

# MANUFACTURERS FINDING FOOTHOLDS

**S**pecialty goods are words that are taking a more prominent place in the vocabularies of hosiery executives these days as companies are finding a foothold in that area.

Specialty markets and versatility coupled with continued emphasis on quick turnaround times are proving a foothold for hosiery companies struggling to compete with cheap imported goods.

The election is over. The sock petition has been accepted. Quotas are coming off in January and hosiery executives are in a management meeting.

First question: What do the number projections look like for the first quarter 2005. How about the second quarter?

Which hosiery company executives will hear positive numbers?

According to hosiery industry leaders, it will be companies that have positioned themselves to adapt to the changing economic landscape.

Part of that changing landscape will be the fact that some 30 million apparel jobs around the world could shift to China when the World Trade Organization (WTO) quota-free trade agreements kick in on January 1.

The hosiery industry has experienced the outcome of the job shift. In North Carolina alone, 1,817 sock-industry jobs have disappeared over the past four years, according to the N.C. Employment Security Commission.

Many hosiery manufacturers were encouraged by the recent acceptance of the U.S. sock petition by which the federal Committee for the Implementation of Textile Agreements will impose quotas on Chinese sock imports after ruling that Chinese imports are disrupting or threatening to disrupt the U.S. industry.

The quotas would limit import growth to 7.5 percent in some products for a year unless the U.S. and Chinese governments reach an agreement by late February.

"It's a little bit of a break for a while anyway," Joe Richardson, CEO at Clayton Knitting Company, says of the petition. "I'm encouraged by it but I don't believe the problem with imports is going to go away.

"We're going to have to learn to live with it."

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Because most supply agreements have been established between U.S. retailers and their sock suppliers for 2005, the quotas aren't likely to have a significant effect in the short term, said Darrell Frye, the vice president of finance for Harriss and Covington Hosiery Mills Inc. in High Point.

But in the long term, it could prompt some reassessment by retailers as to their buying options.

If Chinese manufacturers aren't able to meet customer demand with the 7.5 percent quota in place, Frye said it could bring some business back to U.S. manufacturers

"Are retailers going to run the risk of not being able to buy in the fourth quarter," Frye said. "They may have to go back to their original suppliers."

Frye said that Harriss and Covington has been able to stay the course by focusing on companies that require specialty products. The company has 290 employees.

Specialty goods are words that are taking a more prominent place in the vocabularies of hosiery executives these days as companies are finding a foothold in that area.

There also are certain other trends emerging among those medium-size to small companies that are realizing sustainable profits despite the pressures from foreign countries.

Talking with a number of hosiery executives across the industry, the profile of the successful hosiery operation will look something like this:

- Short delivery times aren't promised but guaranteed.
- A product portfolio that includes specialty markets.
- Versatility in product development and equipment.

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- Customer service with a capital S.
- Creative marketing strategies.

Dan St. Louis, director of the Hosiery Technology Center, believes customer service will be one of the most important ingredients for profitable hosiery operations.

"We're the ones closest to the U.S. market which is the largest market," St. Louis says. "If we can turn it around quickly, that's going to be a definite advantage."

St. Louis mentioned one company that has turned out a sample in 24 hours – from conception to delivery. "Those guys have got it right," he says.

The Technology Center also has worked with companies that are finding success with niche markets.

While a manufacturer's product versatility obviously is limited by equipment and other operational factors, St. Louis believes attitude plays a large role in hosiery businesses finding success with niche market.

"I've worked with companies who say 'bring it to us and we'll do it,'" he said. Some of those companies who are willing to develop those new and unique product lines have scored with a profitable line being created, he says.

St. Louis agreed that strong marketing and research and development departments will be needed in order for companies to find those niches. "You have to search them out," he said. "You have to dig."

Another important factor in the need for quick turnaround is the competitive edge that it will offer in vying for business currently being filled by Chinese manufacturers or American manufacturers that have set up shop overseas.

"The logistics of getting goods here is a problem," Frye said. "It takes time to clear ports and to clear customs. If the goods don't get here well ahead of the delivery date and there's something wrong with the products, that business is lost."

Neill Ellis, with Burnsville Hosiery, isn't sure about the future of

U.S. hosiery manufacturers doing business in China. What happens when retailers start buying direct from China, he wonders?

While China offers opportunities, there are also perils, according to the U.S. Chamber of Commerce.

Bruce Blakeman, special counsel to the secretary of Commerce, recently was quoted to say that China is "fraught with danger."

But hosiery executives realize that global competition isn't limited to China. One smaller N.C. manufacturer recently stated that his company was considering moving some operations to Honduras as the company simply no longer could compete with the low wages in foreign countries. Another manufacturer in Fort Payne, Ala., expressed similar plans.

Nim Harris Jr., president of Pickett Hosiery, says a continuing factor in hosiery operations will be the demands from the retail industry. Paramount will be the hosiery firm's ability to meet those demands, he said.

Harris echoes fellow executives' belief that turning orders around will remain an ingredient to success in the foreseeable future. The ability to change equipment quickly will also play into the equation, he says.

Harris also tries to remain practical about the possibilities and pitfalls facing the industry. He wonders if there will be enough niche markets to go around.

Harris also has concerns about the industry's supply chain. "We're losing spinners as we speak," he says.

Ellis says he also tries to remain realistic in his outlook and that he believes imports and outsourcing will continue to play a large role in the hosiery industry – more companies will probably succumb.

But Ellis is among those who believe it will be the companies that find niche markets that will be around in 2015.

"Those who concentrate on specialty items will probably make it," he said.

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