

SAFSA

FROM A SOURCING PERSPECTIVE

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Faced with enormous pressures from management to reduce costs and to continue to increase speed to market, sourcing executives have continued to rely on China as our primary source of supply.



The global backdrop has included disappointing economic recovery, market instability with leading indicators coming from Europe **not just the US...** and the lingering impact of the cotton crisis.... all leading to greater challenges than we have ever seen.

GLOBAL IMPORT DATA

China continues to dominate.... despite our best efforts to diversify our vendor matrix

- The United States imports 38% of all apparel from China
- The next 8 countries do not total China's performance.
- Europe imports over 50% of its apparel from China
- Despite closing over 1,000 apparel factories and textiles mills closed in 2009, China's market share is unchallenged

OUR OPTIONS

South Asia

- India, Bangladesh, Pakistan, Sri Lanka

Regional

- Mexico, Central America, Peru, the Caribbean

Africa

- Sub-Sahara region, Mauritius, Madagascar

Middle East & Eastern Europe

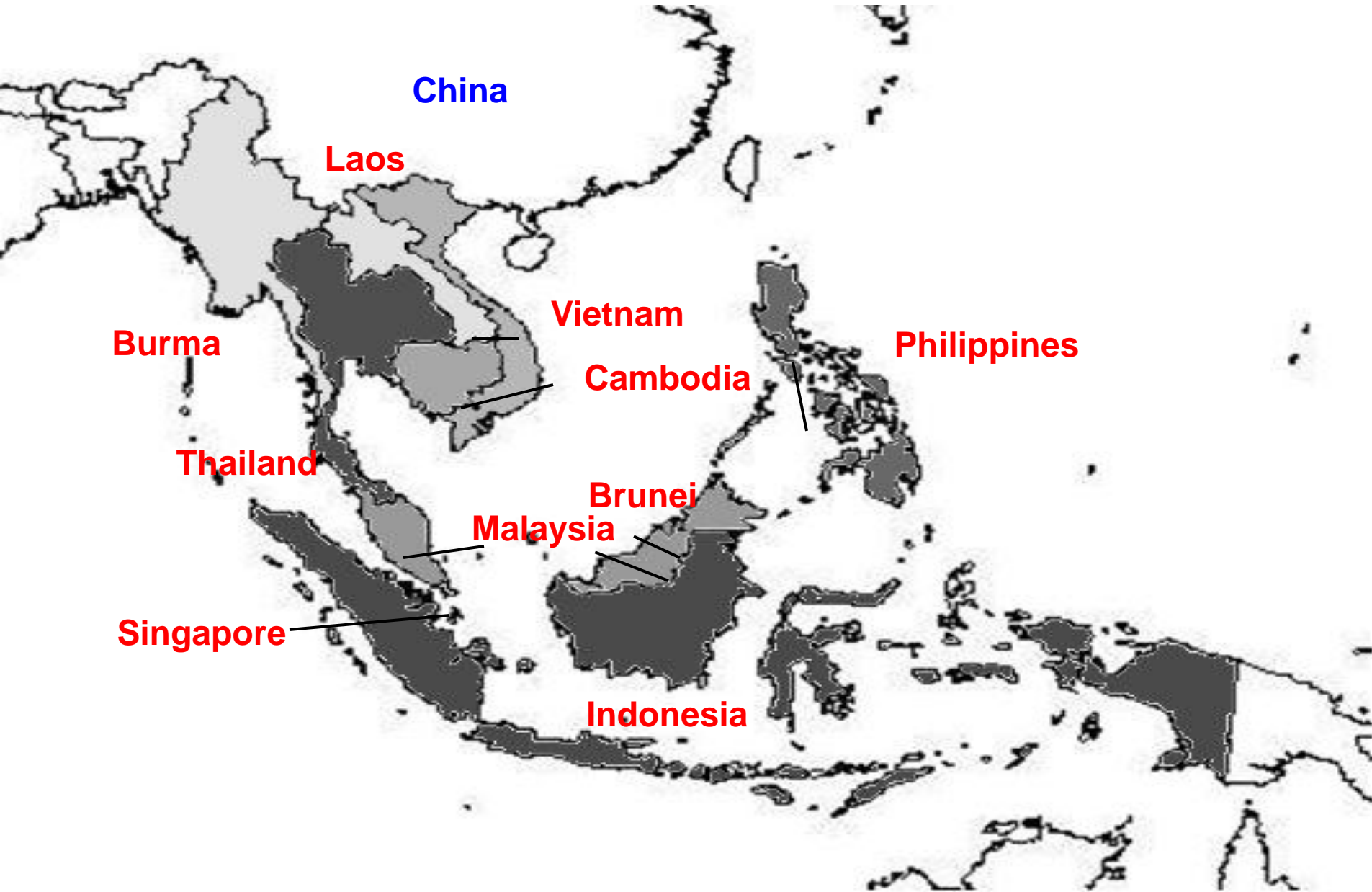
- Turkey, Egypt, Jordan

AND **SOUTHEAST ASIA**

With over 600 million people, Southeast Asia is a viable option for apparel and footwear and strong alternative to our dependency on China.

Southeast Asia (ASEAN) includes: Vietnam, Indonesia, Cambodia, The Philippines, Thailand, Malaysia, Singapore, Brunei, Laos and Burma

THE ASEAN REGION



WHAT IS SAFSA?

An alliance of many of the ASEAN region's leading textile mills and garment factories offering full package services



SAFSA is an “Enabler”

- SAFSA is the **S**ource **A**SEAN **F**ull **S**ervice **A**lliance
- The program has US-government backing along with regional financial support
- Fostering regional cooperation with single base of production
- Linking ASEAN textile and apparel companies as a vertical operations (VVF) to better service our complex business requirements



SAFSA CODE OF CONDUCT

- Initial Social Compliance & Quality audit for all new vendors
- Extensive audit checklist between mill and factory relationship
- Social Compliance accreditation for factories holding valid WRAP or SA8000 certificates
- Your QA and Social Compliance standards followed after engagement

WHY SOUTHEAST ASIA INSTEAD OF CHINA?

- China is absolutely trading up in the value chain
- This “shift” will either move factories further north or west away from the coastal areas; or out of China.
- Speed to market remains critical...China’s move inland and move away from the coast will elongate their competitive advantage.

WHY SOUTHEAST ASIA INSTEAD OF CHINA?

- The ASEAN region is moving toward a single market and production base characterized by a free flow of goods, services, and skilled labor.
- Heavy investment continues in the ASEAN region, not only local money, but foreign money coming in from Korea, Taiwan, Hong Kong and ... China.

THE SAFSA VISION

- Accelerate liberalization and integration between the countries
- Free flow of goods, services and labor
- Create a single market and production base
- Grow into a unified trading block by 2015, the ASEAN Economic Community

THE BIGGEST REASON FOR THE ASEAN REGION

To mitigate corporate risk.

Can **you** really afford to remain
“China-centric” and not build the critical
partnerships that will power your
company’s supply chain for the next
decade?

Consider joining
SAFSA for your
ASEAN journey

