made in America

Faced with competition from overseas, American framing manufacturers are striving to remain competitive with technology, training, up-to-date product designs, and faster, more reliable delivery.

By Patrick Sarver

For domestic producers to remain viable in their markets today, they have to understand how a sluggish economy and industrial globalization are changing the playing field,” says Hal Christensen, president of T.I. Industries. “Unless domestic manufacturers alter the way they supply and support their markets, they will continue to see declining margins and market shares eroded by low-cost imports. We are dealing with two scenarios simultaneously, which is more of a challenge than dealing with each separately.”

The challenge from foreign competition is impacting American manufacturers in a number of ways. They are finding it necessary to minimize labor costs, use technology to streamline productivity, develop reliable material supplies, and reduce turnaround time on orders.

“OEMs are having trouble competing because of the finished wall art that’s coming in from China and other countries,” says

“OEMs are having trouble competing because of the finished wall art that’s coming in from China and other countries.”

Carmen DeLuccia, president of Frameware Inc. “Imports are affecting us more now than in the past, both on raw materials and finished products. We’re dealing with the situation by selling other products and providing better customer service. We’re selling these products mostly to existing clients, and dealing in products related to what a client is already manufacturing and distributing. We’re also dealing more with smaller OEMs and jobs, doing more smaller product runs than ever.”

“As a domestic manufacturer, the major challenges we face include volatile increases in raw materials and operating costs,” says Aimee Eichert, vice president of sales and marketing at Art Materials Service. “Due to market competition, these cost increases are not easily passed on to customers. As a result, staying competitive means becoming more efficient and investing in ways to improve productivity.”

“Our cost of labor versus lower labor costs overseas is a constant hurdle in trying to stay competitive,” says Fred Katzman, general manager, Bainbridge manufacturing. That requires training workers to make the most of the state-of-the-art equipment. “Getting the right people trained and educated is a constant challenge,” adds Fred Vermeer, general manager, Nielsen manufacturing. “With more people doing foreign sourcing, we need to use all of our production capabilities to remain competitive.”



Framerica's manufacturing team designs and builds much of the company's equipment, focusing on ways to improve efficiency and increase production capability.

Competing With Cheaper Labor

The issue most commonly discussed by American manufacturers is how to deal with cheaper foreign labor and its emphasis on lower prices.

“We happen to be involved in the wood moulding industry, but our situation closely resembles that of many other businesses who face competition from Third World countries that were not even in the game three or four years ago,” says Christensen. “These countries have labor rates of less than

\$2 a day as well as modern manufacturing plants. This presents a whole new range of low-cost competition. Slow economic conditions have dramatically exaggerated the impact of these new manufacturing plants, which are creating worldwide overcapacity. With many more competitors competing for a smaller piece of the pie, low-cost products are coming into the country at even lower prices in an attempt to increase market share.”

“Steel prices are much higher in China than in the U.S.,” says DeLuccia. “Despite that, labor there is so low that we often can’t beat their cost on finished products, which is sometimes as much as 50 percent less than the U.S. manufactured price. Yes, there are minimum quantity issues with imports, and you may not get exactly what you want—despite the fact that the quality is getting better.”

Using Technology

One answer seems to lie in using equipment and technology to get more out of each worker’s efforts, along with designing products that have greater customer appeal. “In order to keep the jobs here, we are constantly working to cut costs through product design and manufacturing engineering,” says Joan Hadden, president of Arlo Industries. “Automation is the main way we can stay competitive.”

“I think U.S. manufacturers need to begin taking full advantage of technology to help improve productivity,” says Jeff King, vice president of research and development at SpecialtySoft, a leading software provider for the OEM market. “This will help minimize China’s only real advantage, lower labor costs. The best way to counteract this is through better automation and shop floor control.



T.I. Industries' main finishing facility and lumber concentration area reflects the company's investment in its own forest to provide raw materials for moulding.

Whether by using multiple computerized mat cutters run by one employee or establishing better control of manufacturing processes with software, American manufacturers can begin control and reduce their costs. A good combination of control and automation allows the flexibility to change with the demands of the consumer. OEMs today can bring a new product to market in weeks, where it might have taken months in the past. This is something no offshore provider can do.”

“We try to automate the facility as much as possible to reduce the number of steps in a manufacturing process,” says Vermeer. “We are also more flexible with shorter lead times.” Adds Katzman, “We also try to show unique and value-added products. With Bainbridge, we have been able to differentiate our products through technology and design.”

“Cheap foreign labor is a factor, but it’s nothing new,” says Todd Hranicka, vice president of sales at Framera. “Becoming more efficient helps, and a significant portion of our New York-based facility is automated, which offsets labor factors. Our labor force also includes some of the finest moulding engineers anywhere in the world. Technology plays a huge role in manufacturing processes. We have a full-time, fully staffed machinery manufacturing shop at our headquarters, with a team dedicated to designing and building customized, cutting-edge equipment to continually perfect manufacturing. There’s also a technology exploration team constantly monitoring the latest advances in every facet of the industry.”

“We continue to invest heavily in the latest technology at our moulding plants to ensure that we can compete with Third World producers,” says Christensen. “Over the years, T. I. Industries has recognized the need to change by refocusing and

repositioning our company. There is a tremendous synergy from becoming vertically integrated. That’s why we’ve invested in timberlands, built a sawmill, and expanded our kiln-drying facility and concentration yard. That allows us to have some control over our raw materials, for both reliability and price.”

Vermeer says that technology lends itself to automation as well as to producing specialized products.

“We continue to invest heavily in the latest technology at our moulding plants to ensure that we can compete with Third World producers.”

“For Nielsen, technology has also provided the ability to develop exclusive profiles and finishes to stay competitive, such as the new Natural Elements line using real metal finishes.” At Bainbridge, adds Katzman, “Technology has enabled us to bring value-added features to our products to stay competitive. The result is exclusive products, such as Artcare technology and many archival specialty surfaces.”

Technology also plays an important role in lowering production costs at AMS, says Eichert, especially in automation to enhance productivity. She also points out that information systems also provide better inventory visibility and control of manufacturing processes. “This is one of the benefits to manufacturing in the U.S.”

Quality and Trends

“The financial and other benefits of manufacturing in the U.S. definitely include better quality control as well as saving on shipping,” says Hadden. “Those are the main reasons we prefer to deal with U.S. companies except when the savings of dealing overseas are really substantial.”

“As the frame industry becomes more fashion driven, it becomes harder for any company to anticipate future demand,” says Christensen. “This is critical in our estimation and benefits a responsive domestic producer with a state-of-the-art production facility and a flexible manufacturing process that is responsive to changing needs. That’s why we have worked on making adjustments so we can supply product on a more immediate basis.”

“Manufacturing in the U.S. has the great benefit of shorter lead times,” says Vermeer. “There’s also a design benefit in having faster communication with customers, as well as better control of the ordering process, including quality and delivery. There are fewer uncertainties; you don’t have to worry about a ship not arriving. American manufacturing also offers a social benefit by supporting local communities and keeping jobs here.” Barry Scollon, executive vice president, manufacturing and distribution at NielsenBainbridge, adds, “Another benefit is reduced



Framerica’s environmental efforts include a state-of-the-art dust collection system that recycles waste to heat the building.

freight, which keeps the costs down and substantially reduces the amount of inventory you need.”

“Any time a customer places a moulding order with Framerica, it is literally days away from arriving,” says Hranicka. “‘Just-in-time’ inventory is often a necessity today for everyone. Domestic manufacturing means consistency in quality, ship times, and efficiency. American-made moulding never gets held up in Customs. We ship whatever quantities are needed anywhere in the country on a daily basis. This allows our customers the freedom to forecast ‘short-term’ needs without having to bring in large containers of moulding they may not need. Framerica faces the same challenges all

American manufacturers encounter. Our response has been to continually re-invent products, with research and development that ends with inventory.”

Government Regulations

One factor American companies have to contend with is government regulations regarding the environment, work conditions, and materials standards, factors that are often less stringent or nonexistent overseas. But are OSHA, EPA, and labor laws as much of a limit as they seem?

“In the U.S., we are held to a higher standard than companies are in Asia,” says Scollon. “But this is not a big negative for us in the cost. And the results are positive, as we have guidelines to protect the environment and provide a healthy, safe working environments for employees.” Overall, adds Katzman, “the effect is minimal.”

“All governing organizations do things that help safety or the environment, which is good, but it does cost money,” says Vermeer. “You don’t have these laws in foreign countries. It is a constantly changing environment that needs to be stayed on top of. You need to keep these guidelines in mind with any changes you make to a facility, such as adding new equipment.”

Eichert says, “OSHA’s impact has both costs and benefits. We are committed to maintaining a safe workplace, and OSHA provides the guidance towards that end; the payback is realized in fewer injuries and

“One of the factors creating a gray area is how the term ‘American manufacturer’ is defined.”

worker compensation claims. On the other hand, factories in China do not have the costs associated with OSHA compliance, and we are in direct competition with China.”

“Most of the factories in China are vastly superior to those in North America in terms of assembly lines and machinery,” says Dan Wenke, owner and president of China Frame and Mirror, based in Yiwu, China, and California. “They are clean, organized, and handle throughput greater than any factory I have seen in the U.S. On the other hand, factories in the U.S. offer good working conditions that those elsewhere do not. But factories are factories. They are what Mom told you to avoid and go to college. How good working conditions are can be relative. If the United Auto Workers were looking at a Chinese factory, they would not like it. But for a farm boy whose family feeds the water buffalo before themselves, a factory with a roof that supplies a dorm with running water and toilets as well three good meals a day, a factory can look very good.”

Wenke adds that, “While environmental laws or materials standards are starting to be instituted in China, there’s still not much. In the city of Dong Yang, some farmers had crops ruined by a local chemical company. When they went to protest, the local security and police set up a roadblock. The farmers beat up the police and security officials, torched their cars and offices, and made international news. The chemical company made real changes fast. Nevertheless, I still see the air beyond breathable in some factories that spray paint. That is hard to accept. On the other hand, the purchasing standards of American companies in expecting lead-free paint makes working conditions better in China. The world is very small these days, so what is forbidden in the U.S. is adapted to other places. It’s easier to make changes than to interrupt business. The Chinese still have a long way to go, however.”

Another issue separating American from overseas companies is strict adherence to copyright laws. “One of the drawbacks of offshore manufacturing is the loss of control by U.S. framers,” says Robert Sher, president of Bentley Publishing Group and chairman of the Art Copyright Council. “Most American framers buy their paper prints in the U.S. and send them to their contract framers overseas. But they can’t be absolutely sure those prints go in the finished frames that are shipped to the U.S. firm. If the offshore framer accidentally destroys the prints or if inbound prints are delayed, the offshore framer may decide to have an illegal print run made there. The council has heard numerous stories of this, although

to date these reports have not been substantiated. If such knockoffs are detected at retail, it would be embarrassing for the U.S. firm and could cost it a relationship with the retail company.”

Materials and Delivery Speed

“Manufacturing in the U.S. definitely enhances our ability to provide smaller minimum orders, handle production problems, have a reliable raw material supply, supply customers quickly and easily, offer good customer service, and plan our manufacturing operations efficiently,” says Hadden.

“Manufacturing here allows us to be close to the source of raw materials for matboard,” says Katzman. “North America is one of the leading suppliers of pulp and paper.”

“Framerica’s manufacturing and service have always been about providing customers with great flexibility,” says Hranicka. “We provide inventory that can be delivered quickly anywhere in the country, which allows customers to react to the demands of their own customers. That also means dedicated customer service, which has recently expanded its hours to 8:30 a.m. to 8:30 p.m. There are never any communication issues, which is a common problem for importers. Framerica also owns and operates a milling facility, which certainly contributes to reliability and consistency. Our exclusive supplier relationships also give us the ability to provide any quantity of moulding ‘just in time’ anywhere in the country.”

“With our customers being close to the point of manufacturing, it provides quicker response times,” says Scollon. “This is a big advantage with new product production. With foreign operations, things are much more complex. You need more accurate forecasts and longer lead times. It’s also more difficult to change orders.”

“Being close by gives us better control of the production process,” adds Vermeer. “When you’re close to the manufacturing, you’re right on top of it. For example, our aluminum is produced in the U.S. We know what is being used and that it meets the quality we require for our product. If it’s long distance away, you don’t have the visibility. You also don’t have the language barrier, either. Overseas, you need to go through an interpreter.”

“The turnaround time for imports is 90 days minimum, and you’re never sure of the quality unless you’ve been working with a supplier for some time so they know what you want,” says DeLuccia. “We can also outdo them a thousand times over on short runs, which for us is a quarter of a million pieces on items like sawtooth

“Rather than focus on the fact that the market has changed, contract framers need to find a way to fit in.”

hangers. We've invested in automation many times in the past years, so that runs like that take three to five days to produce. A lot of these smaller jobs are out there; it's mostly a matter of finding them."

What Lies Ahead

One of the factors creating a gray area in this issue is how the term "American manufacturer" is defined. "The delineation between a U.S. and a foreign manufacturer is muddled by the fact that there are many American-owned firms that contract with overseas factories to do their manufacturing," says Sher. "They pay U.S. taxes and maintain their headquarters here. Some do split their production between domestic and offshore facilities. Some also import materials from Asia and do the assembly here. An argument can be made that the U.S. benefits because these companies pay taxes here and often grow their domestic non-manufacturing staff, even though the manufacturing jobs are no longer in the U.S."

"American contract framing firms are still safe," states Wenke. "Most small contract framers should be working on jobs in-house that are profitable and job out lower-priced work to someone with access to lower-priced (but not lower quality) raw materials, such as moulding and glass. There is still a large market that needs a fast turnaround time. At best, China needs to make large quantities per item and takes at least 60 days for delivery. Much of that framing work has been absorbed by big box chain stores, which are servicing the large product segment created by the American housing boom—mirrors and framed graphics as well as photo frames, which has developed from the popularity of digital cameras. The easy sales that many framers came to expect in the past as normal business has gone away. Buyers have changed their habits and want product. Today, it takes marketing and sales to succeed. Rather than focus on the fact that the market has changed, contract framers need to find a way to fit in," adds Wenke. "If I were a contract framer in America, I would look for any way I could to tap into the housing boom. I would have a range of samples to sell to photo shops, gift shops, and smaller custom frame shops and have a truck to pick up and deliver to each. The bottom line is to start marketing something you have an advantage in and that the market wants."

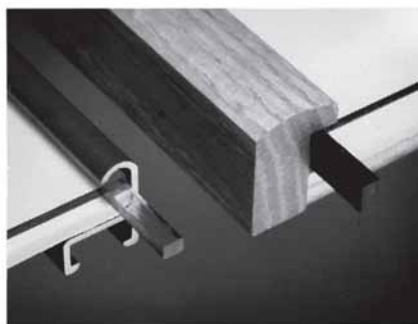
"Imports are definitely having an impact on U. S. markets, but they are not problem-free," says Christensen. "Just as imports face certain challenges, so do domestic manufacturers. Quality, availability, and lead-time are some of the many challenges related to providing good customer service. By investing in technology, being design-driven, and embracing a flexible manufacturing process, domestic manufacturing fills a specific need in the market by providing quality products that are "Made In America" on a 'just-in-time' basis. There is a light at the end of the tunnel for the domestic manufacturer." ■

What Can You Do?

As American manufacturers, contract framers can take a number of steps to improve their competitive position versus overseas companies:

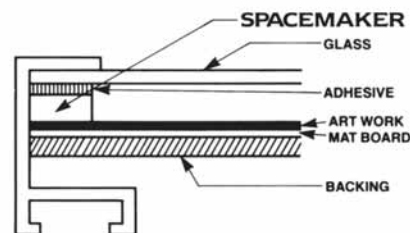
- ◆ Automate to reduce labor costs
- ◆ Focus on products that reflect current trends
- ◆ Don't rely on U.S. or foreign suppliers alone
- ◆ Analyze true costs, including waste and shipping
- ◆ Improve turnaround times
- ◆ Provide just-in-time manufacturing
- ◆ Seek more smaller-run jobs

SPACEMAKER™ PICTURE FRAME SPACERS



SOLID QUALITY - SOLID PLASTIC
Create a protective airspace between art and glazing.
Prevent mildew and other contact damage.

- The best adhesive from 3M
- Archival/conservation quality, acid-free, no plasticizers
- Just score, snap & stick. It's that easy
- Use with wood or metal frames
- Clear, Smoke and Black
1/8-inch & 1/4-inch



CALL NOW FOR FREE SAMPLES
and the name of your local distributor
800-332-2756, Pacific Time

