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Begim: 'The new designs we create can't cost anymore or the client will send the work out to China.'

Package Deal

AVC's environmental emphasis gives company competitive edge

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Contributing Reporter

AVC Corp. not only wants to change holiday shopping, but to do it through "green" packaging that reduces the amount of plastic and supposedly won't cost retailers more.

For now, the Torrance-based company's "rotating interactive" design allows shoppers to spin products such as cell phones and MP3 players 360 degrees without taking them out of the package. The 3-D "capsule" is sealed using radio frequency waves and can only be opened with shears or a knife. Conventional packaging only allows views from front and back.

Also patented by AVC is a plastic "reusable retail package" that opens like a book and has pockets to store products. The design encourages customers to retain the plastic packaging on shelves, rather than toss it to the trash.

Forrester & Vos Co., which is based in Long Beach and distributes fashion reading glasses, has seen a 16 percent increase in sales of products with RRP packaging.

"They package about 500,000 units a year," said W. Peter Vos, the company's executive vice president. "Selling reading glasses in a design that looks like a book (rather than a conventional clamshell) made a lot of sense."

Faced with overseas competition, AVC President Moshe Begim cites "speed through integration" as his main edge. Thermoforming, or the molding of raw plastic into cases, is at the heart of AVC's business. The company says it can take a package from concept through launch within three weeks.

"AVC's biggest asset is they are local and can provide total fulfillment," said Vos. "They keep us in the loop from concept design through shipping to our retailers. It's like having an extra warehouse in Torrance."

Going for green

Competition from China, where firms typically fill packaging orders for 30 percent less than U.S. companies, has fueled AVC's drive toward innovation. Camera-maker Vivitar used to funnel \$1 million per year in packaging orders to AVC; today 90 percent of those same orders go to China.

"The new designs we create can't cost any more," said Begim, "or the client will send the work out to China for the cheapest possible product."

Begim said he had considered moving the company to Mexico, where costs are closer to China's, but decided to stay here. "I can't match the labor quality I've built up in Los Angeles over the last 15 years," he said.

AVC is also betting on a new design that will reduce the amount of plastic by more than 50 percent. It employs a corrugated cardboard backing mated to a Polylactide plastic cover. PLA is made from corn oil and produces no carbon dioxide when it's burned and can break down naturally in 30 days. Using biodegradable resins like PLA costs about the same as un-recyclable Polyvinyl chloride plastic that has been in use for decades.

The technology to seal PLA packaging does not yet exist, although AVC has a Beta model that is being shown exclusively to Sam's Club (perhaps, Begim added, providing a chance with Sam's parent, **Wal-Mart Stores Inc.**)

AVC brought its new green design to the Environmental Protection Agency, which forms voluntary partnerships with packagers supporting its Reduction Conservation Challenge, a program aimed at promoting recycling.

"Only about 9 percent of the 11.9 million tons of plastic waste is recycled every year, compared to 60 percent of steel and 56 percent of paper," said Timonie Hood, an environmental protection specialist with EPA's waste management division. "AVC's products are focused on how to reduce waste upfront and we're very supportive of that."

Infomercial roots

Begim, who had been a captain in the Israeli Air Force, came to L.A. on a holiday and never left. "It was 1987 and home video was booming," he recalled. "I learned duplication, manufacturing, and distribution from the ground up."

With little cash upfront, he bought ABC Video, a duplication firm in North Hollywood that was on the verge of bankruptcy (the name was later changed to AVC to avert a lawsuit from the TV network). Infomercials were its core business.

"Clients started asking if I could fulfill the materials that went along with the infomercial video. That meant moving into album binding, color design and consumer packaging."

Begim bought another nearly bankrupt firm, ColorHouse, to add printing and design. Manufacturing came next, with the company acquiring Remington Plastics Manufacturing Corp., a 100-employee firm that thermoforms and RF-seals plastics.

Media duplication (DVDs, CDs, and videotape) account for 20 percent of revenues this year. Thermoforming and assembly of retail packaging made up more than 50 percent. "Once everything was integrated in one location," Begim recounted, "I decided to go green. It gives me another competitive edge over China."

AVC Corp.

Year Founded: 1990

Core Business: Media manufacturing and consumer product packaging

Revenue in 2004: \$18 million

Revenue in 2005: \$21 million

Employees in 2004: 200 full-time and up to 200 temporary, depending on volume

Employees in 2005: Same

Goal: \$40 million annual revenues in two years

Driving Force: The desire of consumer product companies for cheap but innovative packaging