

THE DOMESTIC DEBATE

THE PROS AND CONS OF 21ST CENTURY “MADE IN THE USA” APPAREL

BY MICHAEL SUDMEIER

ILLUSTRATION BY TAVIS COBURN

When skateboarding-ing was in its infancy 50 years ago, 95% of the clothing Americans wore was made in America. If you walk into a store today—be it Wal-Mart or a core retailer—a quick survey of tags reveals a different story.

“Currently, 95 percent of all clothing sold in the United States is sewn outside the United States and imported. The simple fact is that jobs cutting and sewing garments are largely gone and will not return to the US,” states Erik Auter, vice president of the International Trade Counsel for the National Retail Federation. Abandoned mills throughout America bear testament to Auter’s words. Yet the story is far from over and defined by uncertainty and change—change that may bring some apparel production back to the States.

THE LANDSCAPE

Producing clothing is a global enterprise whose foundation is as complex—and sometimes as volatile—as that of a house of cards. Increasingly, brands find themselves navigating a landscape filled with political unrest, natural disasters, and the increasing cost of raw materials.

“The industry has developed the mindset that we need to be overseas,” notes Michael Londrigan, the fashion merchandising chair at LIM College. This may have been spawned by the need for inexpensive labor, but has been reinforced by ongoing relationships with factories and supply chains. Yet apparel production abroad has “dramatically changed in the last 12 months—more than it’s changed in probably the last 20 years,” states Jeff Cowen. As CEO of Rag Race, he aids companies with financing, sourcing, and managing production. Within the past year, power has shifted from brands to factories. He explains that “it’s really turned from what was, as far as the US and Europe were concerned, primarily a buyer’s market with almost 20 years of deflation” into “a seller’s market with serious cost inflation.”



Rising labor, energy, and raw material prices have accelerated production costs. The price of cotton, for example, has more than doubled in the past year. In April, the trade group Cotton Inc. announced the price of jeans could increase by \$2.42 if consumers absorb the full impact of cotton prices. The price of petroleum-based synthetic fibers is also increasing. According to Gregg Nebel, Head of Social and Environmental Affairs for the Americas at the Adidas Group and a former sourcing specialist, these expenses “can’t be squeezed out of the manufacturing or supply sector any longer. It’s gotten to rock bottom. There’s a shift coming.”

MADE IN AMERICA?

In the midst of these challenges, some companies are reevaluating the feasibility of domestic production. Several years ago, Fresh Produce shifted half of its production overseas. The company has since returned most of this production to America after finding the initial move didn’t align with its vision. Simultaneously, domestic production stalwarts are now benefiting from the chang-

ing landscape. Fox River has knitted socks and handwear in the Midwest since 1900. Brand Manager Jennifer Whitely states: “We have seen an up-tick in consumer concern for American-made goods. The global economic crisis has really brought a lot of issues about international manufacturing into perspective.”

Yet there are many businesses that have struggled with models based on domestic production. American Apparel, for example, posted a loss of \$86 million last year. In April, the vertically-integrated company narrowly staved off bankruptcy by securing \$14.9 million in financing.

THE STRUGGLES

Whether producing unitards or sourcing outerwear, most apparel companies face similar challenges. “We are a price-driven brand, so our largest hurdle has been trying to produce product domestically and still leave our customer with money in their pocket,” explains Comune Creative Director Mike Quinones. This challenge stems largely from the price of labor, which accounts for a third to half of a garment’s price.

In 2008, Joe Fox founded Dirtball in his native state of North Carolina. With each decision informed by social, economic, and environmental concerns, he began searching for manufacturers that could meet his needs. Many in his region stayed afloat by catering to military contracts supported by the Berry Amendment, which requires the Department of Defense to give preferential treatment to domestic manufacturers. Consequently, many factories were not interested in the small orders Fox needed. Some were open about this, while others sent their message in the form of poor craftsmanship or a refusal to make minor pattern adjustments.

Fox wonders if complacency and a sense of entitlement have crippled some manufacturers. He juxtaposes experiences with several local factories with those involving suppliers abroad. While his neighbors take

months to craft jean samples that lack necessary buttons, he has a potential manufacturer in Sri Lanka who promises to do everything he can to help Dirtball. He has even flown to trade shows in Europe to promote the brand at his own expense.

While shifting some production to America, CIRCA encountered similar challenges. Its production development team notes that while most manufacturers overseas offer prompt communication, “we’ve found that some US factories we deal with are slow to respond—you try to get them on the phone, but even that can be a challenge.” Nonetheless, CIRCA will unveil its Select Collection this fall, featuring domestically produced denim and a welt boot.

When Steven Kimura and Pete Sieper began searching for domestic manufacturers for their outerwear company, Owner/Operator, Kimura was “convinced that there was nobody that would work with us.” With the exception of a few manufacturers in British Columbia, nearly all technical, seam-sealed outerwear comes from factories in China, Vietnam, and a few other Asian countries. Kimura recalls trying to convince factories of their abilities. They showed potential manufacturers samples they had made in Sieper’s apartment, only to be told “there’s no way we can do this.”

“It was really discouraging,” Kimura continues, “because that kind of thinking is really hurting companies in America that really have an opportunity now.” Eventually, they found a manufacturer in NYC’s Garment District. Yet sacrifices had to be made. Although Kimura and Sieper originally worked with a Japanese mill to develop custom fabrics and colors, their small volume and a desire to keep things local caused them to turn to a domestic supplier and design around available materials and colors.

Smaller brands also struggle with finding the knowledge and skills necessary to transform a vision into a finished product. Ambsn Designer and Production Manager Dylan Odbert explains that “as the recession hit, many of the factories that we had been using either disappeared or merged with bigger factories, pushing us to the back of the line. Sourcing and production are full-time jobs that demand full-time attention, so we hired a freelance production genius to put

out those fires for us.” Odbert also notes that it is extremely difficult to find domestic factories with “full package manufacturing, meaning someone who supplies fabric, trims, cutting, dye, and handles all of the finishing.” Furthermore, when brands direct stateside production, they often assume additional liability. “If someone along the supply chain makes a mistake in the States, you’re on the hook,” explains 686 President and Creative Director Michael Akira West. He contrasts that with production abroad, where “there’s accurate accountability.”

SPEED TO MARKET

Despite these difficulties, some brands are benefiting from domestic production. Clothing made in Asia takes approximately 25 days to reach America. By contrast, companies receive clothing from domestic factories within two and a half days. With shorter lead times, brands can better forecast sales and respond to consumer demand. As Nebel explains, “You’re minimizing mistakes that could be made. It’s taking a little bit of the crystal ball aspect out of it, where you can be more numeric or formulaic in extrapolating demand into actual product assignment.”

West emphasizes that “the one who can creatively increase the speed to market with products in a short time period will most likely win.” He notes that as 686 nears its 20th anniversary, it aims to be “doing things like we used to” by shifting some nontechnical apparel production back to the States.

With a domestic manufacturer, Shifty has been able to accelerate the development cycle of its socks. “If you’re working with someone on the other side of the world, it takes a lot longer to develop a product,” notes Cofounder Javi Mendezona. “You have to factor in the time it takes to exchange e-mails and phone calls as well as shipping several samples and prototypes back and forth.” Kimura and Sieper frequently visit their factory to demonstrate how they want products sewn. Sieper even spent a week sewing samples there. Others, like Truck Jeans, see a benefit in stateside manufacturing because it enables sales personnel to work alongside production employees and better understand the product.

Companies can also often better monitor supply chains and reduce environmental impacts with domestic manufacturers. Despite the challenges he encountered while launching Dirtball, Fox now has suppliers with whom he will never part. His T-shirts travel only 140 miles as they are transformed from cotton yarn into sewn and screen printed garments. For Fox, monitoring quality requires little more than traveling up the highway. He emphasizes that “if you surround yourself with quality suppliers and quality people who understand what the brand is trying to achieve, it makes things so much easier on you.”

IS THE FLAG ENOUGH?

“American consumers have consistently shown in their shopping behavior that what they want is value, quality, and price when purchasing consumer products, and generally do not care where that product is made,” reminds Auter. Consequently, Londrigan encourages companies interested in shifting production to the States to “do the research. Make sure there is a target market ready, willing, and able to pay the prices for the product that you plan on making. Find a niche and exploit it.”

Londrigan also explains that if the industry can continue to develop equipment that reduces reliance on human labor, “then it is a whole new ball game and all bets are off as to where you produce, provided you can justify spending thousands of dollars for a piece of equipment versus paying labor rates of less than a dollar an hour.”

Although most Americans may not care where their clothing comes from, those that do often embrace companies that cater to their needs. Dixie Denim, a Long Beach retailer that specializes in American-made clothing and footwear, opened its doors in April to find customers eager to back American brands. Similarly, Odbert notes that at Ambsn, “We get e-mails constantly from consumers who are really supportive” of the company’s commitment to domestic production.

While companies are benefiting from consumers who seek out American-made products, their business decisions transcend political statements and marketing. As Fox states, a “product needs to be kick ass because it’s kick ass. Just because you throw the ‘Made in America’ label on it doesn’t make it bad ass.”

DEVELOPING DOMESTIC PARTNERSHIPS

Whether sourcing outerwear or underwear, finding a manufacturing facility can be a challenge. Both in the States and abroad, Rag Race CEO Jeff Cowen sees a need for brands to shift to “a more genuine partnership” with factories, focusing on long-term relationships and projections.

Trade organizations, such as the American Apparel Producers’ Network, can provide assistance with finding partners. For those looking for domestic manufacturers, regionally based organizations can be of even greater benefit. SFMade, for example, aids companies in finding factories and establishing supply chains in San Francisco. The organization offers production workshops, tours of local manufacturers, a network of local suppliers and factories, and individual consultations. It also sponsors a geographic branding campaign to aid companies in sharing the stories behind local production.

Those hoping to create their own domestic production or distribution facilities can capitalize on the current real estate market. Doug Works, an action sports real estate consultant for CB Richard Ellis, explains that the market has recently seen a “shift from landlord dominance” to an environment defined by favorable leases and concessions. Decreased land and construction costs, forgivable loans, and state and municipal economic incentives have aided in making domestic production more and more appealing.

To learn more about bringing production back to the States, visit twsbiz.com.