

Getting to the source



In this interview, CHaINA spoke with Alex Angelchik, President of New Times Development, Hong Kong, a major sourcing company based in Hong Kong. Mr. Angelchik talked about Newtimes' strategy, operations and how they are dealing with ongoing challenges by working with companies like supply chain software provider, Core Solutions to automate their operations.

CHaINA What exactly is Newtimes?

Alex Angelchik: Newtimes is a group of companies specializing in sourcing of products, mostly soft goods, although we do some hard goods and furniture products for some of our offices. We are definitely one of the largest sourcing companies in the world for apparel and have about 1,500 employees worldwide. George Ling, our Chairman, founded the company about 37 years ago and is still running the company today. In HK we have 3 main companies and some subsidiary companies underneath us. Newtimes Development is specialized in North America, mostly the United States. We handle accounts like Polo Ralph Lauren and Diane Von Furstenberg. We also do business with a number of other brands and retailers in the U.S. We do everything from design to distribution, a whole range of services for apparel and soft goods.

For the brands you mentioned such as Polo Ralph Lauren, do you do design as well as manufacturing?

AA: Typically our customers have their own designers but they use our product development people to put the garment together. So it's a very interactive process. The development process is the most critical part of the business to get things running properly.

Can you explain more about how you work with your customers?

AA: We have a lot of small business groups within our offices that really cater to each customer. Because we specialize in middle to high-end products the product development teams that work on each account have to be very specialized in that market. Our overhead structures are probably higher than our competitors because we don't centralize a lot of our staff and we offer more customized service;



▲ Alex Angelchik, President of New Times Development, Hong Kong

that is our competitive advantage. By the end of the month, we'll have 20 sourcing offices in Asia, India and Middle East and in addition to that we have 22 quality control hubs with QC and QA people.

What percentage of your global sourcing comes from China?

AA: From my division I would say that we probably still produce 50 percent in China. Corporately we do maybe 60 percent in China. Our Chairman and I both really believe in the continuation of China as a main supplier.

How have rising costs affected your business?

AA: The last period has been pretty tough. We have seen increases in labor and textiles; certainly in cotton and synthetic fibers. And, as you know there has been quite a bit of inflation in China. Certainly our offices in Indonesia and Sri Lanka, with inflation in China, are better able to compete now.

Isn't it difficult to shift operations to other countries when companies have already invested in operations in China and Vietnam?

AA: Usually it's not a shift, it's more of a gradual process and as a good sourcing company, we should smell a pricing or delivery problem before they happen and should be offering buyers a new direction. But most of our customers have not moved their production out of China; they have just moved the price sensitive items out. And China is not going away. I think certainly after the Olympics are over, the Chinese government will change the direction on some of their policies, they kind of went too far.

How are you dealing with labour issues, such as rising costs and the impact of the new labour laws?

AA: I can't attach a specific percentage to it but certainly there's been increasing costs. One of the issues in the past has been getting workers. Textiles are kind of dirty industry and the Chinese want to move away from that. Additionally, local labor laws are increasing costs. Then you have inflation affecting your electricity,

gas, oil consumption at the factories, and we also have additional environmental factors. A lot of the industrial textile industries have moved north, they are outside of the main cities which are more expensive and controlled.

Are increasing costs being passed on to the consumer or are suppliers having to find ways to reduce costs?

AA: Manufacturers in China, whether textile or finished goods manufacturer have had to absorb cost increases for probably the last five years and in 2008, we really got to the breaking point. Now real costs are increasing. Remember, there has been such FOB price depreciation over the last 10 years and a lot of Chinese manufacturers have become incredibly efficient and have been able to absorb most costs. Today, I think a lot of wholesalers and the importers in the United State are eating their margins and are re-engineering their products to make up for the increased costs. In today's economy, you can't keep raising your prices. It's all happening in an extremely bad time.

Have you looked at Western China, where there are lower labor costs and government incentives for manufacturers?

AA: Yes, we continue looking at it, but some manufacturers don't want go there. When you are doing dresses, suits and more technically complicated products, it's hard to go to the new frontiers. For more basic items, we certainly keep going to Western and Northern China, and other new places, and we are always looking to

find new factories we can use. It usually takes 3 seasons of extensive training to get a new supplier working a hundred percent to our satisfaction.



I understand that you have worked with Software provider, Core Solutions to implement a new solution for your business. Can you tell us how such a solution helps to facilitate your sourcing processes?

AA: We hired Core Solutions to implement a software package to automate and regulate our product development process in the first phase. The system basically lets us computerize our fabrics, our trims and creates an interactive process between us and the buyer. It really automates some of the processes. In the past we used Excel Spreadsheets and other customer databases to keep track of product development. With Core Solutions, we are able to automate that, so we save a lot of time. With labor costs increasing in HK, it is extremely helpful so we don't need to add additional head-count to do spreadsheets, that's a huge cost for us.

Eventually the system will connect into a consumer portal which will allow customers to do web-tracking. They will be able to track not only finished goods WIP, but fabric development, trim development and sample development; so they'll have a complete picture. Also we are hoping to cut down the emails. Core Solutions allows us to give to our people time to think about what they are doing; that's important.

How do you see yourself staying competitive in this market, given rising costs, a recession in the US and so on?

AA: Well, the one thing we have seen in the last 12 months, across all of the brands we service, is that products that are designed and manufactured well and delivered on time are still selling. So I think we stay competitive by helping our customer's brands. We focus on the products that are working for them by improving them, and making sure we service them properly. For Newtimes, the only way we can keep competitive, is to offer better services. 

