

# Reading the Tea Leaves: What's Brewing in Global Sourcing

**W**e are on the brink of experiencing the most significant change in the history of the apparel industry — the integration of key technologies that will result in a global, ultra-collaborative process by which supply chain management will be judged.

In the past, people have grossly oversimplified the complexity of the garment industry. Thirty years ago, there was generally a low cost of entry, ease in setup, a readily available semi-to-unskilled work force and universally comprehensible technology. In 2008, however, any contention that this type of industry still exists is easily rendered moot.

The truth is that the apparel industry is almost labyrinthine. The industry is becoming highly dependent upon partnerships and technology, and thus requires skilled management who can understand and nimbly operate within the elements of a holistic supply chain.

Industry consolidation, the emergence of private equity, the high cost of failure, the reduction in operating margins and the need for substantial working capital have all created demands that require the industry to force its way to a streamlined level of efficiency.

Today, the buying organization places executive emphasis not only on the product, but on technology, machinery, training, transparency, compliance and accuracy — assuming of course that price and quality are there to start. Whether we like it or not, these are the key components driving the supply chain. To create a sus-

Steven Walton of Wing Tai takes a holistic view of the global apparel supply chain and offers a glimpse of what we might expect, and tips for how to succeed, in the future.

tainable and profitable industry, all of these factors must be addressed.

This is not to say we've made no progress thus far. In fact, the global apparel industry has worked to become better organized, but it still needs competent leaders, a deeper level of standardization, and greater monitoring to ensure a maximum benefit over cost.

## Focus religiously on supply chain efficiency

Apparel is a multi-billion-dollar global market and it goes without saying that the opportunities for growth are enormous. These opportunities exist for large corporations and SMEs (small- and medium-sized enterprises) in both developing and developed countries, where leaders of industry and government are prepared to embrace their entrepreneurial spirit and unite behind the issues that matter for the success and progress of garment manufacturing, not the petty complaints of short-term speculators and voters.

The Internet has revolutionized how we view real-time data collection. Now we need to build a dynamic safe haven for apparel buyers where our singular focus is on the final creative product, speed of response, inter-company cooperation and efficiency.

Nonetheless, we don't live within the Internet and therefore must contend with

the complexities posed by globalization and a lack of universal standards. The apparel industry is dominated by the intricacies of trade politics, duties, subsidies and fluctuating exchange rates, to say nothing of corporate and social responsibility, environmental compliance, and health and safety standards.

On a daily basis apparel manufacturers have to cope with the fickle fluctuations in color, style and fashion that have been indelibly tied to making clothes. Now add to that analytical reporting, inventory, production planning and monitoring, packing materials, shipping, customs and banking. It's not an easy task to implement solutions to handle all of that.

However, all is far from lost.

If the garment industry, a country and/or a brand organize themselves and concentrate religiously on creating and maintaining an efficient supply chain, on specialization and on collaboration, there is no doubt that profit and success will soon follow. Granted, there is no quick buck to be made any more (thank you, exchange rate). That being said, there are plenty of euros, along with wasted margin, that we must recoup.

The advantage in upgrading and organizing the supply chain today is that it is easier to learn the lessons from the past and plan out the industry for the future than patently ignore them and land flat on our faces. Take China as an example: Little doubt

remains that the Chinese are pioneers of supply chain management in the garment industry and have become ubiquitous models of apparel manufacturing efficiency. Having lived there for more than 20 years myself, I can tell you one thing: China is not where it is today because of luck.

There was immense planning and thought invested into how to grow the Chinese apparel industry in the short, medium and long term. The statistics are amazing and the growth projections over the next 10 years are simply mind-blowing.

### **Tips to take you where you want — and need — to go**

Enough said. Now let's discuss how you can take your supply chain management from zero to hero. Here's my advice:

1) Follow China — track its every move, advancement, technological theory for the garment industry. You have no idea how it will drive the change for apparel manu-

facturing worldwide. (Actually you do, because I've told you.)

2) Technology alone is not the answer. People who use their brains and resources are the main asset. Use technology as the means and catalyst to execute what your qualified brains are planning.

3) Speaking of planning, there's just not enough of it being done. Show me the CEO of an apparel-buying organization and I guarantee you he or she doesn't know how things work in the supply chain trenches.

4) Train people. I'm not talking about training the main labor force; they're likely already competent and dedicated. I am referring to cultural training for executives. Learn how to engage with workers and to avoid conflict. Nothing turns people off more than the stereotypical (but sadly real) CEO who haggles over the price of fabric with suppliers and relentlessly taunts his staff. This behavior will get you nowhere.

5) Embrace the fact that the times are changing. The industry is no longer, nor should it be, "low tech." Factories have installed RFID (radio frequency identification) tags that track raw materials from the moment they arrive until the time the garments are packed and shipped. Such factories have servers containing all production information that are updated every five seconds. Visibility into the status of every order, right down to the color and size can be viewed globally without any manual data input, and in real time. (Here's some food for thought: If China mandates such systems as a condition for gaining an export license, the industry will change like never before.)

6) Strive to do better. Even in the most efficient of production units, management has been able to increase productivity by up to 30 percent and reduce faulty garments and waste to below 0.5 percent, always keeping zero defects as the target.

Based on my experience, the return on investment for the entire implementation system I've outlined above is less than five months. The message here is simple: Invest in training and technology because companies everywhere are doing just that. You do not want to play catch-up later on.

### Create a glass pipeline for compliance, visibility, speed to market

Another hot topic for supply chain management is essential to any sort of data management, and that is compliance. Whether you agree with the need for compliance or not, it is still a condition of doing business and it is not going to go away. Embrace it from day one and ensure that there is training and standardization in place. The technology exists. Analyze, monitor and sleep.

The bottom line is this: If a corporation is serious about the garment industry, it has to be serious about compliance. Even today, there is no universal compliance standard so be prepared for a fight. Compliance regulations are rife with corruption and needless politicking; organizations are confusing compliance with fair trade, free trade and the politics of trade. My advice: Follow through on compliance and make sure your books are clean.

In supply chain management, timing is everything. Traditional lead times are a thing of the past. If the industry is to be responsive, it must be geared to the flow of information from the retail point of sale to the cutting room. For brands and buyers to succeed, they must make sure that their garment manufacturing partners have knowledge and access to trends, trims, fabrics and washing technology. Both buyer and maker must plan in the long term to develop all these resources collaboratively.

Collaboration, maintaining a solid partnership, is what's key here. This partnership creates a "glass pipeline" that gives apparel manufacturers visibility from beginning to end. Remember, the companies that will come out ahead in this evolving garment industry are the ones who are lean and nimble and can react quickly to change.

That change is being helped in the form of PLM (product lifecycle management). It is nothing new in other industries, where supply chains are connected via online collaboration of design, development, technical engineering, production, sales and marketing. PLM is where the apparel industry is moving. Engage and adopt. Today we have traditional factories actually doing the merchandising for the store groups; they see the buy plans online and within minutes are cutting the correct orders in the correct ratios. In the apparel industry, integration is a must, as planning, PLM, sourcing and procurement applications need to be connected to speed-to-market and keep everyone working in the same direction.

Ultimately, the creation or reorganization of an industry is always within reach. Success in reorganizing an industry is contingent upon the reorganization of traditional thinking. It is then and only then that the garment industry will truly be ready to aspire to a higher level.

One final note: To be truly successful, learn Mandarin! ■



*Steven Walton is chairman of Wing-Tai International Apparel Group and chairman of Zymmetry Inc.*