Bridging the skills gap for the fashion industry

OPEN COSTINGS WORKSHOP
30th June 2021
Housekeeping

- Cameras on
- Rename yourselves
- Questions in chat
- Mute unless asking questions
- Get involved in the Q&A session
Welcome

- Introductions
- Workshop format
- Your learning objectives revisited
- Questions so far
Our industry’s dilemma

WE OFFER 3 KINDS OF PRODUCTS

<table>
<thead>
<tr>
<th>GOOD</th>
<th>CHEAP</th>
<th>SUSTAINABLE</th>
</tr>
</thead>
</table>

BUT YOU CAN PICK ONLY TWO

- GOOD & CHEAP WON’T BE SUSTAINABLE
- SUSTAINABLE & CHEAP WON’T BE GOOD
- GOOD & SUSTAINABLE WON’T BE CHEAP
Your Objectives

A. Take the myth out of retail pricing
B. Better price related objection handling (being able to counter brands saying your product too expensive)
C. Prepare for more cost-conscious targeting of retail segments
D. Identify areas to improve their offer
Questions so far............

• How do we tackle fabric **price expectations** of more cost sensitive brands?

• Often I hear from large brands that fabrics with our fibers are **too expensive ...Why**?

• How does **fibre price** relate to **garment price**?

• What are the average wastage factors in textile and garment processing?

• Is there a MOTIF workbook that we could refer to.. **one source for the formulas**?

• Does volume improve cost price?
Our Agenda

- Variables impacting garment cost
- Fabric variables
- Emerging trends
- The factors brands consider
- Dive into open costings
- Summary / Q&A
Variables impacting garment cost

Q: What is factored in when calculating garment cost?
Sourcing variables that impact overall garment costs

- **CM cost**: CM costs means the Cost of Manufacture which mainly covering below 4 aspects.
  - **Labour cost**
  - **Operation / running cost**
  - **Maintenance cost**
  - **Factory overhead**

- **Fabric consumption**: No. of fabric yardage needed to finish one piece of garment including the production loss.

- **Material costs**: Fabric costs covering the 6 costs. (Yarn, Knitting / Weaving, Dyeing, Finishing, Printing if needed, Sewing thread)
Sourcing variables that impact garment costs

CMT COST is based on the SMV garments. Here are a few examples (Far East manufacturing) for reference & comparison

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men long sleeve shirt</td>
<td>23.15</td>
</tr>
<tr>
<td>T-shirt</td>
<td>8.41</td>
</tr>
<tr>
<td>5 pocket denim trousers</td>
<td>28</td>
</tr>
<tr>
<td>Man Chino Pant</td>
<td>24.15</td>
</tr>
<tr>
<td>Jogger</td>
<td>9.61</td>
</tr>
<tr>
<td>Ladies Jumpsuit</td>
<td>32.93</td>
</tr>
<tr>
<td>Ladies Bra</td>
<td>10.5</td>
</tr>
<tr>
<td>Legging</td>
<td>4.64</td>
</tr>
<tr>
<td>Jogger</td>
<td>9.61</td>
</tr>
<tr>
<td>Dress</td>
<td>17.6</td>
</tr>
<tr>
<td>Jacket</td>
<td>44.97</td>
</tr>
</tbody>
</table>
## Key variables that impact garment costs

Buyers source fabrics by GOOD, BETTER, BEST price architecture

<table>
<thead>
<tr>
<th>CHEAP</th>
<th>GOOD/BETTER</th>
<th>BEST</th>
<th>PREMIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polyester</td>
<td>Cotton</td>
<td>Lyocell</td>
<td>Silk</td>
</tr>
<tr>
<td>Acrylic</td>
<td>Viscose</td>
<td>Modal</td>
<td>Cashmere</td>
</tr>
<tr>
<td>Polyamide</td>
<td>Linen</td>
<td>Wool</td>
<td></td>
</tr>
<tr>
<td>&lt;$1.5</td>
<td>$1.5-3.5</td>
<td>$3.5-6</td>
<td>$6+</td>
</tr>
</tbody>
</table>

Sustainable
Sourcing variables that impact garment costs

Fabric consumption by garment type for comparison

Fabric consumption of different garments manufacturing from a garment supplier in Far East for reference & comparison

- **Men**
  - Long sleeve shirt: 1.4m
  - 5 pocket skinny jean: 1m
  - Chino Pant: 1.4m

- **Boys**
  - T-shirt: 0.75m
  - Legging: 0.9m

- **Man**
  - Jogger: 1.2m

- **Ladies**
  - Jumpsuit: 2.2m
  - Bra: 0.1m
  - Jacket: 1.6m
  - Dress: 3m*

*1 Lay efficiency is impacted by pattern matching, directional fabrics etc.,, 85-89% is classed as very efficient.

*2 Dress consumption dependant on styling/skirt circumference
Summary of the key variables that impact garment costs

- Accessories / Trims
- Embroidery
- Garment washing
- Garment Dyeing
- Lead time
- Placement printing
- Packing
- Label
- GSP Benefit
Other variables that impact overall garment costs

- Minimum order quantities

  The buyers can ask the most favorable prices by placing core programs / forward commitments. Minimum order quantities are often laid down to drive improved efficiency and price advantages.

<table>
<thead>
<tr>
<th>Item</th>
<th>500</th>
<th>1000</th>
<th>3000 to 10,000</th>
<th>&gt; 10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piece dyed Viscose Fabric</td>
<td>1.50</td>
<td>1.50</td>
<td>1.20</td>
<td>0.95</td>
</tr>
<tr>
<td>Printed Viscose Fabric</td>
<td>1.99</td>
<td>1.99</td>
<td>1.25</td>
<td>1.10</td>
</tr>
<tr>
<td>Garment (Blouse)</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>8</td>
</tr>
</tbody>
</table>

(Currency: USD)
Other variables that impact overall garment costs

- **Lead Time**

  The buyers can ask the most favorable prices from the factories for those long running core programs with longer lead time which the factories are always willing to offer bigger discount as they want these core programs to keep the consistent normal production in long run instead of too big fluctuation in daily production which would be difficult to keep the stability of the workers.

**Shipment Method Sea / Air Freight Cost**  
*(Currency: USD)*

<table>
<thead>
<tr>
<th>Item</th>
<th>Sea/Hanging</th>
<th>Air/Hanging</th>
<th>Sea/Flat Pack</th>
<th>Air/Flat Pack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dress</td>
<td>0.4</td>
<td>3.2</td>
<td>0.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Bra</td>
<td>N/A</td>
<td>N/A</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>T-shirt</td>
<td>0.2</td>
<td>1.5</td>
<td>0.15</td>
<td>0.9</td>
</tr>
<tr>
<td>Outwear</td>
<td>3.41</td>
<td>13</td>
<td>1.63</td>
<td>6.5</td>
</tr>
</tbody>
</table>

**Note:** costs accurate 20/5/2021 with price fluctuation constant
**Fabric Variables**

Q: What fabric factors impact cost?

- Fibre type
- Material / Dyeing / Finishing / Printing costs
- Fabric Defects
- Fabric Shrinkage / Wastage
- Fabric Width
- Color Shading problems
# Key variables that impact garment costs

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Sustainable
## Discuss fabric variables

### Material / Dyeing / Finishing / Printing costs

<table>
<thead>
<tr>
<th>Yarn Cost</th>
<th>Dyeing Cost</th>
<th>Printing Cost</th>
<th>Special Finishing</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Cost of synthetic (Cheap)</td>
<td>- Piece dyeing (Good)</td>
<td>- Plastisol &amp; pigment (Good)</td>
<td>- Pre-shrunk finishing, silicone (Good)</td>
</tr>
<tr>
<td>- Cost of cotton yarn (Good)</td>
<td>- Yarn dyeing (Better)</td>
<td>- Reactive (Better)</td>
<td>- Enzyme finish (Better)</td>
</tr>
<tr>
<td>- Cost of MMCF (Better)</td>
<td>- Garment dyeing (Better)</td>
<td>- Discharge, Foil, flock (Best)</td>
<td>- Brushing, sueding (Best).</td>
</tr>
</tbody>
</table>
Discuss fabric variables

-- relative to the specific product types

**Fabric Defects**
Fabric defects would be limited to < 20 points / 100 sq yard under 4 points system. Fabric over the above limit might lead to 10 to 20% more fabric being used.

**Fabric Shrinkage**
For denim / woven fabric, shrinkage would be less than 2%;

For knitted fabric, shrinkage would be limited between 3 to 5% depending on the knitting types;

Garment washing e.g., denim jeans, shrinkage higher than 2% might lead to more fabric consumption to cover the extra fabric shrinkage after the denim wash / garment wash.

**Styles of the printing and yarn dyeing**
Matching stripes can increase fabric consumption like 10 – 20%

Similar impact for prints where pattern matching is required.

**Material / Dyeing / Finishing / Printing costs**

motif.org
**Discuss fabric variables**

**Material / Textile Processing wastage**

<table>
<thead>
<tr>
<th>Material / Process</th>
<th>Loss Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Fibre to Yarn</td>
<td>Carded fibre loss 10-18%</td>
</tr>
<tr>
<td></td>
<td>Combed fibre loss 21-30%</td>
</tr>
<tr>
<td></td>
<td>Open end fibre loss 6-15%</td>
</tr>
<tr>
<td>MMCF Fibre to Yarn</td>
<td>Spun fibre loss 2-5%</td>
</tr>
<tr>
<td></td>
<td>Filament fibre loss negligible (if closed loop)</td>
</tr>
<tr>
<td>Synthetic Fibre to Yarn</td>
<td>Spun fibre 2-5% loss</td>
</tr>
<tr>
<td></td>
<td>Filament loss negligible (if closed loop)</td>
</tr>
</tbody>
</table>

| Knitting | SJ & Interlock 12% wastage |
| SJ with elastane 15% wastage |
| Woven – generally 15-20% |

| Yarn to Fabric | Enzyme wash 2% loss |
|                | Peach brushing 18% loss |
|                | Garment wash 8% loss |
|                | Pigment dyeing 25% loss |

#1 Remember fabric efficiency when cutting garments also generates circa 15% loss.
Discuss fabric variables
-- Fabric Width

The cuttable fabric width should affect the fabric yardage for clothing.

Example: for same fabric but with different cuttable width 50” and 60”
Ladies Sizes (10 to 14)

<table>
<thead>
<tr>
<th></th>
<th>Fabric Width 50”</th>
<th>Fabric Width 60”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ladies Jeans</td>
<td>Est. 2.5 yds</td>
<td>Est. 2.25 yds</td>
</tr>
<tr>
<td>Ladies Shirts</td>
<td>Est. 1.5 yds</td>
<td>Est. 1.24 yds</td>
</tr>
<tr>
<td>Ladies Dress</td>
<td>Est. 3.25 yds</td>
<td>Est. 3 yds</td>
</tr>
</tbody>
</table>

*For bigger sizes like Ladies Sizes 16, the fabric consumption can increase 20-30%.*
Important Emerging Trends

Q: Where are the opportunities?
Source McKinsey Fashions new must have: sustainable sourcing at scale
Emerging Trends in the Market

Along with the outbreak of the Covid-19 and the frequent occurrence of the extreme weathers, the below are the main trends emerged in the market.

- Green textiles
- Recycle fabrics
- Hypoallergenic/ Anti-bacterial / anti-microbial treated fabrics
Summary

Your Challenges answered
Your key learning objectives answered

A. Take the myth out of retail pricing
B. Better price related objection handling (being able to counter brands saying your product too expensive)
C. Prepare for more cost-conscious targeting of retail segments
D. Identify areas to improve their offer
A. Take the myth out of retail pricing

Try to concentrate more on the super qualities, excellent hand feel, greener fibres and the environmental protection instead lower retail pricing. It is important that Lyocell fibres should not compete well in low end products and should not try to play in the cheap sector of the market.
B. Better price related objection handling

Try to emphasize the advantages of using Lyocell fabric even a bit expensive but the fibre price would not be a barrier if we use the 60:60:60 rule as shown below.

**Comparison with cotton**

Cotton = $0.85 per lb and viscose $1.24 per lb the difference reduces when you work it through to FOB of the garment. Even if the raw fibre price is 30% more expensive.....

- Fibre to yarn 30 cents x 60% = $0.18
- Yarn to fabric 0.18cents x 60% = $0.11
- Fabric to Garment 0.11 x 60% = $0.07 x consumption

#1 challenge is everybody is adding their margin uplift based on fibre price
B. Better price related objection handling

Forward plan with improved accuracy to increase market share and usage of MMCF. Work with brands to gain transparency of E2E costing on product.
C. Prepare for more cost-conscious targeting of retail segments

Try to explain more the benefits of the Lyocell fabric even though more expensive, it costs the planet less. Target brands with similar values and an older demographic, more disposable income!

Green Textiles
Product Safety
Environmental protection

#1 Most sustainable conventional fibre on the market!
### D. Sustainability FACTS – how to tell the story to retailers

<table>
<thead>
<tr>
<th>FIBRE TYPE % GLOBAL USE</th>
<th>CONSUMPTION FORECAST</th>
<th>LAND REQUIRED HA/PER TONNE</th>
<th>WATER FOOTPRINT PER KG</th>
<th>RISK OF WASTE WATER CONTAMINATION (GREY WATER)</th>
<th>NON RENEWABLE FOSSIL FUEL REQUIREMENT</th>
<th>ENERGY MJ/KG &amp; CO2 EMISSIONS</th>
<th>CHEMICAL USE IN DYEING</th>
<th>BIODEGRADABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COTTON PLANT</td>
<td>GROW</td>
<td>22.7</td>
<td>+++</td>
<td>+++</td>
<td>+</td>
<td>++</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>VISCOSE REGEN</td>
<td>GROW</td>
<td>5.6</td>
<td>++</td>
<td>+++</td>
<td>++</td>
<td>+</td>
<td>+++</td>
<td>++</td>
</tr>
<tr>
<td>MODAL REGEN</td>
<td>GROW</td>
<td>5.6</td>
<td>++</td>
<td>+++</td>
<td>++</td>
<td>+</td>
<td>+++</td>
<td>++</td>
</tr>
<tr>
<td>LYOCELL REGEN</td>
<td>GROW</td>
<td>5.6</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+++</td>
<td>++</td>
</tr>
<tr>
<td>POLYESTER SYNTHETIC</td>
<td>GROW</td>
<td>48.5</td>
<td>N/A</td>
<td>+</td>
<td>+++</td>
<td>+++</td>
<td>++</td>
<td>+++</td>
</tr>
</tbody>
</table>

### Overall Impact Score (Excl Animal Welfare)

<table>
<thead>
<tr>
<th>FIBRE TYPE % GLOBAL USE</th>
<th>OVERALL IMPACT SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COTTON PLANT</td>
<td>17</td>
</tr>
<tr>
<td>VISCOSE REGEN</td>
<td>15</td>
</tr>
<tr>
<td>MODAL REGEN</td>
<td>15</td>
</tr>
<tr>
<td>LYOCELL REGEN</td>
<td>12</td>
</tr>
<tr>
<td>POLYESTER SYNTHETIC</td>
<td>15</td>
</tr>
</tbody>
</table>

Source data – Textile exchange preferred fibres, UN sustainability and circularity in the textile value chain
D. Identify areas to improve their offer

It is proposed for the blending of Lyocell fibre with other cheaper fibres in the market like cotton, nylon, etc in appropriate ratio like 30% cotton in order to keep the good qualities and excellent hand feel of Lyocell but at the same time can dominate the better segment of the market.

**Trend** and **Speed** also key considerations..................

- Green Textiles
- Environmental protection
- Product Safety (hypoallergenic)
- Superior Qualities
- High water absorbency and good dye uptake
- Excellent hand feel
- Super good hand feel can be achieved for the garment made of Lyocell fabric after application of specific washing process in an accredited washing factory without the need of extra chemical treatment
Open Costings

The theory Explained!
Recap Key factors brands consider when costing product

In order to make the garment more competitive in the market, the brands would consider the below key factors when costing products.
Points of difference at a product level

--what can be flexed to hit target cost

Denim Jeans  T shirt  Shirt  Dress  Ladies Bra
Time for Q&A

Panel Moderator
Jackie Lewis
MOTIF

Instructor
Kelly Wong
Sourcing Expert
Your next workshop

Designing to cost in practice

Jackie Lewis

14th/ 21st July 2021