

# CAPITAL BUSINESS

VIRGINIA ★ MARYLAND ★ DISTRICT

Published by The Washington Post

JUNE 27 - JULY 3, 2011 • VOLUME 2, ISSUE 11 • \$2.50

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# MARKETPLACE

RETAIL, HEALTH CARE & ENERGY

## Bringing manufacturing jobs back to the U.S.

### REGULATORY IMPEDIMENTS

After operating 16 years in Asia, company opts to open plant in Glen Burnie

By DANIELLE DOUGLAS

Conveyor belts are raring to go at the Glen Burnie factory of Pacific Trade International, the Rockville company behind Chesapeake Bay Candle. Opening this Tuesday, the 117,200-square-foot plant is the company's first in the United States, after 16 years of manufacturing all of its products in Asia.

The move toward domestic production comes as the cost advantages of manufacturing in Asia are waning, and Chesapeake Bay Candle's distribution channels in the United States continue to grow.

The line of brilliantly colored, scented candles can be found on the shelves at some of the largest stores, including Target, Bed Bath & Beyond and Kohl's. Sales topped \$84 million in 2010 and new orders are flowing. The Glen Burnie factory is designed to help shorten turnaround on those orders.

Getting the plant up and running, however, has been a test of will for the company's founders, David Wang and Mei Xu. The husband-and-wife team faced regulatory roadblocks at every turn, making them question the government's commitment to revitalizing manufacturing.

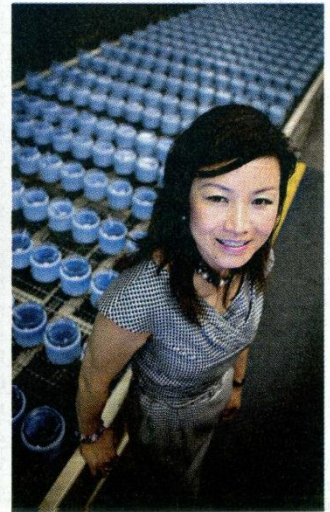
"The government talks about wanting business to come back from Asia, but they have nothing in place to guide businesses through the endless regulations," Mei said.

Converting a former liquor warehouse into an automated manufacturing and distribution plant proved far more challenging than Mei anticipated. When she and her husband leased the space in March, they figured it would take six months to renovate at a cost of \$2.5 million based on other factories they, and their local contractors, had opened.

That didn't quite pan out.

Officials objected to the site plan for not meeting building codes. Bob Hannon, chief executive of the Anne Arundel County Economic Development Corp., said the county worked with Chesapeake Bay Candle from the outset of the project, but it was clear the company wasn't fully aware of what the renovation would entail. Xu conceded that the building required far more work than expected, but maintains the county should offer a "concierge service" to guide businesses through the process.

Revisions took another few months. Delays mounted. In the end, the warehouse required a new sprinkler and air-handling system as well as a new roof. All told, the project cost \$3.5 million.



Photos by Jeffrey MacMillan/Capital Business

**COST ADVANTAGE:** Mei Xu, owner of Chesapeake Bay Candle, above, said it makes more sense now to manufacture her product in the United States. Xiao Y. Wang, left, straightens wicks on the production floor.

the United States.

Rising labor costs in China and Vietnam, where Chesapeake Bay Candle has factories, encouraged Mei to consider expanding operations closer to home. Freight costs, which she said have doubled in the past year, have also placed pressure on expenses.

Mei estimates it takes about six to eight weeks to respond to an order out of Asia, whereas it will take about two weeks from Glen Burnie. Proximity to distributors also allows for leaner inventories.

"When you put all of those elements together, it makes a compelling case for moving back to the United States," Mei said.

Being near the Port of Baltimore for distribution and workforce seemed practical to Xu. There are a lot of blue-collar workers in the area, she said, who were laid off in recent years, making it easier to find people to fill the 100 slots at the factory.

"We want to not only provide jobs, but jobs that are in a creative industry," Mei said. "There is a whole ecosystem that can be built around factories."

Mei and Wang started Chesapeake Bay Candle in 1994 from the basement of their Annapolis home. Their sleek, contemporary designs caught the attention of retailers and business took off. The pair branched out into home furnishings with the launch of Blissliving Home in 2007. They are putting the finishing touches on a bath and body line due out by the end of the year.

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### HOSPITALITY: Chesapeake buys California hotel

Annapolis-based Chesapeake Lodging Trust said last week that it purchased the 210-room Hotel Indigo San Diego Gaslamp Quarter from InterContinental Hotels Group for \$55.5 million. Chesapeake, which funded the acquisition with borrowing under its revolving credit facility, signed a management agreement with IHG allowing it to continue operating the hotel.

"Time is money. And when it takes an inordinate amount of time to get a permit or something reviewed, it becomes expensive and prohibitive," said Mike Galiazzo, president of the Regional Manufacturing Institute of Maryland, a trade association. "If Maryland received more support from public policymakers, the success we have now would be accelerated."

To cut some of the red tape, Gov. Martin O'Malley (D) introduced in January "Maryland Made Easy," a program that in part provides a centralized system for business licenses and permits. The state is currently doing an internal review of how best to implement the initiative, according to a spokesman for the Maryland Department of Business & Economic Development.

The effort comes as market watchers say the United States could wrest manufacturing investment away from

### What's been lost

The number of manufacturing jobs in the Baltimore-Towson region, in thousands:



SOURCE: Bureau of Labor Statistics Capital Business

China, with wages there climbing some 17 percent annually. According to a study by Boston Consulting Group, within the next four years, production in China will cost roughly the same as