

25 TIPS

for Contracting Success

*From finding a subcontractor
to communicating clearly:
how to get results*

BY SHARON ELAINE THOMPSON

AT SOME POINT—WHETHER IT'S TO create a model, cast a part, set a stone, or any of the other myriad tasks involved in jewelry making—you're going to need help from a subcontractor. And when that time comes, there's a lot to consider: How do you find the best company for your needs? What should go into a non-disclosure agreement—and do you need one? Who should handle shipping and insurance?

To help you with the selection process, we talked to experienced subcontractors and asked them what goes into a good relationship, and how jewelers can choose the company that best fits their needs. Whether you're new to outsourcing or are simply searching for a new subcontractor, the following checklist can help to ensure you get exactly what you want.



Finding a Subcontractor

1. Be prepared before you start your search. Eighty percent of potential customers are not prepared to make or launch the product they have in mind, says Linus Drogos, president and CEO of Au Enterprises Inc. in Berkley, Michigan.

"They don't know their market position," says Drogos, whose company specializes in jewelry manufacturing services for both precious and non-precious metals. "They don't understand distribution. They have no concept of manufacturing. They don't realize there are going to be basic tooling costs, such as [for] molds, RP [rapid prototyping], renderings."

The key? Know what market you want to enter—high, middle, or low end. Know your audience, and the competitive products already in the market. Understand the basic manufacturing options available to you. It is not the manufacturer's responsibility to do this research for you, and he or she cannot always give you the advice you need unless you can answer these questions.

2. Determine your design and manufacturing needs. What services do you require—design, prototyping, casting, stone setting, packaging? How many pieces do you need? What processes are you going to do in house? What turnaround time do you need? Does the piece you want manufactured have to fit another piece that already exists? These are some of the key questions you should ask yourself—and answer.

3. Do your research, says Gary Wesdorp, president and CFO at Jewel-Craft Inc. in Erlanger, Kentucky, which provides a variety of subcontracting services to jewelers. Is the subcontractor insured? How long has it been in business? What is its Jewelers Board of Trade (JBT) rating—does it have any financial issues? Is its facility secure, or is the subcontractor working from home?

4. Don't work with a potential competitor. “Find out if the contractor is strictly B-to-B or if they do business with the retail public,” says Wesdorp. If you both share the same target market, you could be providing your ideas to a possible competitor.

5. Get a referral. It's a small industry. You probably already know someone working with a subcontractor.

6. Check the subcontractor's website. This may be obvious, but you'll learn what services the company offers and the past projects on which it's worked. You may even see work samples.

7. “Have a lengthy up-front conversation,” recommends Teresa Fryé, president of TechForm Advanced Casting Technology in Portland, Oregon, which specializes in platinum casting. “Ask detailed questions about the subcontractor's services. Ask what you can do to get back the best quality—casting is always a collaboration. It's not just a matter of design it, then cast it.” Explain who the final customer will be, as well as the final use for the product. Discussing such details will help you to know whether that contractor can meet your needs.

8. Understand the subcontractor's limitations. If a company is reluctant to take a project on, honor those reservations. If it seems that the company is too ready to take on a project that sounds outside its normal range, have reservations of your own.



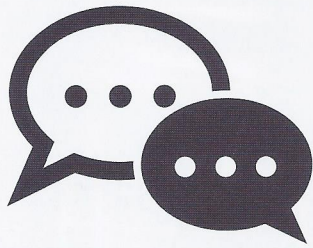
Contract Issues and Considerations

9. Put it in writing. Agreements do not have to be formal, but there should be a paper trail. At Au Enterprises, for instance, orders are no longer taken over the phone. “I need an e-mail with instructions: ‘Make this many of this by this date in this metal,’” says Drogs.

A paper trail, Wesdorp says, eliminates frustrating “he said, she said” scenarios. Write down key points: How much will the work cost? Will you supply the casting metal or stones, or will the contractor? How and when is payment to be made? And what happens if payment is late, deadlines are missed, the job is not as expected, or the job is lost or damaged? Who is responsible for stone breakage or loss, something that can vary from contractor to contractor? Knowing such details up front, and how problems will be handled, helps to avoid hard feelings afterward, Wesdorp says.

10. Have a non-disclosure agreement (NDA). If work involves proprietary designs, have an NDA—but understand what an NDA does *not* cover. “The NDA will protect designers, if they can afford to enforce protection, for the exact part they’ve made,” Drogs says. However, let’s say you’ve created a certain type of earring jacket or money clip that, for some reason, takes off and becomes popular; the NDA will not prohibit the subcontractor from making a similar product and selling it into the same market. It only prohibits them from selling *your* product into that market.

“You’ve not only just given your contractor all your information on trend, but you’ve taught them, at your expense, how to make a competing product,” says Drogs. “And you’ve paid for the tooling.” Which goes back to #4 above: Be sure the subcontractor is not and will never be a competitor.



Clear Communication

11. Be clear about what you want done. It's surprising how many subcontractors receive packages with no instructions or a note that simply says, "Fix it." If you can't tell the subcontractor, clearly, what you need, don't be surprised if it's not what you expect. Describe all the work you want done, and give specifics, e.g., sprue length, finish requirements, prong length and thickness, etc. Are unusual materials involved? Does the piece have engraving that needs to be protected? If you're sending in a piece for repair, what does the item look like, and does it have any miss-

ing or chipped stones? What is the full value for insurance purposes? The more details, the better.

12. Determine time constraints. What is the subcontractor's schedule? How fast does the company turn around work? Does it have set vacation closure dates? Does it charge an expedite fee if you need the job done in a hurry?

13. Provide a sample of the work you want to have cast. "It's always a good idea to send a CAD design in to the caster before printing or milling," says Fryé. "Even if you're going to mill or grow it in your own facility, have the caster look at it and put some sprue stubs or pads into the CAD design, so you have a nice clean contact when casting." If you want the subcontractor to produce a mated piece for work that exists, send a sample of the existing piece.

14. Consider using a scanning and bar-code system. This

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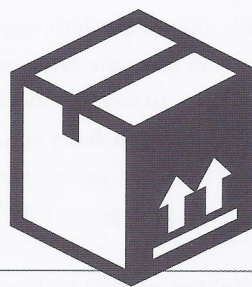
can prevent confusion not only in your own shop, but when it's necessary to send work to a subcontractor.

15. Photograph the piece before it leaves. Keep a copy for your records and put one in the job envelope. This ensures that, when you need to talk to the subcontractor about the job (and you will), you'll both be on the same page.

16. Think of your subcontractor as your partner. Say what you're planning and don't be afraid to ask questions. Do you have a certain way you plan to finish, set, or assemble the pieces being made? Are you planning to make jackets to go with the stud earrings you're ordering? What metal is most appropriate for your needs?

Fryé says she once had a customer send in a "big man's band with a broad, highly polished surface," who requested a 900 platinum/iridium alloy. "That is too soft for that kind of ring," she says. "That [alloy is] best for something like an eternity ring with

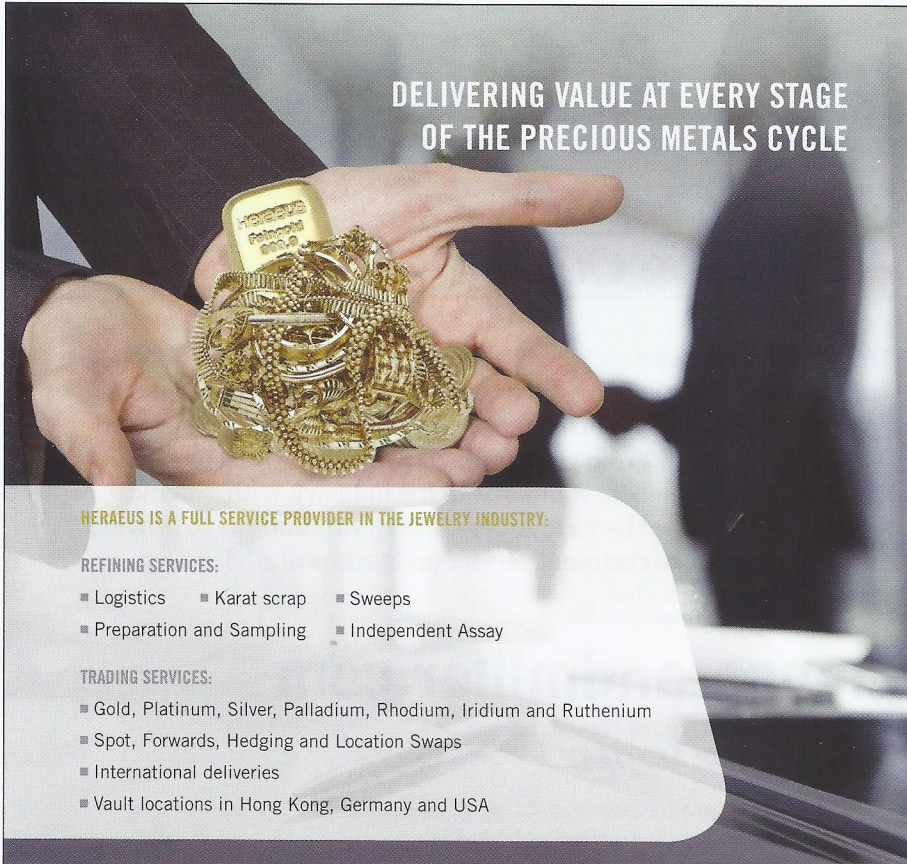
a lot of prongs that will be work hardened as the stones are set. When you have a massive man's band, you want a harder alloy." Having a subcontractor who can make such manufacturing suggestions will ease your workload—and your mind.



Eliminate Shipping Risks

17. Determine your shipping needs. If you don't specify when you need the order, many subcontractors might automatically default to overnight shipping—and as Fryé notes, "the difference

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between overnight and two-day can be significant." If you're not in a hurry, ask for two-day shipping and reduce your costs. And make sure you can track your packages online.

18. Determine the best way to insure your product. "This is an extremely important part of the entire process," says Wesdorp. When choosing a carrier—FedEx, UPS, the U.S. Postal Service, etc.—review the insurance options each offers. And don't stop, there, says Wesdorp: "I suggest going to your insurance company to find out the coverages available to you. For instance, our insurance company is Jewelers Mutual, and our policy includes up to \$25,000 of insurance on all Express Mail (U.S.P.S.) packages we send and up to \$100,000 on all registered mail packages we send."

19. Follow insurance company guidelines on boxing, labeling, and shipping your packages. A few examples: Use sturdy boxes, and seal them securely with gummed, reinforced paper mailing tape or pressure-sensitive shipping tape. Never write

words such as "jewelry" or "jewels" on the outside of the box, even if it's in the company name. (If you're sending something to "Fox Jewelry," just send it to "Fox." Same thing with the return address.) And always require a signature from the recipient.

20. Always insure for the full amount. Include your time for waxes and models, as well as for the full replacement value of a finished piece—especially if it belongs to your customer.

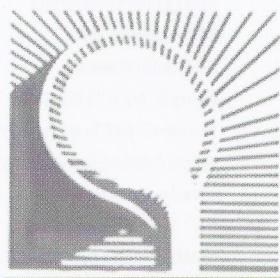
21. Include a packing list. Another typical insurance company guideline, but one worth emphasizing: This is important information not just for any possible claims, but also for the subcontractor to know exactly what the shipment should contain. Keep records of all shipments, including the merchandise details, job numbers, and value.

22. Pack wax or resin models carefully. "The saddest thing is when people spend \$40 or \$50 to get the wax here, and it arrives

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broken. All that shipping is out the window," says Fryé. She suggests putting the model into a small Ziploc bag, and putting that into a hard shell container. But do not get carried away with packing. "We've received models packed in batting," she says. "It hooks onto everything and breaks the model when we try to remove it."

23. See if your contractor can help you to reduce shipping costs. Subcontractors, such as casting companies, ship so much volume through companies such as FedEx or UPS that they get excellent rates, says Fryé. You may be able to reduce costs if you have them ship an order and then reimburse them, rather than paying for the shipment from your own account.

24. Ask if the subcontractor will ship directly to your customers. Au Enterprises offers drop-shipping directly to clients' customers with the product already tagged and hallmarked. The question to ask, he says, is whether your subcontractor can "be sensitive to being invisible in the manufacturing process."

25. E-mail shipping updates. Send an e-mail to the subcontractor so he knows when to look for your parcel and when to know if it's overdue, and ask for an e-mail confirmation of when the order is received. This keeps you on top of the order status and saves time for everyone by not having to make phone calls. However, don't be afraid to pick up that phone—as should be apparent by now, communication is crucial. Live by that rule (and the 25 tips listed here), and you and your subcontractor should have a long and healthy working relationship. ♦