



Logistics — a word considered the most important word in the apparel industry today — is a complex subject that includes import, export, financial and trade issues in addition to basic transportation considerations.

Eight or nine years ago, in a speech by Robin Lewis, then vice president, Fairchild Publications, we sat on the edge of our chairs pondering the answer to his question, “The most important word in the apparel industry today is ... ?”

It must be design one thought, or maybe fabric or globalization. But the answer was an epiphany because he said logistics.

Of course, one thought, Lewis is right. As the industry chases the low-cost needle, the fabric and trim, not to mention the designs and patterns, have to catch up. Then there’s the messy issue of replenishing store shelves based on daily point-of-sale data.

“We move stuff around,” said Brad Beal, executive vice president, Global Trade, Jockey International Inc., Kenosha, Wis. “It doesn’t matter how fast you can cut-and-sew if you can’t ship it right. Our goal is to deliver 99 percent on time to the [stock keeping unit] level. This is not our customer’s standard, it’s ours.”

Brad works with customs brokers like Norman Gelber, president, Miami-based Customs and Trade Services Inc. “We’re a partner with Jockey,” said Gelber. “When you start shipping from a new location, you really have to know what you are doing. So

many customers ask us about the [Caribbean Basin Trade Partnership Act (CBTPA)] from Central America. They ask if they can mix in garments made of [North American Free Trade Agreement (NAFTA)] or Asian fabrics. They cannot. It has to be US yarn forward in order to comply. You can not co-mingle. When you go off shore, you must crawl, walk, then run.”

Fred Annunziata, vice president, sales, retail and fashion at Eagle Global Logistics (EGL), Miami, was asked if he was running into more senior executives like Beal. “More of our customers are putting more senior people in charge of logistics, people like Beal at Jockey,” Annunziata replied. “Before, we worked with the traffic department and the logistics department. Today, it’s often a direct report to the CEO. Logistics has become that mission-critical. The key with us in logistics is to have much better communications and to involve us early and constantly in forecasting and planning. As Beal said, apparel companies move stuff all around. Apparel manufacturing is hard, lots of items, lots of small items. EGL has 400 offices in 100 countries worldwide. Recently, the company has opened eight new offices in China taking us to 21 total.

The company has more than 1,800 people. Global trade is picking up in volume, cost and complexity all at the same time.”

Kevin Fegan, president, Dallas-based Jupiter Sportswear Inc., said it net/net, “The real pressure on us is to deliver quickly, accurately. Reduction of cycles depends on logistics. There is no room for mistakes. We have to do it right the first time. Logistics is a more and more important ingredient of our services.”

West Coast Volumes

The greatest increase in apparel industry journalism in 2004 was on the topic of logistics, and most of that focused on the West Coast — too many ships, too few dock workers, too few carriages to haul containers, too few drivers for the trucks and too few train cars.

Duluth, Ga.-based Crowley Logistic’s Don Hire, director of business development, said: “Overall, there is a serious West Coast infrastructure challenge. There is more freight than there is capacity. There are 80 ships arriving into Los Angeles/Long Beach on certain days during the week. They’ve hired hundreds of new longshoremen to help accommodate the increase in volume. Some clients are trying alternatives, different ports, going through Canada, the Canal, or going to the East Coast and Gulf ports”.

About the West Coast, Beal said, “We know in the West Coast, there’s going to be a shortage of carriages and drivers, so we’re diverting shipments to Canada. We know costs will go up and it will get worse. But we know good customs brokers can help and bigger ships and planes over the Pole are coming. All of this works to get our product closer to the customer.”

“The volume/labor equation is certainly affecting everyone’s plans,” said AAPN member Hans Bean, international account manager, Regional International Sales, Maersk Sealand, based in Hong Kong. “We are expecting anywhere from a 15 to 30 percent volume surge for the first three weeks of 2005 due to the apparel push, which will then shift directly into the pre-Chinese New Year surge of all commodities due to an early new year in February 2005. We’re having to cancel Los Angeles sailings as it is now to avoid disrupting our global network (where US-Asia-Europe vessel strings are connect-

ed). Chances are, if we in the United States don’t pay attention to the real cost of oil, our consumers will not force the hand of labor (indirectly of course) until we are another five years behind the efficiencies of Europe and Asia.”

Caribbean Opportunities

Ocean shipping is the lifeline of the Caribbean and Central America. “[The AAPN Annual Meeting] allows me to learn more about the needs of the apparel industry, its challenges and complexities, which directly affect us in the shipping world,” said Maggie Martinez, vice president, 807 Services, Seaboard Marine. “We had a discussion about the challenging times ahead. We spoke about issues of vital concern for the shipping companies (for example: overall shortage of vessels, equipment, truckers, and increasing cost of fuel). We face tough times ahead — however, we must continue to work hard with all throughout the supply chain in order to remain competitive in 2005.”

Martinez added: “The weather in the Caribbean is really affecting us in the region

on. This is a serious challenge. China and Asia are siphoning off the small ships for local and regional use. When time to renew our vessel charters, they are tripling the rates.

“But the greatest development in the region, one making it streamlined like Asia, are on-going improvements in the region’s logistics infrastructure,” Hire said. “Crowley, for example, has built distribution capacity in the region, to pre-position trim and fabric, and also to consolidate finished goods back into the United States. This gives the region an infrastructure similar to China’s, where manufacturing is clustered and logistics is part of that. Examples of this include Crowley’s work for Koramsa at its new El Naranjo Free Zone in Guatemala City, just one of three Crowley facilities in Guatemala. As well as Crowley facilities in El Salvador at Export Salva, in Honduras at Choloma and Buena Vista and the regional transportation network to support these centers.”

Mike Smith, vice president and general manager, BFS Global, Atlanta, explains: “There are two types of warehouses in the region. Bonded is just that, you can hold



“More of our customers are putting more senior people in charge of logistics ... logistics has become that mission-critical.”

**Fred Annunziata,
Vice President, Sales,
Retail and Fashion, EGL**

this year. And we are seeing a lack of planning and forecasting from our customers. One asked us for 20 45-foot containers with only a week’s notification. We were able to give him less than that.”

“As for ships, I agree with Maggie,” said Hire. “There is more demand than there is capacity at present. Shipyards are building huge new ships with the capacity of 8,000 to 9,000 containers. The kind of ships we use, 500 TEU capacity Ro/Ro [roll on/roll off] vessels, are scarce in the marketplace. Lease rates are tripling, plus fuel costs are rising. The cost associated with this will be passed

goods without entering into the commerce of that country, or with no duties, taxes, etc. The downside to a bonded facility is the requirement to clear or enter at the port. Meaning customs/Aduana has to clear the goods at the port of entry. This sometimes can cause some challenges and delays. And free-trade zone [FTZ] has all of the benefit of “bonded” but also allows clearance at the FTZ. So, the first time that Aduana looks at the documentation and clears is at the warehouse door.”

Chandri Navarro-Bowman, partner, Washington-based Hogan & Hartson LLP, said, “A bonded warehouse allows trim sup-

Logistics

pliers to import into a Central American country trim supplies for all over the world, without paying the Central American country's duty on the imported trim items. The items are then stored in the bonded warehouse until they are purchased by a customer. The purchased items can then be sent in-bond to a maquila/free zone factory that makes an in-bond transfer of the trim items, without again incurring the duty on the trim items. The trims are then incorporated into garments, and the garments exported. Thus, the manufacturers avoid paying duties on the trim items."

"Any building in a free zone is by law a bonded warehouse," elaborated Scott Vaughn, general manager, Rovedes S.A., Nicaragua. "There are also *real* bonded warehouses outside of the free zones that service non-free zone companies, as well as free zone companies sometimes. These bonded warehouses allow a place for cargo to sit without import duties being paid. They can be used for an apparel supplier to keep his goods so that if he sells to a free zone he can send it over tax-free or sell to a local guy who would pay tax as he takes it out of bond. The deal with the bonded warehouse is more about ownership than taxes."

Logistics Automation

One AAPN member gave the following example of a shipping problem: "We had a late shipment in China because of fabric.

Well, it finally got to the airport, the plane left, it arrived [in the US] but only half the shipment actually was on the plane. But it wasn't split out that way on the paperwork, so it was all trapped by Customs for six weeks."

Wayne Slossberg, vice president of sales, Westfield N.J.-based QuestaWeb, said: "As you can see in this case, as in most companies today, they are using a number of islands of information, like brokers, and freight forwarders, to complete their logistics cycle. Many companies have realized that they can consolidate all of import, export, financial, and trade processes into one integrated system that ensures their compliance and reduces errors, thus lowering the cost of doing business in an automated environment. One time input of data, less errors in the cycle, real time communication with brokers and freight forwarders, seamless integration with their back office system, total US Customs Compliance and the automated process that manages by exceptions, generates, populates and indexes all documentation needed for clearance or as many refer to it as 'entry.'"



Hans Bean, (left), international account manager, Regional International Sales, Maersk Sealand, chats with Brad Beal, executive vice president, Jockey International Inc.

AAPN member NextLinx adds: "As an already global industry, companies are looking for ways to streamline order fulfillment, plant production and distribution processes, as well as take advantage of preferential trade agreements such as NAFTA, [Latin American Integration Association (ALADI)], CBTPA and the [African Growth and Opportunity Act]. Significant cost savings can be recognized, but only when the manufacturer can ensure trade agreement requirements are met. In addition, using NextLinx global trade management tools reduces pressures associated with new and proposed filing regulations within the Container Security Initiative, Customs Trade Partnership Against Terrorism and Importers Self Assessment designations."

Then, QuestaWeb's Slossberg adds the inevitable slam dunk sentence so many progressive software firms use today, "We have the system running in Hong Kong and Shanghai."

We remember another meeting of eight or nine years ago where Liz Claiborne's Paul Charron said, "The reason we spend \$10 million a year on computer systems is because our competition can't afford to." You can bet that Liz Claiborne is using a system like QuestaWeb's or Nextlinx's in order to achieve shipping efficiencies and keep up with the daily mountain of minutia, any one sentence or word of which can slam your goods into a bonded warehouse on the dock for days and make it late reaching the customer. **AAPN**



Norman Gelber (far left), president, Customs and Trade Services Inc.; Maggie Martinez (top left), vice president, 807 services, Seaboard Marine; and Don Hire (bottom left), director of business development, Crowley Logistics, led a discussion about trade and logistics issues at the 2004 AAPN Annual Meeting.