

We are considering purchasing a machine from an overseas company that we haven't done business with before. If you have made such a purchase, how did you go about safeguarding your company during the transaction? What resources did you use to check them out and to handle an expensive purchase?

We purchased a new web press from a company in England. They wanted it paid for in advance, we didn't, so we went over there while they were building it and signed off on it once it was running in their plant to our full satisfaction. They disassembled it and shipped it over when we paid them, then they reassembled it in our plant. It continues to run very well for us. *that was 1986 and I was in 6th grade. "They" refers to my father and his production manager. ☺

We have recently become a dealer for equipment for overseas.

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We have no experience with this

Often you will see a variety of payment terms that both parties will find acceptable such as 10% paid at time of order 80% paid at time of delivery and 10% paid 60 days after equipment running. If you can't get comfortable with the company and the terms of the contract, you can also use a Standby Letter of Credit. Standby Letters of Credit are issued by most larger institutions and serve as an intermediary to make sure the transaction is completed to the satisfaction of both parties. There will be a cost to this but that cost is usually worth the peace of mind.

Talk to the seller about accepting an irrevocable letter of credit with certain performance benchmarks. Your bank should be able to help you with this.

We hired Dutch Graphic Trade out of the Netherlands to inspect a die cutting machine offered to us via Graphic Innovators. This was one quarter the cost of sending my mechanic and turned out to be the best money I ever spent to NOT buy a machine. Much of what was represented was proven to be inaccurate with detailed pictures and reports. The cost of repairs would have made this "bargain" extremely costly in the long run. Further small scale dealings with the seller has proven to be a mistake and the thought of how close we came to getting "taken" is cause for much indigestion. Needless to say we did not end up buying or shipping the machine, but DGT was able to facilitate this for us should we have consummated the deal.

If you are looking at anything that DGT can survey, I would recommend them as a reputable supplier who provided thorough and detailed reports to us and presumably would for anything that falls within their wheelhouse. Contact info is:

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Other than this we have only made purchases through reputable manufacturers, such as Bobst, and purchased the equipment f.o.b. our plant so that we had no customs or international commerce issues to deal with. I have heard many overseas horror stories and can appreciate your caution and trepidation. I hope this info is at least a little bit helpful, good luck.

Possibly they could use a letter of credit with various performance conditions and payment terms that protect the member to ensure that the equipment is in good order and working to the specifications.

We went through an American equipment broker for our foreign machine.

We have never done this.

We purchased a printing press from Latvia, the process took a few months and we had local attorneys connect with Latvian attorney for the financial portion using escrow accounts for periodic payments. We also contract the equipment manufacturer to visit location and audit equipment and condition. Depending on the equipment and the condition it can be more or less complicated. Note that most overseas equipment will need to be retrofitted to U.S. electrical requirements and a U.L. approval may be needed for insurance reasons.

The US Commercial Service (part of the Commerce Department) has offices in many foreign jurisdictions and will run a background check, including personal interviews and provide a report. In addition, the Commercial Services Group of the International Chamber of Commerce will run a report (for a fee) on financial creditworthiness and legitimacy, but operates primarily in Europe and South America.

Also, banking references, local lawyers and the local US Embassy or Consulate can sometimes provide insight into the financial creditworthiness of a company and its legitimacy and integrity. We also recommend an inspection of the machinery before payment is made.

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A few things that we have required:

1. Probably the most important thing we have learned is to make sure that machines are manufactured to the OSHA and ANSI requirements and your local laws.
2. Employee safety is the first priority when having to run machines. Should be top question now a days when buying from anywhere.
3. Most of the time we have gone through their US company /dealer and have held them to strike standards. If they are willing to do what you need at little to no extra \$. They may be someone to work with.
4. Ask about their service for repairs and maintenance program.
5. On hand parts list. If they tell you that they have never had to have customers keep parts on hand because of break downs. Be cautious!
6. Warranty. If it is a short warranty period be warned that there is a reason they will not at least do 1-2 year. We have required no less than a year and have had not dealt with some because of that.
7. Delivery times. Hold them responsible to the date of delivery. We have experienced in the past 6-8 weeks that turned into 12 weeks. After the 9th week we reduced the price so much per day after getting the run around. We now have that written in our buying contracts with manufacturers.

Running your business needs to have things in place to be sure that investments are an asset to the company not a frustration.

Usually when we purchase a machine from overseas it is from a company that we are already familiar because they make machines specific for our industry and our owner interacts with them at the Drupa show.

Otherwise, I would structure the payment plan so that you protect yourself. Deposit, partial payment upon delivery, and balance 30 days after installation. That won't fully protect you, but it gives you some assurance.

We are in the process of completing the installation of a laminator from a European source. Fortunately, the company is well known, and we were able to get favorable references from many in our network who had already purchased and installed the same equipment from the same manufacturer. This saved us the possible time and expense of a trip to the manufacturer for a demo. Hopefully, you can find some U.S. purchasers who would be happy to share their experiences with you, and even let you visit to see the installed equipment run on their floor (the manufacturer should be able to help with that). And, early on, we ran the proposed project past our banker, to make sure that they would be on board with us proceeding.

After the tire kicking phase, the banker was brought full bore into the mix. In our case, we got a line of credit to handle the installments, as they came due. We were given the option of purchasing in US\$ or Euros. We chose US\$, to eliminate currency risk over the life of the acquisition/installation. You may well end up wiring monies according to the schedule specified in the purchase agreement.

We can help with this for a fee. The first thing we would do is ask our European partners about the dealer involved. We are able to take care of all shipping to the customer's door with our import broker.

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