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Harry Lee keeps edge through innovation at garment firm

Technology always in fashion for TAL chief

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If you call TAL Group a garment manufacturer, managing director Harry Lee Nai-shee is likely to correct you. He prefers the name "innovator", a phrase he thinks perfectly sums up his 60-year-old company.

The company, with its cutting edge supply chain management system and wrinkle-free technology, may not be a household name to the hundreds of thousands of people who wear its clothing. But TAL produces one in every six dress shirts costing above US\$50 in the United States and manufactures for such up-market labels as Brooks Brothers, Burberry and DKNY.

In the design-driven world of fashion, technology is rarely on a garment company's radar screen. TAL is an exception. TAL's technologies keep shirts and trousers wrinkle-free, non-iron, pucker-free and stain-resistant, not only freeing housewives, maids and frequent travellers from housekeeping hassles, but helping cement the group's future against the challenges facing other mainland manufacturers.

Tens of thousands of manufacturers across the border are facing troubled times as the central government seeks a sustainable economy by forcing them to boost their technology and innovation levels.

The ambitious policy, along with surging costs in materials, wages, land and sewage treatment as well as a stronger yuan, is likely to send many of them to the wall.

That is unlikely to happen to TAL, but it does face challenges. Mr Lee is preparing to retire after 24 years with the company his uncle C. C. Lee founded in 1947. He is passing the torch to the next generation: his son Roger and Roger's cousins, Delman Lee and Eugene Lee.

Why do you place so much emphasis on innovation and technology in making your clothes?

The operating environment is very different from what it was. Applying technology gives us an edge over competitors. I am very interested in technology—I studied in London and my first degree was electrical engineering. We have research and development units in factories inventing new technologies for our garments.

How hostile is the operating today environment compared with the industry's heyday in the 1970s?

In the 1970s, if the profit margin was 10 per cent, manufacturers would be screaming. At that time, the margin commonly stood at about 20 per cent and I don't know of any other manufacturing industry that had such a fat margin. Now, margins are in the high single-digits at best, which is still reasonable if the volume is big.

Who are the brains behind your research and development?

We have some information techno-



Harry Lee says losses from a wholesaling venture by TAL provided a painful lesson on the importance of supply chain management. Photo: Oliver Tsang

logy geeks who are very much into inventing. They work so hard they do not eat and sleep sometimes.

Delman, the eldest of the three Lees, is like me and finished his engineering degree at Imperial College (in London). He then got a doctorate in forecasting technology at Oxford. If he didn't join us, he could have been hired by an investment bank to calculate complicated returns on derivatives. His technological background helps and is important in leading the company's development.

Delman is among the third generation within the company. What is the division of labour in terms of roles and responsibilities?

Roger works with his cousins Delman and Eugene. Before Roger joined the company about two years ago, he was an information consultant in the US for almost 10 years. So his background helps. Eugene is relatively young and works closely with the other gentlemen. Our operations are very much systematic and on a stable track, so they only need to monitor closely market changes and spend more time working out how to serve customers even better.

What advice do you give these three young men, who are going to take charge of a garment empire with a 25,000-strong workforce?

Understand the needs of customers

and offer solutions. We should provide services that our customers haven't even thought about yet. We mustn't be a follower of our competitors, but a leader at least a few steps ahead of them. Some companies have a tight travel budget but we encourage staff to meet our customers in the US and know more about their operations and management.

With daily operations, I am quite hands off and rarely ask them any questions. (Roger, Delman and Eugene) will come to me when they make mistakes it is a good thing. At least they will learn their lesson.

What was the biggest lesson of your own career?

The biggest lesson was how to build our supply chain from scratch. It all came from a big setback in the 1990s when we expanded into wholesaling. The venture we set up had total sales

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Harry Lee, managing director, TAL Group

of US\$100 million in one year, but we incurred a US\$20 million loss. It accumulated losses of US\$50 million over several years, which was huge. I lost sleep so many nights. The mistake was inventory. We built up a pile of inventory and had to get rid of it by selling it at a loss. A shirt cost US\$10 but we sold at US\$3. When we branched out of manufacturing, we thought we knew our customers' business very well and believed we would make it. But it turned out not to be the case. We didn't realise inventory control was so important.

How did you solve the problem?

We started supply chain management. We helped customers manage their inventory and forecast demand in coming seasons. We help them pack shirts and pants in boxes in quantities that were ready for their shelves at the store, which saves them the hassle of unpacking and re-packing after the products leave the factory gate. It took years to convince some of them to use these services because it involves sharing sales data. But from their perspective, they rarely run out of stock and they even sell more shirts. From our perspective, the services help us better forecast sales volume and manufacturing schedules. Orders are placed late and the time between manufacturing and shipment is getting shorter and shorter. Therefore, the supply chain

services are a very crucial part of our operations.

What other advice do you give your offspring?

Don't do under-the-table deals and don't make money at the expense of the environment. For the sake of the next generation, we have to deal with the pollution problem. We have factories across the region, from Dongguan to Vietnam and from Taiwan to Thailand, which share the same standards in environmental protection.

For example, we have 5,000 people living in one of our plants in Dongguan. Be it sewage or cooking fumes, it is treated before being discharged. Just imagine the amount of fumes that come out of a factory as it serves four meals a day for so many people. We also have sewage treated and recycled. There is a joke that the treated water we discharge is cleaner than when it comes into the factory.

What would you like to spend more time doing when you retire?

I will still come to the office. My uncle (C.C. Lee) is about 90 years old and came to work until a couple of years ago. But I wish to travel more to meet with managers and workers at factories and meet major customers in the US. This is the best way to understand their businesses better.

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