



ROGERS
WORLDWIDE

GLOBAL VIEW

Notes



WEIGHING THE COSTS AND BENEFITS of Using General Contractors to Perform Services Outside of Their Areas of Expertise

By Michelle Bruno

Times are tough in many sectors. Trade show organizers are looking high and low for the best deals, the highest value, and the best experience for exhibitors. With so many areas of the industry changing, some organizers turn to general service contractors for advice and assistance in selecting other contractors. In some cases, the plan works. After all, general service contractors understand the business, know the players, and hear from exhibitors about who does a good job and who doesn't. Trade show organizers, however, should understand the risks and the trade-offs when they allow general service contractors to take responsibility for services outside their areas of core competency—especially when it comes to customs clearance services for international exhibitors.

Customs clearance procedures for trade shows are unlike any other services provided by show contractors. Customs clearances are highly regulated, put exhibitors at risk criminally and financially if handled improperly, require tight control over an international supply chain, and necessitate the use of a licensed customs broker (unless the exhibitor files the documentation in person). There are no general service contractors

that are licensed customs brokers. The general service contractor must either recommend a competent resource or attempt to perform the service using another licensed broker.

In the first approach (recommended) the general service contractor agrees to *recommend* a competent, licensed, and experienced exhibition customs broker whom they have appropriately vetted. The broker places detailed shipping and clearance instructions in the exhibitor manual so that documentation is correctly completed and the supply chain in use is that of the customs broker (a critical requirement for security purposes). Also in this approach, the broker invoices the exhibitor in the company's own country of origin and local currency. **There are a number of advantages to the exhibitors in this scenario:**

- Customs brokers charge more competitive rates because exhibitors contract them directly and there is no third-party mark-up on costs.
- The service level for exhibitors is higher because they contact the broker's office or representative directly in the country of origin and receive immediate answers from qualified and experienced personnel.
- A consistent supply chain (originating at the exhibitor's door until delivered at the show site)

Continued on page 2

ensures that accurate and truthful information, as required by Customs and Border Protection (CBP), is received within the prescribed time frames helping to ensure on time delivery.

- The broker **can** act as the importer of record assuming the risk of duties, penalties and accurate filing of customs documentation on behalf of the exhibitor. Such risk compels the broker to be invested in the correctness of the paperwork and a positive outcome in the timely delivery of the goods to the show. It also simplifies procedures for the exhibitor.

The second approach that some general service contractors take is to perform the services themselves using an outsourced customs broker. In the second scenario (not recommended) the general service contractor issues their own shipping and customs instructions. The supply chain used is that of the general service contractor (although few have international representatives and usually sub-contract with external freight forwarding companies) or the exhibitor handles all of the shipping and the general service contractor handles the clearance only causing a break in the supply chain. There are a number of disadvantages to exhibitors in this scenario:

- Exhibitors are charged higher rates because they contract with the general service contractor who then sub-contracts with a customs broker charging a mark-up on their service fees. Depending on the exchange rates, paying in U.S. dollars may also be more costly as well as inconvenient.
- The service levels for international exhibitors are lower because they are instructed to contact the general service contractor (in the U.S.) with questions and quotation requests. The general service contractor must obtain the information from the sub-contractor(s) before replying causing a delay in response time.
- An inconsistent supply chain (involving two or more outside entities) opens up the possibilities for error and delay in receiving the information

necessary for ensuring accuracy and on time delivery.

- The general service contractor **does not** act as the importer of record and the sub-contracted customs broker **will not** act as the importer of record on behalf of an exhibitor whom he has no relationship with. The result is an added step for the exhibitor to complete a power-of-attorney allowing the sub-contracted broker to perform the clearance on the exhibitor's behalf.
- By requesting a power-of-attorney from the exhibitor, the general service contractor is relieved of any liability for incorrect procedures and the exhibitor assumes all of the risk associated with duties, penalties and accuracy. Without risk, the general service contractor is less compelled to invest in the correctness of the documentation, they are not required by law to retain records of the documentation, and months or years later, if problems arise, they are not required (and may be unable) to resolve them.

In the first scenario, the show organizer benefits by placing the responsibility for securing a competent customs broker on the shoulders of the general service contractor whom they trust and who makes an appropriate selection for them.

The exhibitor benefits because the procedures are simplified, streamlined and economical. In the second scenario, the show organizer enables higher costs for exhibitors in exchange for cost allowances from the general service contractor while exhibitors are subject more complex and expensive procedures. When asking for support from general service contractors, show organizers must closely weigh the benefits and costs to exhibitors and their own organizations. Allowing general service contractors access to additional revenue streams at the expense of exhibitors may be self-defeating and difficult to monitor in some cases. In a weak economic climate, what seemed like a good idea before may not be as effective now.

Global View Notes is published by:
Rogers Worldwide

1550 E. Higgins Road, Suite 106
Elk Grove Village, IL 60007

Contact:

Jeanette Mucha, LCB
Director National Sales
Tel: (847) 806-9200
Mobile: (847) 970-8017
jmucha@rerogers.com

Editor:

Michelle Bruno,
CMP, CEM
Tel: (801) 520-0797
michelle@brunogroup.com

Past Articles:

You can find all our articles archived on our web site.
www.rogersworldwide.com/content.asp?PageID=241