

# Importing

By Patrick Sarver

## Points to Consider

Importing moulding is something most production framers consider at some point for their business—and for a common reason. “Production framers who import are primarily motivated by the cost savings,” says Erol Baykal, director of sales and marketing at Studio Moulding.

“The biggest reason to import is definitely is price,” affirms Karl Hurowitz, U.S. Sales Manager for Adhisa, a Spanish moulding manufacturer. “You can probably save about 30 percent, even with the discounts offered by distributors. You also get to choose what you want rather than from what a distributor presents because you can get a look at the overall line from each manufacturer. Some end users also decide to import because they can order moulding unfinished and put on the finish themselves. It’s cheaper to buy it that way.”

“Moulding usually accounts for about 20 percent of the cost of a completed frame job,” says Dan Wenke, president of Huahong Arts & Crafts Co. “Even with the cost of transport and duty running at 15 to 22 percent, you can still buy at roughly 40 percent off, which means saving up to 80 cents on a \$10 product. Depending on the volume, that can be an appreciable amount of money.”

### **Buying by the Container**

“You have to buy full shipping container loads; it doesn’t pay to buy less,” says Wenke. To be successful importing, you have to be able to determine exactly what a container will cost you. You don’t want to tie up your cash, wait 90 days, and then find out you’re saving 3 percent.”

“Here’s a good example of someone who can import successfully,” says Israel Savir, owner of Miami Artistic, which imports a line of 600 mouldings from 11 countries. “An OEM I know uses maybe five different mouldings and makes 10,000 frames a day. So they can bring in a lot of the same moulding. For those who do a lot of different jobs, however,

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it often does not pay to import—especially when you calculate the total cost.”

Even bringing in a container or two now and then is often not enough, he adds. “If you are an OEM or even a manufacturer of artwork, it often doesn’t pay to import. It works best when you import only two or three items of, say, gold leaf. If you use a variety of moulding, it’s often better to go through someone who specializes in imported moulding.”

*Importing moulding can save on materials costs. But there are many issues to deal with before importing becomes worthwhile.*

### **Turnaround Time**

“It’s common for lead times to be around 90 days, and this business is generally cash on the barrelhead—a 30 percent deposit and the balance due upon shipment or a letter of credit,” says Wenke.

“You do have to allow some long turnaround times on orders,” emphasizes Baykal. “It can vary from two to as much as five months in some cases. That can be difficult for smaller purchasers to handle because the time it takes to receive a shipment is often ambiguous. Some overseas manufacturers are better than others, but there’s always the fact that any manufacturer is going to place more emphasis on getting orders out for the larger customers.”

### **Managing Inventory**

“If you import one or two containers a year, you need very good inventory control,” says Baykal. “You may have slow sales on a particular moulding—or you have a run on it. Either way, you can face problems because of the three-month turnaround.” When you have to reorder, he says, you may find you only have enough of an order for a partial container load.

“If you’re a smaller importer, you

may be ordering only a couple of items from a manufacturer in Spain, maybe two from Italy, five from Brazil, and 10 from Indonesia,” adds Baykal. “That requires a lot investment in managing inventory. Especially since you’ve probably already invested a lot of money in unsold inventory because of the quantity required to fill a container. Large distributors manage these issues and fill containers on a regular basis because of the volume of moulding they order and their ability to turn over their inventory. So the question is, ‘Can you order enough to fill a container, and do you have enough of a customer based to turn that order over?’ ”

“The biggest challenge in importing is definitely inventory management,” says Hurowitz. “It’s important to have a good handle on what you expect to use and, if things go better than expected, to be able to get a reorder in quickly. When you buy from a distributor, you can also have delays. You have to make sure a distributor actually has the inventory on hand. One of my dis-

tributors has an OEM customer who needs 1,000 feet each of two items. The distributor has none in stock, and we have only 280 feet of one of those items and none of the other. We will manufacture items like these specifically for our

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distributors, but we need a minimum 1,500-foot run for each moulding. In this case, the distributor has to get approval from the customer for us to make 1,500 feet each of the two items.”

## Finding Overseas Manufacturers

“Importing is a business. It can also be a real education and experience,” says Savir. “When you’re importing, you really have to know who you’re buying from. You can’t hire someone to check out every company you might buy from overseas. The only alternative is to hire a company there to check your goods—and that can be a headache. They may check your products as they are loaded into the container, but they usually count boxes, and that’s not the answer.

“Another thing you need to know is that every factory overseas has a specialty,” adds Savir. “Even if you go to Taiwan or Indonesia or Italy, you’ll find that every vendor specializes in something. Some do gold leaf. Some are great with stain. Some do gesso very well.” Finding out who does what well, he adds, takes a long time to learn.

“Most of the reliable factories have agents that travel in the U.S.,” says Hurowitz. “You’ve also got to go to SACA and walk the show. It’s important to know the manufacturer you’re dealing with.”

“If someone wants to import moulding, they should import from a company that only makes moulding,” advises Wenke. “A picture frame company that makes its own moulding makes it for its own production and knows how to cut around imperfections. A moulding company that makes mouldings for distributors will make you a perfect stick from one end to the other.”

Wenke says that finding a good source overseas is difficult. “You basically have to go to places like SACA and meet people,” he says. “You want to be sure of the quality control on what you’re buying. Even if it costs you more at the beginning, order a smaller quantity to check out the company. Do this a few times until you’re sure they can produce what you want. You also have to be prepared to travel, to visit with the manufacturers so you can make sure they understand what you’re doing. You want to make sure the source you’re buying from can accomplish your goals.”

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## Importing Risks

"In picture framing, the goods you get may be bad," says Savir. "Some companies on the West Coast found bugs all over their moulding. You have to know things like how the wood is treated. You have to ask to inspect the facility. You have to ask for a certificate of fumigation. There are so many things you have to do to bring in good moulding."

Savir points out one of his customers who decided to go direct and ended up buying a cheaper grade wood that wasn't kiln-dried. "Almost the whole container was unusable," he says. "It was absolutely worthless—and they did it just to save pennies."

He also points out other pitfalls. Even when your first order comes from a factory looking great, he says, your second order can be totally different. And then there's the effect of all the heat and moisture on moulding because of the amount of time it sits in a container.

"It depends on if you ship in the winter or summer," says Savir. "You need to calculate the reverse seasons, because winter in Brazil is summer here and vice versa. And in the summer the inside of a container runs around 147 degrees. If you are a manufacturer who tries to cut corners or ship fast, when you take the moulding out of the container, the paper can be stuck to the moulding or it may leave marks on it."

Nor is it unheard of for a container to arrive after months in transit containing 100,000 feet of the wrong moulding. Or you receive boxes where the labels don't match what's inside. Mouldings made at different times can also be different. "Between winter and summer, rainy day or sunny day, you get can have two different colors on the same wood," says Savir. "All those things could lose you a job and maybe even put you out of business."

The advantage large distributors have is not that they don't often encounter the same problems. "If they get damaged or wrong moulding, they can return it without problems simply because they are bigger customers," says Baykal. "When you import, you can get the wrong moulding or damaged or

warped moulding, and you have no recourse because you have to pay when it's shipped."

A major part of what you get for your money when using a distributor, says Wenke, "is that they have to buy the product, wait 90 days to get it in, put in on their shelves, and break it out and sell it again—in addition to dealing with all the challenges of importing."

## Dealing With Customs

Even when everything from the factory

is okay, there can still shipping headaches. "Between all the strikes and 9/11, importing from countries like Brazil can be a nightmare," says Savir. "I love Brazil, but it is listed as a terrorist country because of Palestinians there who shift money to Hamas and the PLO. Every container that comes from Brazil takes an extra week to 10 days for Customs, and they open every container. They also shift it to another place for opening, and that costs \$75 to \$100 each way. Then it costs \$150 if

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they open the door. It costs \$500 if they take out two boxes. It costs \$1,500 if they unload everything. And it might cost another \$2,000 to \$3,000 if they drill through all the moulding to see if you have anything hidden there. On average, we lose \$1,000 to \$1,800 extra per container with all that inspection. On top of that, the shipping company only gives you five days before they charge for storage. So, with all the containers Customs has to inspect, your container might sit there another 15 to 20 days at \$75 a day."

One way to speed things through Customs is to have a broker representing you in port. "One of the most important things an importer can do is to have the right broker to bring things through Customs smoothly," says Hurowitz. "There are companies that specialize in this, and they can make a significant difference."

### Mixed Containers

"To be an effective importer, you need to bring in 20- or 40-foot container loads," says Baykal. "An average 40-foot container requires 100,000 to 120,000 feet of moulding, while a 20-foot container requires 60,000 to 80,000 feet."

If you can't order a full container, he says, your freight is consolidated with others. And that may mean you have to wait until a manufacturer has a full shipment scheduled. "The time is much longer, the shipping cost is higher, and the damage is often greater. There are also more difficulties in getting consolidated shipments through Customs. They are high-priced and you don't have as much control over the shipment time because they are packed with other goods, which may not necessarily moulding."

These mixed containers are often held at the port for up to a month to allow Customs to X-ray everything, Hurowitz points out. "These days, mixed containers are the ones getting seized while full containers are usually cleared pretty quickly," he says. "Full containers might possibly take as little as a week at Customs. It also depends on the connections of your broker you use."

### Shipping by Air

It is possible to import relatively small amounts from some manufacturers. "Factories in Spain have no problem shipping 100 feet of something," says Hurowitz. "From the company I represent, you can order as little as 50 feet. Those orders may be for something like market tests to judge how much you'll eventually produce of a new product. These are shipped directly to the customer, sometimes by air. Ninety percent of what we ship is by ocean. But for a small order, we may advise shipment by air. And some air freight companies, especially from Europe, specialize in buying unused space on planes, so that can make it a little cheaper. The mould-

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ing still has to go through Customs. For example, we recently sent a 120-kilo (192-pound) shipment to the U.S., and the air freight was around 318 Euros (\$416). From the factory, including clearing Customs at the airport, it will take about three weeks for air shipments. For a small quantity of moulding, it typically makes much more sense to ship by air. It's maybe 5 percent more than importing by ship."

### Exchange Rates & Labor Costs

Moulding prices overseas are not uniformly inexpensive, and the prices may rise and fall. Often, the two main factors in price is the exchange rate and

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local labor costs. In the past two years, for example, the Euro's value has risen from 82 cents to \$1.31—about a 60 percent increase. This has had a major impact on the cost of importing European moulding.

It's also pushing some Europeans to relocate their operations to China. "There are a couple of companies like this in China now, one owned by a German and another set up by an Italian company," says Hurowitz. "There's going to be a huge influx of moulding from mainland China, and they're going to sell on price. With the exception of a couple of companies, I don't think the quality of the work will be as good as the quality coming out of Spain or Italy. On the other hand, the quality from Brazil has gotten a lot better because they've learned. And it's cheaper because of their cost of labor."

"Brazil has problems shipping to the U.S., so some importers have turned to Indonesia and China and Thailand as sources," says Wenke. "A lot of Chinese have moved to Indonesia and have developed the moulding business very well, and they've sold a lot to the major distributors for a long time. At some of those factories, they're able to make product at a level that's as high or higher than that made elsewhere."

### **Third-Party Importing**

Sometimes the answer for production framers is to use a distributor/vendor to import for them. They can get the price and selection advantage of importing by paying a commission to have someone else do the work and handle the problems.

"If you can't buy a full container, consider having a major moulding distributor/vendor broker your importing for you," says Wenke. "They can ship it with their containers, since they have relationships with the manufacturers abroad. You just have to calculate all the costs on a case-by-case basis to see if that makes sense."

"We do import for others at our cost plus a commission," Savir says. "We can import anything you want,

and we do all the work. And we can get it done cheaper. For example, we have a contract with a steam ship company for 120 containers a year, so my rate is better."

### **Personal Safety**

Traveling to and doing business with an overseas manufacturer can pose some unforeseen problems. "There was a guy from around here in the lighting industry who went to a show in Taiwan a few years ago and ordered \$112,000 worth of merchandise," he says. "When he received the container three months later, it was full of rocks. The supplier had already been paid when the container was shipped. This guy had a small business and had put a mortgage on his home to get the money. So he flew to Taiwan and went to the factory.

The owner called the police—he probably had someone paid off. The guy from Miami was arrested and accused of spying for the U.S. and got 20 years. Luckily, with the help of delegates from another country, he was released after a couple of months."

### **The Bottom Line**

The advantages of importing moulding yourself—lower cost and wider selection—make it appealing to many production framers. The challenges of importing still take time to learn. It may be that the benefits don't outweigh the risks for you. No matter the road you take, the time you spend investigating how importing will work for you is necessary before you decide to start investing in a new supply chain. ■

## **Assistance Abroad for American Travelers**

If you travel overseas to visit manufacturing companies, it's a good idea to know what the local U.S. consular service\* can do in the event you encounter difficulties. Consular personnel are familiar with local government agencies and resources in the country where they work and can help you with issues such as:

- ◆ Replacing a stolen passport
- ◆ At your request, contacting family, friends, or employers regarding illness or other emergency
- ◆ Providing a list of local physicians and medical facilities and helping you find medical assistance from this list if the illness is serious
- ◆ Helping you get in touch with family, friends, bank, or employer and inform them how to wire funds if you run out of money and have no other options
- ◆ Addressing emergency needs that arise due to a crime
- ◆ Obtaining general information about the local criminal justice process and information about your case
- ◆ Obtaining information about local resources to assist victims, including foreign crime victim compensation programs
- ◆ Obtaining information about crime victim assistance and compensation programs in the U.S.
- ◆ Obtaining a list of local attorneys who speak English and may have experience representing U.S. citizens

Consular officials cannot investigate a crime, provide legal advice, represent you in court, serve as official interpreters or translators, or pay legal, medical, or other fees. If you are arrested, they will visit you, advise you of your rights under local laws, and ensure that you are held under humane conditions and treated fairly under local law. If you are detained, remember that under international treaties and customary international law, you have the right to talk to the U.S. consul. For more information, visit the U.S. State Department website, [www.state.gov](http://www.state.gov).

\* Includes U.S. embassies and consulate offices in foreign countries.