Apparel firm rides high on strong US market

By Hui Ching-hoo

TAL Apparel, one of the leading Hong Kong textile companies with an annual production of 55 million pieces of apparel, basked in the strong demand for clothing in the US market.

Harry Lee, the company's managing director, told China Daily that the US market had been the main driver behind the whopping 22 per cent increase in turnover over the past two years.

Founded in 1947, the garment manufacturer is the main supplier of designer brands including Ashworth, Brooks Brothers, Calvin Klein and DKNY, with networks spreading over Hong Kong, Taiwan, the mainland, the US and Thailand.

"Last year, our exports amounted 55 million pieces of apparel. About 90 per cent were for the US market," Lee said.

TAL recorded about US$700 million in turnover from January to May. "Our turnover had a 22 per cent growth over the previous two years, which is about 11 per cent for each and the US market is undoubtedly the key driver," Lee added. The US has been the largest export market for Hong Kong garment industry. Findings of Hong Kong Trade Development Council show that the US weighted 37.5 per cent of total cloth exports in the first 11 months of 2005. TAL is one of the top players by manufacturing one of every seven men's shirts in the US.

TAL is also engaged in inventory management and design business to diversify its profit engines.

"For instance, we manage inventory for L.L. Bean. The company halves its operating costs in storage since we took over," said Lee.

TAL categorizes the stocks based on their colour, size and cutting, and conducts monthly review to assess their market popularity. "We then increase orders for hot model and vice versa," Lee said.

Under the management of TAL, the inventory term of L.L. Bean stands at four times, outperforming the industrial average of two times. "Inventory term refers to the number of stock-in and stock-out of a warehouse every year. Four times inventory term means that the period of storage is just about three months," he said.

In the face of the surging material cost, TAL is trimming the operation in order to maintain its profitability and competitiveness. "We are reluctant to transfer the cost to our retailers and hope to save our budget by using technology instead of manpower," he said.

Talking about the mainland market, Lee said the company currently has only one outlet in Qingxi of Guangdong province. "Another new outlet in Fenggang is expected to come up at the end of the year, for which 2,000 sewers and 5,000 workers will be employed for the outlet," he said.

However, TAL has no plan to further raise its production capacity on the mainland. "Only a small proportion of our clients such as Giordano operates retail networks in the market. We believe the current scale is sufficient to handle the demand," he said.