



Ethical sourcing compliance to satisfy consumer demand

Executives who run ever-changing business models in the fashion/apparel/sewn goods industries share a similar set of core challenges. As consumers demand fast factory-direct options, our industry is transitioning from latitudinal cross-ocean supply chains to longitudinal north/south ones. It was this shift in sourcing that led to the creation of the AAPN Asia/Americas Report Card. While it was used first to score the differences between the two regions across 31 questions, it quickly became an important tool to make supply chain relationships more successful. As you will see, it is a way to evaluate your suppliers, yourselves, and even your customers—and give you a “score” you can use to get better every day.

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The differences between sourcing in Asia vs. the Americas

You compete as a supply chain and in an age that demands and finds supply chain transparency, you are one tweet away from disaster—and not just as a company, but as a supply chain. It takes the failure of one supplier in the chain to make the entire process come under attack.

To help you, we turn to the Americas Apparel Producers' Network (AAPN). Infor® has worked in this network since 2005, meeting as a complete end-to-end supply chain to understand the issues, discuss alternatives actions, and find solutions that work.

Out of our investment in AAPN comes this industry perspective, which proposes a tool that has worked across the AAPN membership. Initially, it was developed to give a score to the differences between the sourcing of apparel from Asia versus the Americas. It was called the AAPN Asia/Americas Report Card.

Since its introduction, the Report Card has evolved into a comprehensive tool you can use to understand the elements of this industry, ask the questions needed to cover the spectrum of possibilities and give yourself a score you can work on to improve.

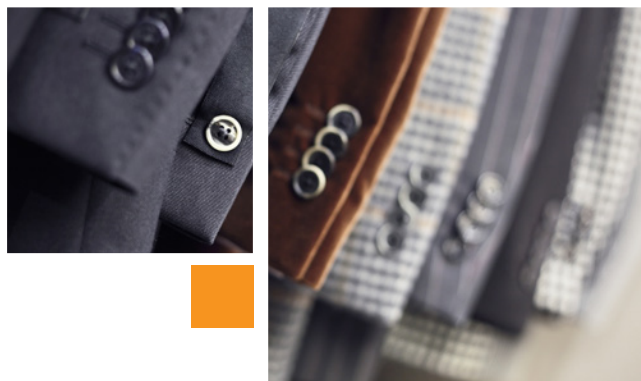
All companies compete as supply chains.

Have you ever been to an actual meeting of a supply chain? If it truly spans the chain, it is an uncomfortable meeting—disruptive and unusual. Why? Because each major link in the chain lives in its own world, with its own language, lobbies, associations, events, tradeshows, journals, schools, and market leaders. All of whom meet among themselves.

But when you bring them all together, as AAPN has been doing for decades, you get several things—the truth from sources you would not expect; trust with executives you would otherwise never meet; and tangible rewards from just “showing up” with others just as committed to the industry as you and your “industry.”

Here is a short list of the kinds of “links” whose interaction at AAPN events produced the Report Card as delivered by this paper:

- **Chemicals:** Some 25% of all chemicals directly or indirectly are used in “textiles.”
- **Fiber/yarn (cotton, synthetics, stretch):** The innovation in fabrics often begins at the yarn level.
- **Fabric (knits, wovens):** Much of the cost and most of the value in a garment is driven by fabric and its myriad of characteristics.
- **Trim (thread, labels, zippers, elastic, pocketing, rivets):** The trim suppliers are the industry’s Early Warning System for the flow of production from one region of the world to another.
- **Factory:** Many believe power has shifted in the chain and the factory is the chain’s main problem solver.
- **Brand/retailer:** Within each of these are multiple departments most of which as measured differently and who often don’t coordinate.
- **Services:** These include services like technology, packaging, logistics, testing and compliance, embellishment, finance, supplies, sustainability.



So, given these are the industries, what are examples of how they might be sources of risk and surprise?

Here are actual events that illustrate the impact of “risk” and each of these happened to AAPN members on our watch:

- There is an earthquake. It kills many and destroys the infrastructure.
- Martial law is declared and the country shuts down for a week, with an impact to the supply chain felt around the world.
- A water treatment operation fails and it takes several weeks to repair, causing a backlog of weeks of production but months of finishing.
- A train derails, crashing into a factory; then, weeks after clean up, it is found that chemicals have destroyed electronics in millions of dollars of machines and they shut down.
- A new mill is built; it is funded by private equity, finances change, demands are made for payment, money is rerouted and the deal collapses.
- The US government changes, priorities change, contacts change, lobbying focus changes, power shifts, and everyone has to start over.
- A government changes; it is populist; it empowers the poor; it replaces the skilled; it goes by the book, and the industry grinds to a crawl.
- A bank gets bought, and then gets bought again, then again, then again, and eventually a bank ends up knowing nothing about the industries it is funding so it stops all credit.
- A customer fails, or a customer gets bought, or a customer consolidates with another customer, or a customer does a mass outsource and the relationship with the customer stops.
- A factory expands; it creates new departments; it buys new technology; it hires new skills, and then work slows and these people leave.
- A supplier fails, or a supplier to a supplier, and then another, and then one in a related industry, and suddenly you are spending 30% and more just checking credit for your suppliers.
- A customer executive gets more responsibility, or some of the staff is cut, or the new person has no experience, and you start to build the relationship all over again.
- A trade law passes, two countries decide who makes it better; one wins, the other loses—not just jobs but its supply chain is decimated and when the tide turns, cannot be replaced.
- A trade show keeps on going; it says it does sourcing; it says it is always better than ever; it says this is the year; it says everyone will be here, but as usual, they are not.
- There is an incident; it changes security; now there are more inspections, more steps, more delays, more hands to grease, and the chain slows down to a non-competitive pace.
- Someone decides not to pay on time, not to pay for a long time, or not to pay at all, and rumors spread like wildfire on the unofficial network and this perception becomes truth.
- Someone gets a big order; they build a customer service team; they interact continuously; then someone way down the customer side gets mad and no one up the chain can stop the damage.

“For anyone interested in the vitality of the apparel supply chain in the Americas and the reshoring of jobs,

this report card is invaluable.”

Michael M. Woody, CEO of Trans-Tex LLC

The roots of this Report Card

The roots of this Report Card go back to early 2001, to the Guatemala Apparel Sourcing Show at the Tikal Futura in Guatemala City. For the Western Hemisphere, it was a dangerous time in the apparel industry. China was coming. NAFTA had launched the “giant sucking sound.” Now it was about to get real quiet in every link of the supply chain of the Western Hemisphere.

At that meeting in 2001, there was a speech—short and simple. The message was: Compete the way China does or die. And the way China competed, had always competed, was that they did everything, fast, cheap, and without question—especially costing and sampling.

The speaker said that in order for a factory in this hemisphere to compete with Asia, it had to have these four things:

1. **Access to raw materials (meaning fabric)**
2. **Flexibility (high needle)**
3. **Speed to market (compete as a supply chain)**
4. **Cost competitiveness (cheap as China)**

Pretty straightforward, until you drilled down a little to find that—as the brands and the retailers defined them—the four criteria meant China-only. And that is exactly what happened. The majority of US factories never saw NAFTA coming in 1994. They went to work and found themselves closed. Yet others listened closely, and never wavered in their commitment to their principles, to run their business “right from the start.” And so they took notes in 2001 and applied them.

Eleven years later, as we sensed production was “coming back,” we made this a topic of interaction at the AAPN Annual Meeting in 2012—about the differences between Asia and the Americas.

As we talked, one senior sourcing executive got the idea to create the AAPN Asia/Americas Report Card.

He did so, creating 31 highly focused questions that asked his peers in sourcing to give a score of 1 to 5—one score for how the Americas was doing, another for Asia—and to say why. Companies like VF, Dick’s Sporting Goods, Nordstrom, Perry Ellis, Patagonia, Academy Sports & Outdoors, Under Armour, Dickies, and more replied.

On a high level, the 31 questions fall under 8 major criteria including:

1. Knowledge/experience in US markets
2. Verticality
3. Speed
4. Cost
5. Ease of doing business
6. Product development
7. Social compliance/sustainability
8. Risk assessment

What follows in the paper is detail about each of the eight criteria, starting by making sure the factory being “scored” does in fact have problem solving expertise in your market.

“This report shows that, more than ever,
the West is pursuing worldwide standards.
The challenge now is to work even closer as a region.”

Mauricio Borrero, formerly Vice President, based in Colombia

Knowledge/experience in US markets

Is the factory trying to sell me what it knows how to make, or is it making for me what it knows I can sell?

In the past, brands and private labels inspired, defined, designed, and produced their apparel in-house. Then came outsourcing and globalization—hiring factories to cut and sew for them.

Over time, retailers began to buy other retailers and brands began to buy other brands. As this consolidation increased, so did the outsourcing of more and more of the core skills of the brand.

Has the factory evolved to be the great problem solver in the chain? Is it able to balance the speed and value asked for by the brand with the lead times expected by the suppliers? Can it forecast color? Create catalogs?

The factories with the greatest knowledge of the market get this by showing up—at AAPN meetings, at brand supplier events like one recently hosted by Walmart, and at niche specific trade shows like Outdoor Retailer.

Take Outdoor Retailer. At this semi-annual show in Salt Lake City, you'll find many outdoor apparel brand sourcing executives. Where are they headed? To the yarn producers. Why? Most activewear is made of synthetics and in synthetics, innovation starts at the yarn level.

The yarn spinners know the fabric mills and the fabric mills know the cut/sew apparel factories. In fact, one of the hottest markets in the US is activewear, and one factory driving this market is the factory TexOps in El Salvador. Why?

It sits in the middle of “environmental valley,” collocated with yarn spinners, fabric knitters, cut/sew factories, logistics, and trim. TexOps even does apparel design, fabric printing, and its own brand. It is a completely self-sustaining, cooperative, supply-chain city for activewear, which brings us to the next topic—verticality.

Verticality

Over the past ten years trim, yarn, fabric, and factories in the Western Hemisphere have organized industrially and aligned themselves vertically. How does this stack up with the rest of the world?

All companies compete as supply chains. We divided our chain into the following four elements.

1. Fiber/yarn/textiles: As the industry migrated from New England all the way eventually to China, “textiles” went with it. Today, Asia has the advantage of a greater number and selection of textile inputs. In fact, all fabrics can be found in Asia whereas in the Americas, the industry is once again investing and expanding. The real issue in the West is marketing what it has, and organizing even more industrially. As a network where the yarn spinners know every mill, and the mills know the cut/sew contractors, an email blast to the fiber/yarn/textile members of the AAPN can find, between them all, every resource in this hemisphere.

2. Cut/make/trim factories: The need for highly skilled CMT production for brands that source their own fabric remains. The most prominent CMT factory in this hemisphere is Rovedes in Nicaragua, which specializes in bottoms.

“This report is a tool we can use to change perceptions. It works both ways,

the entire brand or retail organization

on one side and the entire supply chain on the other.”

Rick Horwitch, Vice President of Bureau Veritas and AAPN Chairman

3. Full package suppliers: Asia put pressure on the West to do full package because that is how Asia started in this industry. Back in 2001, one factory executive put it best when he said to 250 people from 84 of his supplier companies in a major meeting at his factory, “Just because we have a room full of world class suppliers, does not mean we have a world class supply chain in the room.” Today, the West has world-class supply chains and the trim vendors have put more resources close to them.

4. Trim/packaging: As they say in military pilot training, when you get shot down over the jungle, it’s not the lions and tigers that kill you—it’s the mosquitos. It’s the little things—like labels, thread, zippers, elastic, pocketing, and rivets. Trim producers are the industry’s global early warning system of shifts in production.

When these links work together, in trusting partnerships, only then can you begin to expect speed in development and delivery.

Speed

Customers of this hemisphere find that it is faster to source here, not because of proximity but because of the sophistication of front end, pre-production infrastructure.

Speed is cycle times, the hundreds of individual steps across the chain from the concept to the clothes line, and its grease is called “trust”—until you gain trust, you will never gain speed.

So, to one extent speed is a discussion of pre-production, production, the movement of stuff, and the predictability of the process. On a high level, Asia is perceived as faster. But, veteran sourcing executives will tell you there is fast everywhere and even more slow everywhere.

When you study a fast factory, you find trust, technology, advanced processes, longtime associates who build on skills, and a proven ability to see trends and respond to them in-house before engaging their customers.

For example, one factory in AAPN has the ability to receive a concept for a new design (or make the design in-house itself) from a customer, create a file on the garment that can be shown in 2D, 3D or even go to make a marker, pull colors and prints into images of the garment, prepare a 2D proposed catalog, and get approval without a sample.

Design and sketch	Pricing
Pattern-making and grading	Tech-pack and details creation
Bill of material creation	Sample making
3D virtual fitting	Raw material development and sourcing
Color management	Production planning

What follows are the elements of speed.

Pre-production: These are the elements, if not the departments, in a fast factory.

Production: Areas covered in production include the following—

- Resource and capacity planning
- Lean modular sewing teams
- Cut management electronically
- Automated digital marker making
- QA in-process inspection at critical points
- Fabric relaxing stations for 100% of all fabrics
- In-line packing and finishing
- Automated true tension-free spreading
- CTPAT approved storage
- Complete scan-pack and scan-verify stations
- Automated cutting
- Advanced ship notices (ASN)
- WIP reporting weekly
- In-house sublimation paper and fabric printing
- Direct embroidery
- QA reporting weekly

Transit logistics: Western transit times can clearly be faster because of sheer proximity to the US market. The Americas enjoys a mature logistics model and set of processes. In Asia, production is migrating from coastal areas to inland further increasing transit times to port and ocean time for delivery.

Predictable: This is more of a factory rating versus a regional rating. Toss-up, there are some good, very predictable factories on both sides of the world.

So, if a modern factory has committed to investing in innovation, including integrated software, their next consideration is their costs or, as the most senior veterans of the industry would argue, their value.

Cost

As labor costs level worldwide and supply chain costing becomes more transparent, speed to market and better inventory control reduces the need for “cheap.”

Elements of cost include:

- Labor productivity
- Electricity cost and reliability
- Degree of competitiveness
- Ease and speed of costing/engineered formal approach versus everything is “negotiated” every time

Wages are leveling out worldwide. The chase for the “low-cost needle” is slowing. Brands once chased the needle to remain competitive. Today they are finding that just to remain in what used to be a cheap country requires more operational competency than ever before.

One can find very low wages in Asia. Most of the Americas are not as low cost, with Haiti being an exception. However, many seemingly inexpensive sewing operators in some nations can have one or two full time “helpers,” which impacts the real costs.

Labor productivity is improving worldwide as wages have increased and factory owners invest more in engineering. Still, many sourcing executives are finding that wages worldwide are reaching parity and that suppliers must differentiate themselves by providing more and better services.

Electricity is extremely competitive in the US, but very expensive and fairly unreliable elsewhere.

As one brand CEO said:

“All of these freight and logistic costs are quantifiable, and I think that actually they have been the subject of a lot of attention on the part of operations people in the past six or seven years. Minimizing logistics and handling costs gave rise to the whole concept of supply chain management. Supply chain managers are the new sourcing managers. My concern is different. We need to talk about time. What is the opportunity cost of being out of stock on a hot item? How can you actually have a hot item if your sourcing model requires a 40-week turn. And why have these critical decisions been delegated to buyers, who know very little about how any of it works? I think the traditional buying role is dead. The person making the buying decisions is the one putting the money on the counter. They are in charge, and they know that value is not the cheapest price.”

Cost or value (an example): One factory produces high-value activewear apparel, in diverse quantities, quickly, with shorter design and pre-production cycle times, and advanced sublimation processes and technologies. Their target market is neither so large that “cheap” is the mandate nor so small that efficiencies are lost.

Instead, they have built long-term strategic relationships with partners who understand the value in sourcing factory-direct and are able to execute their side of the operations. It is not unusual for them to cost more than others, while at the same time, to be the most profitable supplier to their customers.

In its simplest (and wrong) definition of “cost,” cost is labor, fabrics, and margin. In truth, cost is sell-through and end-to-end margins for the customer. This takes a strategic commitment over years at the highest level—one that works through mistakes and shares risk and profits.

If you are looking for a strategic factory to partner with, then you need to understand how easy they are to work with long term. Here are the criteria for evaluating that, defined by those best at doing so.

Ease of doing business

Elements of ease of doing business include:

- Rules of engagement
- Minimums
- Flexibility/responsiveness
- Amount of assistance required

This is a factory-by-factory issue. If you know your “cultures,” it is easier to do business. In general, “The West has more rules, the East is more flexible.” The “East is about pleasing, responding quickly and saying YES—replication is strength—almost anything you want is achievable.”

Others claim that, for them, factories in the Americas are more flexible than the East, can handle smaller lot sizes, and are willing to make exceptions. Communications and meeting deadlines are the most common issues with both parts of the world.

As one retail executive said in one of our AAPN meetings, “If a retailer wants to work with a factory, they need to make sure they have created a channel for this or it will fail.



It has to be a well thought out, deliberate, formal channel everyone can count on and by definition it will be more complex than delegating to an agent or middleman.”

In general, these are some the advantages of many Western factories:

- Same or near same time zone
- US educated
- Clear business English spoken
- Short distances to travel or ship
- Similar Western cultures
- Familiarity with one another
- Historical relationships

So, if you can, find factory owners who take responsibility for the entire process; compete as a complete supply chain; source their own materials; respond quickly; communicate clearly; are flexible; eager to handle smaller lot sizes; and willing to make exceptions. Then, the next question is, what about the garment? Again, are they trying to sell me what they know how to make or are they making for me what they know I can sell? Have they invested in hiring and training designers, and given them the tools to show us what they can make, even eliminating samples, giving short cycle from idea to having it in the store?

Product development

The elements of product development include:

- Technology/color development and approval
- Pattern making/fit approval
- Sample modeling (making)
- Design
- Development
- Speed

Historically, a key advantage of Asia was product development. The quickly made and priced sample was Asia’s calling card for the factory, hooking customers with their competitive accuracy in design and sample making speeds.

The West is making amazing progress. Factories in the Americas tend to understand the American body/fit scale better than Asians. In fact, in some cases, factories in the Americas have all but eliminated samples by using 2D and 3D renditions of new garments, and building on the long term trust of working with customers.



One factory is using their full service experience from the start to include high-tech materials testing labs; accumulation of designs across the widest range of activewear garment styles for many sports; mastery of the American body/size/fit spectrum; development of an in-house Pantone color lab; use of trust and technology to rapidly accelerate product approval processes; and beyond any other single development, solving “the fabric” problem.

They created a fully equipped in-house sample room, complete with embellishment capabilities. To this, they added in-house technical design tools for garment embellishment and collaboration, featuring garments and art created and/or manipulated in-house.

Then, they invested in the latest and fastest design generating, paper printing, and fabric sublimation technologies. So today, on top of garment designs already stored and proven; on top of apparel collections already consolidated and delivered; on top of 2D and 3D systems already taking months out of the approval cycle; on top of internal Lean production processes removing weeks from the production of direct store delivery of floor ready high value products, they now have enhanced their fabric offering to a market eager to take on this kind of innovation.

But, what about their people and not just the highly skilled front-end design staff, but their entire population? Are they getting the support, the safety, and security that keeps them motivated, that makes them want to show up for work, that gives them careers? That is the challenge of sustainability, especially social responsibility.

Social compliance/ sustainability

Informed consumers and tentative brands and retailers realize “sustainability” is more a part of the formula for sourcing than ever before. How is this working in your mission statement and how is it impacting the origin of your production?

The environmental attributes of social compliance/ sustainability include:

- Water cost, availability, and quality
- Green sustainability

The cultural attributes of social compliance/ sustainability include:

- Skilled labor supply and education
- Social compliance/responsibility (freedom, human rights, local benefits, child labor)
- Worker issues (poverty, protests, unemployment, unions, workplace)

The core issue today is a lack of sourcing knowledge.

This is where you reach out to the people who do know, the professionals. Retailers are stunned when things get stuck in a part of the pipeline they don't understand, and this crosses all departments like it crosses the whole chain.

Below is a list of benefits that are 100% created locally between the owners and the workers in one factory in Nicaragua.

The factory's customers did not mandate these benefits. The suppliers did not fund them. The government did not require them. They simply evolved over time, one at a time, to solve real problems the work force really had in their lives.

Health

- Project "Going to the Dentist"—with time payments
- Low-cost food project (bundles of food at 19% discount)
- Blood drive
- Free eye exams and low cost glasses
- Free cervical cancer exam with scheduled follow-up
- Pharmacy discounts of 28 to 35% for extended family
- Free tetanus vaccinations
- Free surgery for pterygium and cataracts

Personal

- Bikes (financing of hundreds of bikes for employees)
- Project "Shoes for Workers" (financing and special pricing)
- Discount cell phones for employees with one or more years' service
- Credit card program for employees
- Ten-year service pin and monthly meetings

Children

- "Orphanage of San José Protector" Home for Battered and Abused Girls
- Free "Children International Day" picnic for 3,000 families
- 100% scholarships for 15 children to the free zone day care center
- "CANANCA"—sponsorship of all medicine for 20 children with cancer
- "We Help Them Smile"—correction of cleft palates for 150 children

Education

- Project "Literacy, Yes I Can"—reading program for adults
- Library—a carefully stocked comprehensive collection
- Lowest cost school items for employee's children
- Project "New Life Foundation"—renovated a K thru 6th Grade School
- Project "Rafael Herrera School"—pay the annual salary of one teacher
- Project "Rosario Reyes Center"—donated 20 sewing machines and fabric

Cultural

- Free monthly birthday parties for employees
- End of year party with gifts, free food and money for private parties
- Holy Week art contests, raffle of 400 food baskets and gifts
- May 1 Labor Day celebration and free lunch for all
- La Purisma annual celebration of the Virgin Mary with gifts
- Mothers and Father's Day—recognition, gifts and special gifts for expectant mothers

Activities

- National Baseball League game ticket raffle for employees
- Basketball teams—six teams, free uniforms
- Sponsorship of two youth baseball teams

Community

- Support of police station—computers, repair A/C, new floor tiles
- Housing project—Habitat for Humanity Rocedes
- Solid Rock Foundation—clothe and feed needy children

So what?

Well, here is the ROI. A 25% to 30% turnover was reduced to 8% to 10% after their social programs were introduced. After several years of additional programs, it has been further reduced to 5% to 8%. 70% to 80% of their employees have been with them for more than 6 years. This is unheard of in a factory environment. This does not even speak to the improved quality that a secure and satisfied employee can produce.

So, while social compliance may be the seventh of eight categories in the Report Card, it obviously directly impacts speed and cost and every other aspect of the partnership.

As one major brand that brought production back to the Americas from China put it, “We found the Americas to be easier, faster, better, cheaper, and safer.” When the AAPN met with 120 supply chain executives for 2 days in May 2010 on the topic of sustainability, here were some of the comments:

- “Everyone here realizes we are further ahead of sustainability than we thought.”
- “Sustainability cannot be defined; really, it is just doing the right thing.”
- “Sustainability works. The active pursuit of doing the right thing generates more goodwill and galvanizes your customer more than any marketing you can do.”
- “You do not have a choice but to promote your proactivity in sustainability. You are being defined by your customer. If you do not write about your company, someone else will”
- “Sustainability is not a tomorrow problem.”

Overall, the Americas are further ahead of Asia in this area than anyone thought, especially in areas like compliance, ethics, pollution, effluents, labor issues, protests, and work stoppages.

So, when evaluating countries or regions, as the AAPN members did using the Report Card, what are the elements of risk there? The report calls this risk assessment.

Risk assessment

The elements of risk assessment include:

- Safety, security, language
- Stability/political, regional issues/currency/legal, economy, corruption, judiciary
- Financial situation, credit, interest rates

Risk is about picking countries, or crossing them off the list. But why?

In the apparel industry, the world is divided into two parts—China and not-China. The majority of the retailers and brands in the US source from Asia. To them, “The Land of Not-China” is divided into three parts: Southeast Asia, South Asia, and the Americas; not Central or South America, or El Salvador and other nations. To them it is just the Americas. And many of them have been away from the Americas for a long time. So they run off of perceptions that are no longer real.

The East and the West are different from one another. In the West, the view of safety, security, stability, sustainability, and social responsibility is progressive. It is a movement and it means something. In the East, in general, they chose to, in the words of one retail executive, “fight, avoid, hide, and ignore whenever possible.”

The West is not organized industrially like the East takes for granted. As one executive put it, “fragmentation is built into the DNA of the West.” But, the AAPN is an industrial organization of the West. And, when it decided to create a checklist for use in assessing risk, it convened a core of executives for two days in New York to produce the following risk assessment checklist. It seems simple, but it takes a supply chain to answer the questions in depth:

How to close the East/West gap

Knowledge

The East/West gap is closing. As China gets more difficult to source from, the West is improving and beginning to follow in East's footsteps with a willingness to listen to what the brands are asking for and anticipating their needs. In activewear, the West has even developed a world-class synthetics supply chain city in El Salvador.

Verticality

There is greater supply chain transparency in the West. While the East tends to over-commit to fill capacities, causing production delays, the West is getting better at responding as, and marketing as integrated supply chains, where every link is identified. To advance this movement, the AAPN remains the one place that brings the entire Western chain together, end-to-end, to stay ahead of the trends.

Speed

Once goods go into production, the West is as fast as or faster than Asia. The West is growing as producers of higher price (margin) brands or speed-to-market opportunities on the back-end of a good selling season. Western transit times are faster due not just to proximity of US markets, but due to a mature logistics model and an established set of processes.

AAPN risk assessment checklist:

- **Country:** Safety, security, actual overhead costs, language, bureaucracy
- **Political:** Stability, corruption, retaliatory sanctions, regional instability, border conflicts
- **Economic:** Recession, economic stability, strength of currency
- **Financial:** Financial service providers, banking, interest rates, inflation, dropping dollar, trade financing, liquidity
- **Legal:** Bribes, judiciary
- **Supply chain:** Supplier financial health, raw material costs, fabric availability, trim availability, transparency, strategic relationships
- **Delivery:** Cycle time, transportation costs, methods of delivery, roads, logistics, ports, customs
- **Industry:** Influencers, stakeholders, how organized industrially, level of online services
- **Trade:** Trade disputes, tariffs, subsidies, trading blocs
- **Technical skills:** Analysis, specialization, niches, product specialization, production capacity
- **Education:** Specialization in design, product development, EDI, fabric, fashion
- **Quality:** Overall and by shipment
- **Energy:** Cost of barrel of oil, cost of electricity, availability, stability
- **Sustainability:** Environment, emissions, carbon footprint, eco footprint
- **Water:** Cost, quality, availability
- **Social responsibility:** Freedom, human rights, local benefits, child labor
- **Worker:** Poverty, protests, unemployment, unions, workplace
- **Testing:** Compliance, safety
- **Technology:** Internet, communications, front-end and back-end technologies
- **Weather**

Cost

Cost and reliability of power is a big problem in the East. Electricity is extremely competitive in the US. When one practices full costing, where sell thru is included and speed is given a value, in a growing number of market niches, the West is growing as a North/South chain-driven source of flexibility that is able to quickly respond to consumer demand.

Ease

This Western Hemisphere flexibility means smaller lot sizes and an ability to make exceptions. The supply chains are in the same basic time zones, have the same basic business education, speak roughly the same American language, and have survived wave after wave of negative trade legislation in a globalized world.

Development

The West is taking advantage of its better understanding of the American body/fit. Some factories not only develop the garment, but design the prints, use high-speed sublimation technology to print them, use technology to cut them, use Lean manufacturing to make them, and use quick shipment to get them to the store. The cycle between design and the consumer in the West is shrinking every month.

Sustainability

Sourcing tells us that the speed in sewing lines is equivalent. The West is leveraging its leadership in ethics, sustainability, and speed in production and transit to deliver safe goods. There is a direct link between the social programs that lower turnover and absenteeism and “the need for speed” empowering the West as a source of high-margin, strong-selling apparel.

Risk

In the East, brands struggle with more compliance issues, more unethical behavior, more pollution, more labor issues, and many more public protests and work stoppages, especially in those Asian countries rebelling against China-owned factories. The entire Western Hemisphere is, as one brand put it, easier, faster, safer, and better than the East. The Report Card shows it can be true.

They are just now figuring out they do not have the answer.

Competition to apparel is coming from electronics, cars, and the Internet.

Many retailers are getting in over their heads. The advantage is in sourcing and production. And they do not get this region, which is better, faster, easier, cheaper, and maybe not even cheaper, but more profitable.

The AAPN Asia/Americas Report Card

On a scale of 1–5 (1 being not good and 5 being exceptional), please rank the Western Hemisphere and Eastern Hemisphere. Fractional ratings are okay (e.g. you may give a rating of 2.5). Your comments are welcomed. Note, you may skip questions that you deem inapplicable.

1. Knowledge & Experience With U.S. Market(s)

Does the supplier understand that “it’s not what he wants that counts but rather what the customer wants/expects that counts?”

West	East	Comments

2. Verticality

Over the past ten years trim, yarn, fabric, and factories in the Western Hemisphere have organized industrially and aligned themselves vertically. How does this stack up with the rest of the world?

Availability	West	East	Comments
Fiber/Yarns/Textiles			
Cut/Make/Trim Factories			
Full Package Factories			
Trim/Packaging Suppliers			

3. Speed

Customers of this hemisphere find that it is faster to source here, not because of proximity but because of sophistication of front end, pre-production infrastructure. What is your view? How would you rate the following attributes?

	West	East	Comments
Pre-production			
Production			
Logistics Flow/Infrastructure & Transit Times			
Predictability			

4. Cost

As labor costs level worldwide and supply chain costing becomes more transparent, speed to market and better inventory control reduces the need for “cheap.” What has been your experience? How would you rank the following attributes?

	West	East	Comments
Labor Productivity			
Electricity Cost & Reliability			
Degree of Competitiveness			
Ease & Speed of Costing/Engineered Formal Approach vs. Everything Is “Negotiated” Every Time			

5. Ease of doing business

We know Asia made it “easy,” but it came at the cost of gaining personal experience actually controlling operations. First, do you agree with this statement?

What is your experience? Please rate the following and add your comments.

	West	East	Comments
Rules of Engagement			
Minimums			
Flexibility/Responsiveness			
Amount of Assistance Required			

6. Product development

Technology is being used on the front end to take samples and time out of the cycle using 2D to create catalog images and 3D to show fit and modeling. How is this impacting your sourcing?

How would you rate the following attributes as it applies to product development?

	West	East	Comments
Technology/Color			
Development & Approval			
Pattern Making/Fit Approval			
Design			
Development			
Speed			

7. Social compliance + sustainability

Informed consumers and tentative brands and retailers realize “sustainability” is more a part of the formula for sourcing than ever before. How is this working in your mission statement and how is it impacting the origin of your production?

	West	East	Comments
Environmental Attributes			
Water Cost, Availability, Quality			
Green Sustainability			
Cultural Attributes			
Skilled Labor Supply & Education			
Social Compliance/Responsibility (Freedom, Human Rights, Local Benefits, Child Labor)			
Worker—Poverty, Protests, Unemployment, Unions, Workplace			

8. Risk assessment

Country attributes	West	East	Comments
Safety, Security, Language			
Stability/Political, Regional Issues/Currency/ Economy/Legal, Corruption, Judiciary			
Financial Situation, Credit, Interest Rates, Incoterms			

9. Other comments?

Comments

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