



## Prime Source Forum 2011: Quote/unquote - day 1

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**Apparel industry issues tackled on the first day of the Prime Source Forum in Hong Kong included the challenges facing the apparel supply chain, including inflation, China's shift from major supplier to buyer, and labour issues. Here is a roundup of comments from some of the speakers at the event.**

- "We've all been going through a period of significant change, best summed up as turbulence. Turbulence will probably be the norm in the next decade since there's no reason to believe these will be one-off events. The challenge is how we manage this change. In turbulent times we have to behave very differently. We can no longer choose to be victims, either as buyers or sellers" - Edwin Keh, lecturer at the Wharton Business School at the University of Pennsylvania and former SVP, COO of Wal-Mart Global Procurement.
- "Racing around the planet chasing the cheap needle we've created a middle class in China and India of 300m people, and that middle class society wants to dress like we do, eat like we do, drive like we do, live in houses like we do. And as a planet we don't have the resources to be able to support that in any other way than inflation. I don't call this the end of deflation; it's the beginning of the great inflation" - Kurt Cavano, CEO, TradeCard Inc.
- "In the last 20 years we've had a deflationary trend on the back of an unlimited supply of labour in China, but that's coming to an end. China's population is actually dropping for the first time in history as a result of the government's one child policy kicking into effect for the 20-30 year old age range" - Stanley Szeto, CEO, Lever Style Inc.
- "The Chinese government's fiscal stimulus is soaking up skilled workers and taking workers away from factories. With the world economy having been kick-started, these workers are unlikely to return to the factory environment, so it looks like the age of the migrant worker is coming to an end" - Stanley Szeto, CEO, Lever Style Inc.
- "There's been a decade of price deflation in the US and largely Europe, which has been a great thing for the consumer. But is deflation ending, and does it really need to end? Certainly commodity and labour prices are rising, but the price of the labour and material is a small percentage of the value of that product. I don't really agree the deflationary cycle needs to end, but I think it's a good thing to challenge companies to think differently" - Kevin Burke, president and CEO of the American Apparel and Footwear Association.
- "Deflation can be an opportunity for companies to do things differently. We've got so much inefficiency in our product development, and merchandising and buying processes it's absolutely incredible. We're going to see price increases, but I think they're just opportunistic. Everyone's going to test the waters, but we all know the consumer doesn't have any more disposable income" - Ed Gribbin, president, Alvanon Inc.
- "The people who are driving efficiency and looking at the whole supply chain will win in the end" - Dr Harry Lee, CEO, TAL Apparel.
- "There are going to be a lot of winners and losers because it's going to require a big transition of thought to go from 'how to cut a penny out of this garment' to 'how do I deal in an environment that's inflating by 5, 6 or 7% a year' - and that's going to be a radical shift" - Kurt Cavano, CEO, TradeCard Inc.
- "Internally we have to look at our efficiency: the number of samples, design changes, raw material deliveries etc. There's plenty of room to improve. As buyers we have a strong responsibility to save our factories" - Christophe Degoix, president of The Sourcing Committee at the French Chamber of Commerce and Industry in Hong Kong.
- "Chemicals account for just 2-3% of the cost of a garment but can make the difference between a \$20 and \$30 shirt. Sometimes the industry focuses on the wrong thing" - Paul Mui Ki Wood, head of business management, textile fibers, East Asia, BASF (China) Co Ltd.
- "There will always be a pricing challenge. The challenge [for retailers] is to judge buyer performance differently, because buyers have a long-term view that stretches out just three months. Until we can change the way buyers are rewarded or compensated, it's going to be a tough conversation" - Edwin Keh, lecturer at the Wharton Business School at the University of Pennsylvania and former SVP, COO of Wal-Mart Global Procurement.
- "There was life before China; there will be life after China" - Bob McKee, industry strategy director for fashion, Lawson Software.
- "We used to make here and sell there; now we make everywhere and sell everywhere. And that's the way to go. The biggest consumer marketplace in our lifetime is going to be China" - Edwin Keh, lecturer at the Wharton Business School at the University of Pennsylvania and former SVP, COO of Wal-Mart Global Procurement.

- "I think we're really at a turning point on the sourcing side and it's going to be extremely exciting over the next couple of years. More and more we are talking about 'China plus' strategy, and what is the next China. The ability of an organisation to find answers to these questions is going to be critical to the future of our companies" - Christophe Degoix, president of The Sourcing Committee at the French Chamber of Commerce and Industry in Hong Kong.
- "We have to accept the reality that fibre prices will be at a higher level than in the past...and that something will be needed to fill that gap. We need to start the thinking process now" - Dr Geoff Collins, regional marketing and sales director, business unit nonwoven fibers, Lenzing Fibres (Hong Kong) Ltd.
- "What is our legacy? Are we the generation that got together and worked on some of these critical issues? What are we going to leave behind, and what is it that we're going to do that will make a difference? " - Edwin Keh, lecturer at the Wharton Business School at the University of Pennsylvania and former SVP, COO of Wal-Mart Global Procurement.

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