

HOSIERY TECHNOLOGY CENTER.NEWS

IMPLICATIONS For Outsourcing to Drive 2005

NOTE: The January 27 Suppliers Luncheon for Carolina hosiery industry managers featured the "Outlook 2005" presentation by the Hosiery Technology Center. HTC Manager Dan St. Louis and service coordinator Tony Whitener outlined their predictions of trends and opportunities for the industry.

Domestic manufacturers of durable goods--including hosiery--no longer are driving the boat in the supply chain, Hosiery Technology Center executives assert.

Understanding and accepting the 21st century environment will be the key to survival, they stress.

Using the trends observed at a recent MAGIC show which draws thousands of retailers, HTC Manager Dan St. Louis and Tony Whitener suggested the lessons for domestic manufacturers could be described as "Outsourcing 101."

The 2004 MAGIC event included 383 exhibitors in a "Sourcing Zone" featuring companies from 23 countries. Chinese companies accounted for almost one-third.

"Just a couple of years ago only a handful of foreign manufacturers were in the show with primitive displays," Whitener recalled. Booths are sophisticated with high-tech features now, he added.

St. Louis notes that American brands now are openly looking for offshore producers. They no longer hide the fact that the products are made in other countries.

Alexander Julian is an example of U.S. designer labels featured in several of the "Sourcing Zone" booths.

Going into the future, hosiery manufacturers and their suppliers will have to understand that the old business model is changing. The retailers expect their vendors to know their priorities and to understand their customers. Speed to market will be more important. So will information technology.

Picking up on seminars at the MAGIC show, the HTC leadership predicts the cost structure will be more difficult, with wholesale prices falling 8 to 18 percent. This will prompt more companies to seek more products

from low-cost sources, but importing alone will not be the answer. "There must be added value with the outsourced items," St. Louis stresses.

Companies that pursue niches had better to their homework, it was emphasized. These niche markets will require innovative and flexible suppliers, capable of speedy fulfillment. The need for a strong and effective supply chain will be critical, industry leaders were told.

St. Louis insisted that a strong base of suppliers will be critical for the survival of the hosiery industry in the U.S. He urged mills to support domestic yarn suppliers and develop strong partnerships with them. "If we lose our domestic suppliers, we lose the basic ingredients of an effective supply chain," he said.

The Hosiery Technology Center



How Do You Become an A Team Supplier?

- Professionally Managed Companies
- Collaborative – Design, IT, Forecasting, SKU Management
- Costing Visibility – Agreed Upon Costing Structure That is Market Competitive
- Flexibility – Growth on Demand and Customer Based Production
- Capital Resources – Financial Strength to Grow
- Communication – System Links
- Operational Excellence – On Time Deliveries and Speed to Market



Other Items of Note

- Less suppliers for all retailers
- Wholesale price decline of 8-18%
- Stratification Of Retail with the squeeze on mid level
- Small mills will be able to service small retail based on quality, small orders and quick turns.



Survival Tactics

- Know your customer and their customer
- Develop partnerships in early 2005
- The old business model is changing
- Importance of customization
- Speed will grow in importance
- IT is more important
- Be a student of your competition
- Cost structure will not get any easier



Outsourcing effects on the Supply Chain

- As outsourcing has increased suppliers are impacted
- When will we reach minimum demand requirements for our suppliers to survive
- Once domestic suppliers are gone our ability to respond for replacement or quick response for domestic production will be impacted



Keys to Survival for the Outsourcers

- Make sure you Add Value for the customer
- Speed to customer is Critical
- Be Innovative
- Provide a total Service Package for your customer
- Know your Customer's Customer
- Know your Supply Chain



The Bottom Line

- There is going to be no government bailout of our industry
- The retail influence in Washington is overwhelming
- Be innovative and flexible
- Speed to customer is more important than ever
- We need each other for a strong supply chain
- Beware of offshore suppliers "taking over our turf"

