



News Article

For Floor Covering Weekly's Distributor Notebook

What Distributors Need to Know About Importing

By Jim Gould, President, Floor Covering Institute
<mailto:jgould@floorcoveringinstitute.com>

While some may debate the relevance of independent distributors for domestic product there is no question that the distribution function is a necessity when foreign companies want to sell their products in the U.S. Foreign manufacturers need both the distribution function and the local market knowledge of a distributor. Independent distribution is alive and well in international trade and floor covering has become a global affair.

I started importing in 1988 and soon realized that foreign manufacturers needed my market knowledge and business resources. That reshaped my distribution company, Misco Shawnee, and spawned the creation of a third-party logistics company, Distribution Services Inc. Those companies performed marketing, sales, inventory management, delivery, invoicing, collection, claims inspection and more that a foreign manufacturer could not have known they needed: for example, how to track and pay buying group rebates. Importing and distribution services combined with private labels create a tremendous opportunity for distributors to increase margins and expand into unique product offerings. Making money importing, however, is not guaranteed or risk-free.

Protection by U.S. laws and customs may be left behind unless contracts specifically include them. Dispute resolution methods, product and performance standards are critical and must be detailed in advance. Who bears the cost and risk of currency fluctuation, inspections, insurance, HTS tariffs, taxes, customs fees, marine and land logistics, broker and freight forwarding fees are a few important details to work out in international trade. The commercial terms written in the Purchase Order and repeated in the Commercial Invoice determine at what point title, risk and costs pass from one party to the other. Simple terms such as FOB (free on board), EXW (ex works) and CIF (cost, insurance and freight) determine where title will pass to the buyer.

Product specifications, inspections, markings, packaging, and even loading requirements take on new significance. Some have learned that in China, for example you will receive what you "Inspect" rather than what you "Expect." Likewise, it is the importers responsibility to be certain products meet regulatory requirements such as the Lacey Act provisions.

Payment methods can vary from Letters of Credit to open account with extended terms, however; there are several types of Letters of Credit that vary in the amount of protection provided to the buyer.

To avoid ambiguity, what constitutes full performance, non-conforming product, proper documentation and timely delivery are some of the criteria, along with product specifications, that need to be included in the Purchase Order, the Commercial Invoice and the Letter of Credit.

The skills and knowledge held by distributors are invaluable to foreign manufacturers making distributors the best way to market. Profit opportunities and unique products are all waiting to be discovered by aggressive distributors. At the same time, expensive “lessons” can be avoided by learning from those who have paved the way.

A growing knowledge base about importing is available on the Internet, seminars and trade shows. On February 3rd, at Surfaces, I will moderate a panel of trade experts on “**Avoiding Landmines in Import Flooring.**” I will be joined by an attorney from Brian Cave, an expert in international trade development from Bank of America and the general manager of import distribution for BlueLinx. Each has focused his career on international trade and will address ways to avoid mistakes and mitigate costs in importing.