

Success Story

Fortessa, Inc.

Foreign Trade Zone Spurs Rapid Growth and Significant Savings at Fortessa

Offering an unmatched combination of quality and value, Fortessa, Inc. designs, develops and markets industry-leading tabletop goods and accessories. With a strong commitment to excellence, service and value, Fortessa has established itself as the crown jewel on the world's finest tables, meeting the needs of foodservice operations and retailers alike.

Getting To the Zone

"As part of a strategic initiative to become more competitive and project our business in the global marketplace, we were evaluating the feasibility of establishing a Foreign Trade Zone," said Scott Hamberger, CEO. A Foreign Trade Zone, or FTZ, is legally considered outside of U.S. Territory, so goods may be brought into the site (in this case, a warehouse) without formal Customs entry, tariffs or excise taxes. This inventory remains duty-free until it is removed from the FTZ warehouse and shipped to a customer in the U.S. If goods are exported to a foreign customer, tariffs are completely eliminated.



"There were several ways we would benefit from establishing a Foreign Trade Zone," said Scott. "Because tariff rates are high in our industry, delaying payment of tariffs until our product was shipped to our domestic customers would reduce our inventory carrying costs. More importantly, we would also be more price-competitive in the export market because we could import foreign goods and sell them to a foreign customer without paying tariffs. Not only would this provide a fantastic avenue for our products in the global marketplace, but it would also benefit cash flow and provide the flexibility of putting that money to work in growing the business. FTZ could provide Fortessa with a huge competitive advantage, and we knew it was something we had to explore."

FTZ ... The "Trade" Off

"With all of the benefits it would offer, establishing a FTZ sounded like a no-brainer," says Scott. "But, one of the most significant barriers to entry is a lengthy approval

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INDUSTRY

Designer, Developer & Marketer of Tableware

HEADQUARTERS

Sterling, VA

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3 Warehouse Locations
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process and extremely heavy regulations by U.S. Customs." The data management requirements and complexities of administering a FTZ are potential record-keeping nightmares. Unless you have the right systems in place, the effort required to maintain compliance could completely offset all the benefits a FTZ provides.

Assistance from Source Consulting

Fortessa was using Sage Pro ERP and Sage Accpac WMS to manage everything from inventory control and warehouse operations, to finance and accounting. To help solve the Information Technology part of the FTZ equation, Scott turned to his existing Sage reseller, Source Consulting - a leading provider of business software and technology solutions. Scott says, "We worked closely with Source Consulting to develop a roadmap for the highly specialized inventory tracking and reporting requirements of U.S. Customs. Spot audits are very common and we must demonstrate, at a moment's notice, that we are accurately tracking everything coming in and going out. If you bring in 50 widgets at \$10 dollars, you must track those same *exact* widgets at \$10 out the door."

Source Consulting tailored Sage Pro ERP and Sage Accpac WMS to provide the level of detail and operational transparency that Fortessa required. They also modified forms and reports to reduce the amount of time spent on FTZ record keeping and compliance. Scott asserted "Source Consulting did a fantastic job of modifying our system to handle thousands of transactions every month in our FTZ warehouse, while minimizing the cost and effort of compliance."

The Undeniable Benefits

"As expected, our FTZ warehouse has transformed our business," affirms Scott. Fortessa sources goods from all over the globe and their FTZ warehouse acts as a hub to the world. "As a result of the tremendous growth we've seen in the global economy, our export business is growing robustly and overall, Fortessa is growing 30% annually. I project that in 2007, our FTZ will reduce the required increase in working capital to finance that growth by over 27% ... we are growing aggressively with a lot less capital." Scott continues, "We have also seen a benefit to our P&L statements, by saving 1% of top line revenue which, in real dollars, is a pretty substantial number."

Scott concludes by saying, "It took a lot of work but we're proud of our accomplishment. FTZ offers tremendous benefits and has truly transformed our business. But it's not for the faint of heart, and definitely not for those who lack a reliable and trusted relationship with a fantastic technology provider."

"We've seen a tremendous benefit to our P&L, saving a full 1% of top line revenue which, in real dollars, is a pretty substantial number."

➤ **Scott Hamberger**
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