

## UNPRECEDENTED TIMES, UNPRECEDENTED MEASURES

To Weather the Recession, Employ Strategies You Normally Wouldn't Consider

In this down economy, apparel manufacturers are forced to deal with decreased demand, reduced prices, and, consequently, lower revenue and profits. For some manufacturers, employing fire sale techniques may seem like a fast and sure way to raise money and boost sales but this temporary technique has little long-term benefit. Instead, manufacturers should consider some relatively basic steps designed to refocus business processes and practices with an eye toward achieving long-term success.

### Diversify, Diversify, Diversify

Overreliance on a single customer can have devastating effects if that customer becomes a victim of the economy. Examine your customer base to ascertain if you've become too dependent on any one customer, a situation that may prompt you to seek alternate distribution channels. Some manufacturers have found their keys to success in partnering with online-only retailers and home shopping networks. Where brand cache is of concern, consider developing a separate brand for these outlets in order to maintain brand integrity while offering goods at a lower price, thereby providing further insulation from today's economy. The same principle applies to manufacturers of lower-end products, which often find new life on the shelves of drugstores and other unconventional retail locations. The bottom line: work with your accounting professional to find alternatives that may work for you.

### Stay Lean

In our current economy, staying lean is critical. Employing lean business techniques means placing a focus on understanding and defining the value your customers place on your product, and aligning your organization, processes, and systems to deliver increased value while eliminating non-essential activities and processes. These strategies are often successful when profit margins are shrinking and cash flow is decreasing, as is the case today.

line can always be reintroduced to the marketplace when the economy improves.

It is also critical that your supply chain—materials, transportation, and warehousing, for example—operate as leanly and efficiently as possible. Today's economy is global: tap into alternative resources to find the vendors and incentives that best meet your business objectives. Work with your trusted advisors to get referrals to vendors that other apparel companies trust. This economy

### HOW DO YOU STACK UP?

Benchmarking—comparing your overhead costs to those of your competitors—can reveal opportunities to save more money and improve efficiencies. It's a nice-to-have in a good economy, but today, it's a necessity. Since apparel companies can't do much to change retail pricing or sales, benchmarking offers the opportunity to make changes in areas where you do have control, including shipping, warehousing, distribution, and even utilities.

Most apparel companies are privately held, which means they have no obligation to publicly disclose their costs. This is one area where your accounting professional can be of assistance. Professionals who handle financial matters for hundreds of apparel companies will have that information at their fingertips, and while they will never disclose a client's information, they can use aggregate statistics to derive averages and ranges at an industry-wide level to advise you how your business stacks up against others in your market.

Armed with that information, apparel manufacturers can make changes with confidence. Remember, your vendors are operating in the same economy as you—which means you could be in a stronger position for renegotiating supply contracts and other costs. By increasing your efficiency in the fundamentals of your business, you still may be able to increase your bottom line.

An obvious first place to look when determining how lean your organization is, is the overall profitability of individual product lines. If a certain line is expensive to produce and does not sell well, cutting that line could ultimately increase profitability even if it means a dip in revenue. That

also provides the perfect backdrop for approaching your vendors to discuss renegotiating existing contracts.

Another clear place to “get lean” is also one of the most personal areas of your business: staff. That doesn't have to mean

layoffs; consider less drastic measures that keep your workforce intact, including furloughs, reduced hours, and hiring freezes. Anything directly impacting staff is a tough decision to make, but you may be pleasantly surprised by how supportive and understanding staff will generally be in tight economies.

### Are You Ready For the Rebound?

Manufacturers who survive the recession will emerge in a highly favorable marketplace, with stronger, leaner processes in place to

help carry them forward to even greater success. With few competitors to drive prices down, surviving apparel companies can grab extra market share and negotiate more favorable contracts with retailers. Today, you may be making decisions and managing in ways you never thought you'd need to, but diligence in this economy will lead to unprecedented financial rewards tomorrow. ■

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