



THE ASSOCIATION & VOICE OF THE US SEWN PRODUCTS INDUSTRY

## AMERICA'S FUTURE WEBINAR

# **SEAMS' Duncan gauges COVID-19 effect on members, shares vision for smart factory concept**

**By Devin Steele**

During a two-plus hour webinar organized by McKinsey Company and titled "America's Future" this month, SEAMS' Executive Director Will Duncan joined four other "Captains of Industry" on a panel discussion offering insights into the future of the American fashion industry.

Duncan raised awareness and explained the value of the association to a broader audience, presented results of an informal survey SEAMS sent to targeted members around current business conditions vs. pre-pandemic, and laid out a vision for the factory of the future.

He was joined on the panel by Dr. Trevor Little, professor of Textile And Apparel Management, Wilson College of Textiles at N.C. State University; Dr. Mike Fralix, president & CEO of [TC]2, who also served as moderator; Anastasia Vouyouka, CEO of Telestia in Greece; and Glenn Jackman, senior international trade manager, Economic Development Partnership of North Carolina (EDPNC).

In his presentation, "The Role of America (Inland & In the World)," Duncan offered a brief summary of his consulting firm, Will Duncan & Associates (WDA), which specializes in business process optimization by working with brands, retailers and manufacturers to help create value for customers by maximizing the effectiveness of their people, processes and technology. He also advised that WDA is responsible for the management, marketing and administration of the SEAMS association.

He informed attendees that SEAMS is a networking association with more than 220 members. Since the pandemic struck the U.S, 61 new members have joined. Its membership ranks include brands and retailers, technology providers (20 percent), cut-and-sew manufacturers (35 percent) and the full gamut of textile providers (35 percent), he said.

"We work with industry to try and promote made in USA and help drive business to our members," he said. "As the executive director of SEAMS, it affords me the opportunity to speak with many companies throughout the U.S. supply chain within our industry."

Duncan also apprised the group that SEAMS was a member of an industry association alliance that was formed quickly at the beginning of the coronavirus crisis to work together and send consistent messages to companies seeking resources and partners as they were transitioning into the production of Personal Protective Equipment (PPE). The coalition consisted of the National Council of Textile Organizations (NCTO); INDA, the Association of the Nonwovens Fabric Industry; the Industrial Fabrics Association International (IFAI); and the American Apparel & Footwear Association (AAFA).

"Our associations are working much closer than we ever have before, and that's one of the good things that's happened," he said. "And we have opened relationships with our members and members of other



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associations that would've never happened before, especially among those that were pivoting into PPE. And that was our role, to help coordinate, collaborate and serve as a conduit of information, which included serving as a conduit to the White House Procurement Task Force for PPE, which is still going on. I will say it's been an eye-opening experience."

## Survey results reported

In recent weeks, SEAMS has been surveying members to gain insights into how their businesses stand today compared to pre-COVID-19. Summing up results, Duncan noted that most companies polled were doing well leading up to the pandemic, but all were significantly impacted when it hit. The survey of cut-and-sew suppliers and technology providers – a mix of large, medium and small – showed that domestic and offshore sales were trending up or were steady for all companies prior to the crisis. Domestic sales were up for 64 percent of surveyed companies (vs. 43 percent today) and global sales were up for 50 percent of those companies (vs. 36 percent today), he showed.

Today, regarding sales from past customers, 14 percent said sales are up, 21 percent said sales are down, 36 percent reported sales as steady and 29 percent reported a mixed bag.

SEAMS also asked members if they changed their product offering as a result of COVID-19. Interestingly, 79 percent said yes, and as many said they are picking up new sales. Asked if they gained sales from new product sectors, 71 percent answered yes.

Asked what they anticipate for future sales, 50 percent said they expect strong growth, 36 percent said they are cautiously optimistic, 14 percent said they expect flat growth, and none said they are pessimistic.

"Many – both textile produces and cut-and-sew companies – were able to pivot 90 degrees and enter the world of PPE," Duncan said. "I'd like to give a shoutout to our industry for how well we were able to respond to the PPE crisis. We had textile mills and cut-and-sew factories that pivoted in a matter of weeks into producing much of the PPE that was provided to our hospital workers and those in need. I was amazed at how well our industry was able to respond. I don't know if you'll find many industries that could respond in a matter of weeks without those supply chains living here to transition like we did."

Currently, PPE demand is starting to slow some – not that there isn't still demand – but many of the buyers are starting to return to their old buying habits and are sourcing solely based on cost, driven by lowest labor costs, he added.

"But hopefully we'll retain a significant portion of that business because it can mean a lot to our industry if we're able to keep that," he said. "Many of our members invested heavily. Some of them are transitioning away from PPE, but I don't think permanently. They are starting to see their work from brands and retailers begin to pick up."



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## Gauging the industry's temperature

Duncan indicated that of late he and his staff are getting multiple calls a day from brands, especially emerging brands, that are looking to source fabric or for domestic cut and sew – which should be a good sign, except for the fact that multiple caution flags dot the road back to reshoring the supply chain.

“Let's face it: Pre-pandemic, only about 3 percent of the apparel and footwear made in this country was sold in this country,” he said. “So, where are we, really? We have a long way to go.”

He then noted key factors that are preventing significant growth of the U.S. sewn products industry.

“One is that brands and retailers must change from cost-based sourcing strategies to those that compare landed duty against manufacturing costs domestically,” he said. “We can't continue to do that. We have to measure it based on what's happening at the cash register, gross margin return on investment, and service. It has to factor in things like markdowns, stock-outs, and all the other associated costs such as the costs of DCs (distribution centers) when the factories can ship direct to consumer.”

Another factor inhibiting growth onshore is cut-and-sew capacity and capability, the biggest bottleneck in the supply chain, he said.

“Most of the companies in our industry in this country have less than 50 workers, which is too small for many of the larger or even medium-sized brands,” he said. “If you have 100 workers in your cut-and-sew facility, you are considered very large today.”

Sewing labor operates on tight margins, and many cut-and-sew factories aren't capable of supporting full package, he continued. And brands and retailers want the same full-package service that they received when they moved offshore, particularly to the Far East, he added.

“And I can tell you that the cut-and-sew companies here in the U.S. that are able to offer full package are turning away customers every day,” he said. “Some of them can't even return calls to people they are so busy.”

In addition, many of the manufacturing disciplines that were common to the industry 25 years ago have been lost, he said.

“It's rare that I walk into a factory and observe two workers that were performing the same operation, where both use the same method,” Duncan said. “And formal training programs are rare to see within the factory. Plus, the factories are having a hard time attracting labor, and that's the biggie.”

Plus, he added, many factories still have traditional top-down management styles and very low employee involvement, which don't necessarily work for the younger generation today.

“So for real growth to occur, it will require reinventing our factories,” he said. “Automation is one of the enablers. However, we're still a long way away from having fully automated, lights-out type of factories. Automation is improving. More and more money is being spent there, but not enough.”



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## **A solution: Smart factories**

Over the past several years, a lot of buzz has been generated around microfactories, or smart factories, Duncan said, adding that he thinks that concept will continue to emerge. Much of the front-end technologies, collaboration and digitization for the microfactory is already in place, and has been for years, but the problem with many companies when they try to embrace the microfactory is that they still have to cut and sew – “and they struggle mightily to get that put in place,” he said.

He cited a couple of examples, both SEAMS’ members – OnPoint Manufacturing and Evolution St. Louis – of companies that have been created around the microfactory concept, designed to service made-to-order and direct-to-consumer. And those type of operations will continue to pop up, he added.

“However, I think the factory of the future will be capable of embracing all of the above (customization, direct-to-consumer) and more,” Duncan said. “It will be much more of a smart factory that will embrace robotics and other forms of automation where it’s applicable and available. One of the things with automation today is it’s not in most cases flexible enough to keep up with most of the demands of the consumer and the brands and retailers.”

The smart factory, he continued, will employ the latest manufacturing technologies regarding systems integration and real-time production control. It will embrace Industry 4.0, which includes machine learning and Artificial Intelligence to more accurately predict and manage performance and cost, he added. And it will employ Lean Manufacturing with lean business practices, lean management and extensive customer-supplier collaboration, he noted.

“This smart factory is basically going to be lean on steroids,” he said.

But the real key, he posited, is repurposing of the workforce.

“Imagine a workforce that is highly flexible and cross-trained, working in lean teams, with start-to-finish throughput times in minutes rather than in days,” he said. “These teams are flexible, they can change styles, they are knowledge workers, and information is being relayed to them directly to their workstations. If there are questions, they can look up online right there from their terminal any information they need to know about their product.

“And,” he continued, “imagine if these workers are working 35 hours a week in production and the other five hours performing direct-labor and admin functions such as accounts payable, accounts receivable, purchasing, inventory control, garment costing, on and on. So what does all of this mean? Manufacturing sewn products domestically makes good business sense.”

Duncan closed by informing attendees that if they want more information on WDA's vision of a smart factory, they can contact him at [wduncan@willduncanandassociates.com](mailto:wduncan@willduncanandassociates.com) to request a white paper that WDA developed.



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## **Other speakers**

In exploring “What is the Future of Fashion and the Industry?” Dr. Little of N.C. State’s Wilson College of Textiles, deep-dived into a number of trends that will have major impacts, including the younger generation and major shifts that have occurred in a short period of time as a result of COVID-19.

In a two-part presentation, “Explore Factors & Solutions to Make the Turnaround,” Dr. Fralix of [TC]2, and Vouyouka of Telestia, discussed a number of disruptive technologies such as 3D modeling, waterless dyeing and customization that are and will continue to affect the fashion industry.

Jackman closed out the event by going over available government support options for companies, particularly those exporting or are looking to. EDPNC offers financial assistance to companies for trade show exhibition and other types of support such as market research and help in finding agents or distributors abroad.