



Thinking Big-A STROKE OF GENIUS

[Growing Brushstrokes meant setting up shop in Mexico. And Mitchell Wine is glad he did](#)

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Two years ago this fall Mitchell Wine ran head on into a problem familiar to many Canadian manufacturing companies: He had huge potential orders in hand but the cost of filling them at his Richmond Hill factory would wipe out any profit.



His company, Brushstrokes Fine Art Inc., creates reproductions of oil paintings and the costs of manufacturing in Canada were just too high for mass market customers. If he wanted to grow the company, reducing costs was crucial.

He took a lesson from Canadian auto parts makers. His solution lay 4,000 kilometres due south in Mexico. The result was a 40 to 50 per cent savings in monthly operating costs.

Wine was so impressed by the money-saving potential of his own move, he created a new venture. His North American Industries is now part evangelist for Mexico's benefits and part fixer for any company looking to establish there.

If production costs are eating into margins, then Mexico may be the solution, he says. He can offer his own experience as proof that Mexico may well trump China, today's flavour of the month for many Canadian companies.

In Wine's case the product was reproductions of both famous and original oil paintings. Brushstrokes, acquired from receivers in 2003, has patented processes that can simulate the original look and feel of real oil paintings. When he and his father Harold bought it, Brushstrokes sold mainly through a catalogue and focused on the high end market.

Then Ikea came knocking. The Swedish company would take 80,000 units if Brushstrokes could deliver within three months.

"We did it to get the business, but frankly we lost money on it," Wine says.

In today's climate of growing globalization of manufacturing, when the going gets tough, the tough get on airplanes. Wine first scoured North America to see if there was some form of automation hardware and software that could reduce his costs.

No luck.

Then he flew to China.

"I have been going there since 1991, so I knew it well," he says. "What I saw raised three major concerns. The first was distance; the second was quality and the third was the fact that the Chinese are not great respecters of patents and my business absolutely depends on the seven we hold."

Then his minority partner and chief operating officer John Hastings came up with a suggestion: Mexico. Eight years earlier while with giant greeting card maker Hallmark, Hastings had been given the task of overseeing Hallmark's cost-cutting moves into Mexico.

Hallmark had signed a deal with a Mexican company called American Industries, which since 1976 has paved the way for foreign ventures looking to create export factories in Mexico.

The Chihuahua-based company, headed by 62-year-old Luis Lara, offers a complete turnkey solution to its clients. For a single cheque a month, not only do they get industrial space but a complete workforce, all accounting and financial needs, government permits, in fact a soup-to-nuts menu of everything a foreign company needs to set up a plant producing export products.

"In October I flew down to meet with Lara. We signed a deal almost on the spot and Brushstrokes was up and running in Ciudad Juarez just across the Rio Grande from El Paso by January," Wine says.

The 70,000-square-foot modern facility now employs 100 men and women and can operate three shifts a day if necessary to meet demand for about 15,000 reproduction paintings a week.

Moving operations to Mexico isn't for every company.

Don McLaughlin, vice-president of strategic and client development at Roynat Capital, a private equity investment group aimed at mid-market manufacturing, says that while Mexico may offer some advantages, the notion of setting up plants there has not caught on among Canadian manufacturers yet.

"Other than those in the auto industry, we have not seen many clients establish in Mexico so far," he says. "Those that have gone outside North America had chosen countries like China, India and even Eastern European countries.

"There has to be a pressing reason to do it and the company has to be of a certain size to be able to afford the move."

But it works for Wine. Beside the cost savings, he likes being able to operate in the same time zones, the easy transportation and an established business culture similar to that of Canada.

"One of our most persuasive tools is the difference it made to Brushstrokes," he says. "We just could not have grown without that move."