

TAP Apparel, interview Hong Kong

How should Asia maintain its edge as a supplier to US and European markets? Innovation and quick replenishment are key parts of the answer, says Dr Harry Lee, managing director of Hong Kong-based manufacturer TAP Apparel Limited (TAP Group).

Hong Kong has long been considered a sound logistics base - a one-stop sourcing hub - for US and European retailers sourcing from Asia. Those logistical skills are being put to the test more than ever as worldwide competition heats up, and mainland China takes advantage of its accession to the WTO.

Time for manufacturers to take note of the example of companies such as TAP Apparel, which have pioneered EDI quick procurement strategies. An early sign-up was US retail giant JC Penney, which was one of the first US customers to recognise the benefits.

It was not an easy process. Dr Harry Lee, managing director, recalls: "It took me three years to sell the idea to JC Penney, using dress shirts. Now it's not difficult to sign people on. In fact, we just signed another big programme, on knits, with JC Penney."

TAP Group also has programmes going with Lands End, LL Bean, Nike. "In the beginning, JC Penney was most responsive to the concept. Dress shirts are a basic replenishment item, so it made a lot of sense. But it took us a long time. We TAPped to the president, to the buyer, to everyone in between, until one day a buyer said, let's try it." The benefits of the programmes are long-term, bringing together the manufacturer and retailer in a genuine relationship. "It's about a true partnership - and makes it very difficult for anyone else to grab at it," says Dr Lee, who goes on to highlight the contrast with the previous way of doing business. "Every year, you used to think about how much business is going to come our way?" Dr Lee's view on fashion is simple. You can never be sure what the consumer will buy. So the sensible retailer should basically test market it and then follow up with very quick replenishment. "It reduces a lot of risk with the inventory."

How bad for business is the US recession proving? Dr Lee is sanguine: "My own feeling is if there is no more major disaster or tragedy, the US will not be as bad as everybody thinks. I was TAPping to my colleague in New York, who says the rest of the USA is not as badly affected as New York and New Jersey.

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Dr Lee is also following another Asian trend: he is in the process of opening a factory in Mexico to get closer to his key market. "We are currently in the process of hiring and training. It's a new plant making dress shirts."

TAP Group's experience with manufacturing in the Americas has not always been promising. In 1988, the company purchased a textile plant in Kentucky. "We were quite disappointed with the management. We never got it running. The idea was that we would build our expertise there so we could go to Mexico or Central America. This time round, I hope we will do it better."

What is Dr Lee's view on 2005 and China's accession to the WTO? He says there is a lack of clarity about the impact. "The quota conditions they negotiated for entry to the WTO leave us with an unclear situation going forward after 2005. There is a market disruption clause that can be called at any time. It puts uncertainty in, and puts China in an unfavourable position compared to the rest of the world."

TAP Group is certainly looking to step up its own mainland Chinese business. "We are looking at a bigger presence going forward in China," Dr Lee says.

Will TAP move into retail? "No," says Dr Lee, firmly. "Our presence will be as a manufacturer. We don't know how to do wholesale or retail. It's a different mentality, and it has to be managed by other people with a different background."

He pauses for a moment, and smiles. "If retail was managed by me, the chances of failure would be very high!"

TAP Group's breakdown of business is as follows: 80% US, 8% Asia, 12% Europe. Dr Lee suggests that the percentage share of European business will drop in 2002, although the company is still working with Debenhams and Next in the UK.

In Asia, Giordano remains a key customer. "We are doing very well with them in Korea," says Dr Lee. "We also sell suits in Japan - we have a tailored suit factory built for the Japanese market."

On the innovation front, TAP Group has a deserved international reputation. Among its most prized textile innovations:

SOFTAL: easy care, non-iron, 100% natural fibre, feels soft and comfortable, but looks smart.

Dot.TAL, a deodorant technology which maintains the freshness of the fabric, effective against bacteria, and durable (can withstand more than 50 washes), applicable to fabrics with 30% or more cotton. Latest on the launchpad - machine washable wool pants. "We are doing trial production runs," says Dr Lee. "Some washable pants are available on the market, but they are polyester-wool and you have to put them in a bag. Ours are wool, and you just put them in the washing machine."

"So far, in sample stage, we are very happy, but it's a lot more tricky than you think. They should be available early in 2002, for the fall season. And customer response has been very, very positive."

On the recession

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**By ROGER TREDRE
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