

The Logistical Challenges In Converting To 100% Recycled Precious Metal

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Introduction: In 2008, my company converted to 100% recycled precious metal in our national and international manufacturing. In this article, I discuss the process and lessons.

~ **Marc Choyt, Publisher, Fairjewelry.org**

As a designer jewelry company with three main lines manufactured mostly in our Santa Fe, New Mexico workshop, we mainly target the middle and lower end of the market. In March, we started the difficult process of supply chain conversion to 100% recycled precious metal which drastically affected my company for the rest of the year. The lessons we learned in this process may be valuable to others.

Our workshop has been purchasing recycled sheet and wire from Hoover and Strong for our in house production for quite some time now. The difficulty has been with our subcontractors. Our American casters were not willing to use our recycled sterling because our batches were generally too small. Recycled sterling was simply not available in Bali, where we manufacture internationally in a factory that adhered to fair trade practices.

If our Bali manufacturer had Hoover and Strong's Harmony Metals, we could then move our entire casting subcontracting to Bali. In Bali, we were already charged between eight and ten percent tax on silver. Theoretically, with the right set up, we could actually save money on the silver and manufacturing because we'd eliminate the tax and therefore manufacturing would be less expensive.

In March of 2008, I approached my contact at Hoover and Strong. We have a longstanding business relationship with the fine people at Hoover and Strong. I have even dined with Torry Hoover in Washington DC, during the Madison Dialogues. After just a week, we got the go ahead. While this assurance gave us permission to move forward, success was far from assured.

Clearing Administrative Hurdles

In Indonesia, our partner was very keen on using 100% recycled metal. Still, he faced massive amounts of bureaucracy, from the most basic to the most complex. In essence, he would be required to create an "export free" zone which would require over five months of diligent work just to get the proper clearance from the Indonesian government. In his factory of 250, of which we were but one of his larger customers, several of his other customers were reluctant to go with recycled silver if it cost even one or two percent more. In the end, he had to set up systems to track our silver through its entire production process, with a paper trail, even down to the names of the workers who worked on it.

Meanwhile, we struggled because no mainstream courier wanted to ship precious metal. But then I remembered one of our best retail customers worked for UPS as an international supply chain manager. I contacted him and he gave me the name of a small, agile company that was more than willing to do the shipments for us. Even after we had cleared the administrative issues in Bali, we held our breath for almost a month, waiting for affirmative words, insurance couriers and shippers.

Supply Chain Conversion

Even before we were sure that the export of metals would take place, we gambled, migrating our entire casting subcontracting to Bali. We paid to have new masters and molds made and invested a massive amount of time and energy, creating chaos in our own production during two of our heaviest months of the year, August and September.

Finally, in August, the first sterling silver shipped from Hoover, only to arrive to Indonesian officials who could not understand that recycled precious metal was not some undesirable product, like electronic waste. It took three weeks to clear customs. Far too long. But even worse, the casting grain, we learned, could not be made into wire used to fabricate hand woven chain—which is the main item we import. It took another three weeks for a shipment of fine silver to arrive.

Apart from being late for several of our most important customers, we also found out that we were charged about \$1600 per shipment, making it uneconomical to ship in less than large batches. Having shipped large batches of silver with no money coming back for at least three months, we went deep into our bank line.

Though it would have been best to go slower in the supply chain conversation, the size of the silver shipments to some degree dictated the pace of the process. Once we started shipping massive amounts of silver to Bali, we were committed. It took until November to really feel like new systems were in place. Our cash flow will always be impacted, since we have to store silver in Bali instead of just purchasing the amount we need as we need it. We pay bank interest on that silver.

Almost all eco friendly, ethically sourced jewelry has been targeted toward the luxury market, but we need to create an eco jewelry ethos in the mass market. Before the middle class jewelry buyer has the awareness to request recycled precious metal jewelry, the product has to be there.

We might be the only jewelry company that manufactures domestically and internationally with 100% recycled precious metal. Having accomplished our goal, I proudly sent out press releases that were not picked up by any significant sources in the jewelry industry or anywhere else. It is likely that many of the early movers in this ethical jewelry process probably will reap little benefit compared to the larger companies with strong media contacts that will follow.

It does not matter. We did the right thing.