

Economists' Pick > International Market News > Garments, Textiles and Accessories

## "Better value" the name of the fashion game - report from MAGIC 2012, Las Vegas

"[Chinese mainland] costs are going up, labour and materials are all going up," said Rick Paterno, President of US-based *The Jones Group*, a leading designer and marketer of fashion brands. "Manufacturing has moved in different directions, to smaller cities [on the Mainland]."

China's labour market - along with related issues - took centre stage at MAGIC 2012, the top US fashion fair. Industry experts advised companies to diversify manufacturing locations to circumvent price increases. New data introduced by online sourcing company *Panjiva* indicated that the Mainland was losing market share to Cambodia, Turkey and India due to labour costs and availability fears.



*Hong Tai* fashion.

However, small- and mid-sized companies unable to move manufacturing may be forced to seek better pricing in current locations, to cut profit margins or reduce order quantities to cope with rising costs. Many suppliers appear to realise this contingency and are seeking alternatives to maintain pricing and retain customers.

Anil Dhanwani, Director at Hong Kong's *KND Limited*, which manufactures in India and China, reduced its profit margins to maintain an advantage. *KND* reported brisk sales and featured men's washed jeans with back pocket embroidery, work shirts and coloured T-shirts (wholesaling at between US\$4 and US\$20).



*KND* T-shirt and jeans. Dhanwani: brisk sales.

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"For me it's going to be a good year. We cater to discount stores and lower-end buyers because that segment of the market never dies. We do value engineering; offering high quality products at low prices."

### Re-locating to lower costs

Hong Kong-based *Hong Tai Garment and Accessories* is another firm that is expanding. The company manufactures high-end and mid-range apparel, knitwear and handbags. *Hong Tai* maintains pricing on its knit cardigans with an 80/20 wool and nylon blend, wholesaling at US\$55. Hand- and machine-embroidered purses and clutches range from US\$28 to US\$32.



*Hong Tai* fish scale purse.



Cheuk: diversified manufacturing.

"We have had many customers visit us and we've already got orders," said Grace Cheuk, *Hong Tai's* Director. "Four years ago our factories were in Guangzhou and Dongguan; now we are going to north and central China."

*Hong Tai* also has three factories in Bangladesh and actively reinvests to improve machinery and production facilities, thereby increasing output.

"Our best year in five years was 2010," said Dhiraj Kundamal of Hong Kong's *D Kundamal Group*. The company employs efficiency supply chain technology, fabric blending and conservative textile cutting to remain competitive.





Kundamal targets  
mid-range stores.

*Kundamal* top for  
men.

The company manufactures in China, India and Bangladesh, targeting mid-level stores like *JC Penney* and *Kohls*. On display were men's bold colour contrast surfer shorts, and cotton and poly-blended print shirts, wholesaling at between US\$4.5 and US\$8.5.

Hong Kong companies that reported the most success at MAGIC placed high emphasis on customer relationships and employed diverse manufacturing locations. They used efficient supply chain technology, state-of-the-art machinery and creative fabric blending.

"Labour costs in Cambodia are much lower," said Joe Kwan Chung Hang, Senior Marketing Executive for Hong Kong-based *Global Headwear Limited/Richly Perfect*. His company, which sells high quality cotton and synthetic headwear, featured brands like *Disney* and *John Deere* as it operates facilities in Cambodia and China.



Fleece set.



Print dress.

Children's wear manufacturer *E-Plus* was successful at MAGIC, crediting business matching services for drawing targeted buyers. On display at *E-Plus* were girls' print poly-satin dresses (wholesaling at between US\$46 and US\$50) and boys' print fleece sets (wholesaling at between US\$9.5 and US\$12.5) which are popular this year.

Other Hong Kong companies like *Cizzy Bridal*, *Citiwell Trading* and *Farberon Limited* saw some limited success. Many buyers were non-committal and requested tiny orders. Despite introducing 1,400 new exhibitors at MAGIC this year, many exhibitors at The Sourcing and SLATE shows within the fair reported low foot traffic and few booth visitors. But overall, MAGIC featured over 4,000 exhibitors and more than 7,000 brands.

### Selling beyond borders

"Go to markets of least resistance," advised Rick Darling, President of *Li & Fung USA*, addressing the problem of competition and costs. "Find a distribution or a licensing partner. Global markets outside of the US will continue to grow over the next 20 to 30 years. Execute slowly where you can expand market by market."

Darling also suggested companies invest in online retail, indicating that this medium



Darling speaks of partnerships.

would soon overtake brick-and-mortar stores in the future.

He was among several apparel industry experts who advocated moving to markets outside the US and beyond national borders. In fact, many larger companies with established brands are seeking to sell products or branding and licensing abroad.

Many have set their sights on China as the destination of the future. *Gap* is an example of the trend, with plans to close 200 US stores and open 45 stores in China by 2013.

According to US research firm *The Conference Board*, American consumer confidence decreased 3.7 points in January, down from significant post-recession increases in 2011.

Consumer spending is expected to peak at 2.7% in the third quarter and level off significantly into 2013. These low numbers are pushing apparel retailers and manufacturers to look elsewhere to drive sales.

"The challenge for many years was cheaper, faster, better. Now the goal is safer," said Tom Travis, Managing Partner at *Sandler, Travis & Rosenberg*, an international trade and customs law firm.

Companies now want dependable sourcing partners to form long-term alliances with a record of reliability. Recent compliance, quality issues and concerns regarding fair labour practises informed the tone of the three-day event.

"Make your supply chain as transparent as possible," said Darling of Hong Kong's *Li & Fung*, a guest panellist at the MAGIC "Globalising Your Brand" seminar. "Whether you are a big or little brand you have to market the brand properly. Small companies must build [a transparency] regimen into the DNA of their company."

Panellists said news of a poorly-run factory or substandard health or safety could destroy a company's reputation and decimate profits. Consumers and end users are more educated about compliance and labour standards via social media and other connected resources.

### Fashion forward

Looking ahead, trends focused on distressed fabrics, worker culture and "Occupy Wall Street" styles called "fashion for reality lovers". Remixed textures and colours inspired by "hacker culture" as well as skate styles, graffiti prints, silhouettes and monochromatic finishes are also set to be popular in 2012 and 2013.

Fashions will feature pared-down utilitarian looks and accessories that emphasise the mundane and even boring.



*Mikarose* brushed cotton dress. *Mikarose* spandex top.

US-based *Mikarose* displayed pared-down brushed cotton skirts and dresses (wholesaling at US\$18.5) and poly *Spandex* blouses (wholesaling at US\$17.5) at MAGIC.

Maxi dresses, knot-front and curtain styled dresses/blouses were big sellers.

A segment of women fashions complement 1920s through 1950s styles with wallpaper prints. US firm *Tatyana LLC* featured this style with a *bengaline* stretch, four way stretch circle dress line in dull textile prints (selling at between US\$60 and US\$70).

*DC Design International LLC* of New York followed the worker culture trend with its men's wear line featuring raw salvage jeans (wholesaling at US\$198), cashmere sweaters (US\$170) and wool vests (US\$140).



*DC* design.



*Antelope* fur boot.

High-end menswear tended towards jewel tones, and slim tailoring with shoes in similar colours. Casual tones will be bold with highly-defined contrasts and child-like bright colours.

US-based *PJ Mark* sells surfer shorts (wholesaling at US\$16.5) in bright colours and shirts in bold contrasts (wholesaling at US\$8.5).

Androgynous footwear is to be a mainstay of the fashion scene with noted deviations in



high-end women's footwear featuring *Swarovski* crystal, sequins and platform heels. US firm *Consolidated Shoe* featured androgynous women's leather dress shoes patterned on men's *Blucher* shoes (wholesaling at between US\$90 and US\$110) at MAGIC, while *Pierre-Yves Cahart* of Switzerland displayed more feminine leather and wood footwear studded with *Swarovski* crystals (US\$90-\$150).



*Pierre-Yves Cahart* wooden mule.

Israel-based *Antelope Shoes* also featured an androgynous leather and synthetic fur women's boot style, which was popular at the show and wholesaling at US\$150.

MAGIC ran from 13 to 15 February.

from special correspondent Lela Winston, Las Vegas

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