

FabricLink's Technical Center presents

How To Successfully

Develop & Sell Outdoor Apparel

A Supply Chain Perspective

Sun., Jan. 30, 2005 • 7:30 - 9 a.m. • Downtown Marriott - Salon F • OR Winter Market

KATHY SWANTKO (Moderator) – Good morning, I'm Kathy Swantko, president of FabricLink. I want to welcome you to the fourth in a series of Industry Panel Discussions, organized by FabricLink and held at OR. These Panels bring together Industry leaders to talk about the issues and challenges facing manufacturers, suppliers and retailers involved in the performance market. You can download pdf transcripts of our previous Panels from the FabricLink.com and TheTechnicalCenter.com web sites.

For more information on the progress being made on previous Panel action items, please check The Technical Center press releases in your folder. Keep in mind that these panels are for you, and there will be opportunities later in today's program for you to raise questions and offer comments.

Today's panel is sponsored by FabricLink and The Technical Center together with 15 industry businesses. We wish to thank the following companies for their contributions and pro-active support of our industry:

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The title of today's panel is: "How to Develop & Successfully Sell Outdoor Apparel—A Supply Chain Perspective"

Topics we will cover include:

- New Product Development Trends
- Innovation Requires a "Team View" by the supply chain
- Function Versus Fashion
- Retail Education for Sales Associates and Consumers
- How to Get Feedback from end users

I'd like to begin by introducing our panel of experts. You'll also find brief

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bios of everyone in the Media Kit you received.

- Representing the fiber segment is **John Anderson**, VP New Products, Wellman Inc./Holofiber™.
- Representing the supplier segment is **Karen Deniz**, President of the European Division of Optimer Performance Fibers, maker of Dri-release®.
- Representing the fabric segment is **Sion Shaman**, vice-president of design and product development for Shamrod/CastleRock, maker of the Xpert T-shirt.
- Representing the fabric segment is **Pat Nugent**, president/designer, Sarah Truitt Textiles
- Representing the apparel manufacturing segment is **Steve Sullivan**, Founder/Global Brand Director, Cloudveil Mountain Works, Inc.
- Representing the specialty retail segment is **Dave Matz**, president of ROI Buying Group (30 outdoor retailers).

This Panel provides a good opportunity to look at current technologies and trends in performance fabrics. I'd like to begin by giving the panel the opportunity to make a brief statement about the important trends they see in performance fabrics for the outdoor market. Since this the Winter Show, let's look specifically at areas such as base layers, mid to outer layers, shell fabrics, and insulations and linings.

John, would you like to start, and we'll work our way down the table.

JOHN ANDERSON – My colleague, Jim Ciccone, and I were lucky enough to hear a presentation made by Sierra Designs of Canada, at the beginning of December, and they were looking at demographic trends. Their conclusion, which I absolutely agree with, was that with everything that's going on with baby boomers, like myself, on the front end, and the eco-boomers, which are basically 16 to 26 years old, the outdoor business is in a position to have five really good years. What drives this is the baby boomers as they move into retirement age, and/or start tapping into those 401K's, are in a position to spend discretionary money on the outdoors. And, as a group, they are inclined to do that, on such activities as board sports, camping, hiking, adventure vacations, etc.

The other group, which I hadn't heard of before, until I heard their presentation, was the eco-boomer, those between the ages of 16 and 26 or so. On the front end of that process, they're spending their parents money to appreciate the board sports, outdoors, camping, etc. But, as they move into young adulthood, and as they marry later, this group also has discretionary dollars to spend. And, this group is very interested in the outdoors, specifically team racing, and they are driving this extreme sports/adventure racing kind of a thing.

The two groups share some attitudes, and both are very interested in the environmental aspects of what they do. I happen to sit in a job where I get all the inquiries that come to our company. Since we are the largest recycler of plastic bottles on earth, it's amazing how the interest in recycling has mounted up. And, it's really this younger group that is driving it. These are people who have grown up never seeing a bottle thrown out a car window, because their parents are responsible. They're the ones who carry the trash in the recycling bin out to the curb.

This interest in recycling shows up in trends, beginning with the Shell Fabric side. In shell fabrics, it won't surprise anyone that spun wovens with breathable, waterproof finishes are important. But, what's interesting is that for the first time in a long time, there's likely to be a 100% post con-

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sumer recycled version of that particular product, which is now in development on our side.

In Base Layer, there are three things that work as one from a trend standpoint, relating to what consumers want. First, they want product integrity (i.e. "I don't want problems I didn't buy. I don't want pills. I don't want shrinkage. And, I don't want color loss.") We, and our competitors in the synthetic fiber business, have spent an awful lot of time, working to get those issues resolved. People want comfort. These are products that are next to the skin. People also want moisture management. Those two seem to work hand-in-hand. And, in our particular case, with HoloFiber, we've got a product that adds another dimension. It lets you recycle the energy that your body has, in order to play longer and harder on Sunday, and allows you to feel better on Monday.

This whole issue of staying fresh, and having odor control is one that has received a lot of technology, and it's one that we're examining with several other technologies as well. On the Mid-Layer part of this, we've seen a sudden interest in nature, and with that wool becoming a very important fiber. In our company, we're working on products that enhance wool—that will give another dimension of washability, another dimension of price control—and that's both in the sock area, as well as the mid to outer layer.

We'll be bringing a whole new generation post consumer recycled products to the fleece business or to the base layer over the next year, with double-sided fleece fabrics.

I'm glad, Kathy, that you included insulation. That is our business. More than half of what we do goes into a fill of some type. And, there's been a tremendous amount of work put into coming up with products that give a higher level of fill—that give a higher value to the consumer. And, we've got the added dimension of down being in short supply, because of the Avian Flu. Those of you who have down in you lines, know exactly what I'm talking about. And, the industry has put a lot of time and effort into coming up with a down replacement products that give people the insulation of lightweight down, but doesn't have the issues of packing or washing.

KATHY SWANTKO (Moderator) – Thank you, John. Karen?

KAREN DENIZ – I'll be very brief. Optimer is really a virtual textile company.

We don't make anything. We own the patented technology for a specialty yarn technology called Dri-release. I want to take a different approach to talking trends by saying that I really feel that product, Dri-release included, has to become more versatile. Everyone is leading extremely busy lifestyles. Our apparel has to cross that line from function and fashion, without either one of them having to suffer as a result of it. People have very little time to shop anymore. When they do shop, they want to be able to find garments that carry them through their activities of their busy day. So, when they get up in the morning, they can get dressed, instead of having to stress about what they're going to wear. A perfect example----- I'm wearing a jockey thermal right now, which is a traditional base layer. But, I'm using it as a sportswear element---a regular t-shirt. And, I think we have to look at things as being marketable for all markets and still have the performance, because people want performance, and they want their clothes to be able to work for them. But, they don't want to give up style elements, and they don't want to have to buy a unisex product in order to get all of the performance that they're looking for.

KATHY SWANTKO (Moderator) – Thank you, Karen. Sion?

SION SHAMAN – Good morning everybody. This is a great crowd! We are very excited about the opportunities over the next 10 years in performance fabrics. From the advancements in fiber and fabric technology, to the new

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tools in design for manufacturing---all of these things are very positive for the performance industry. There are also some new technologies being adapted by the retailers in order to improve merchandising, which is ultimately going to improve the shopping experience of the consumers.

We believe that in the next 10 years, there are going to be great opportunities for people involved in performance, and it's not just going to be the performance area. The performance market has started in the outdoor market---in extreme sports, is now crossing over into new markets---to missy and junior markets, and to the hip-hop market.

The market today is very fragmented. Even in performance. People, who are hiking in the outdoors or taking part in outdoor activities, have different needs. And, we need to design products for these groups that ultimately fit their activity needs.

So, what's important? The key to our success over the next 10 years is: #1. How do we educate ourselves?; #2 How do we educate the consumer?; and #3. How do we attract talented new people to this industry?. Because, in the next 10 years, our industry is going to affect many other markets. We'll be talking more about how function and fashion needs to be balanced. And, we will need to be able to communicate to the consumer more effectively and efficiently about the various aspects of function, and what we call the Smart Fabrics.

KATHY SWANTKO (Moderator) – Thanks, Sion. Pat?

PAT NUGENT – Good morning everyone. I think that the consumer is driving the trends. And, I think that it can be very succinctly stated in that the consumer is looking for convenience and comfort. This is at all levels of performance, and in all age groups. It doesn't matter how old or how young, we all think we are fit and in great shape, whether we are or not is another question. But, we want clothing that makes us feel that way. We also are looking, I think, for authenticity. I think the consumer is ready for us to be honest about the performance of our textiles, and our clothing. They want to know what it does, without overstating it, because they don't want to be disappointed. And, I think one of the biggest risks that brands have in overstating performance, or overstating their authenticity, is a lack of return of that consumer. And, the last trend that I see that's critical, which Karen and everyone else has touched on, is that functional/technical clothing needs to become lifestyle sportswear. I don't mean to say that brands need to have separate functional clothing and sportswear lines. It needs to be one in the same, and seamless for the consumer to wear from morning into evening. And, I think that those three concepts, convenience, comfort, and lifestyle sportswear, can guide business and guide sales. And certainly from my side on design, these are the things that we think about.

KATHY SWANTKO (Moderator) – Thank you, Pat. Now that we've heard from the design side, I'd like to get some reaction and feedback from the manufacturers and the retailers. Steve, I know that you've had extensive experience within the soft shell area. And maybe, for the benefit of those who are still confused by that term—and I know there are still people out there who are confused by the term—could you start by straightening us out a little bit on soft shell, and then talk about the trends as well?

STEVE SULLIVAN – I don't know if I can straighten you out on soft shell. But, I'd like to hire Karen and Pat immediately, because I echo a lot of what they said! We really see that there's a trend happening, echoing exactly what Pat said, about versatility and about lifestyle becoming a more important element. Your garment has to be able to move from going skiing, to be able to wear around the base camp area, to be able to wear out to dinner. And, people are expecting performance fabrics to become part of a more fashionable approach to design. I don't see soft shell as a category that you can define anymore.

There are so many things that people are calling soft shell now that it's really more of just a style. It's just what water-proof/breathable is. We see a lot of trends, but mainly we see a blur between the lines of fashion and function. And, we see a lot of hybrid combinations becoming interesting, whether that's by construction or by combining fabrics. People want to be warm, but they also want to be comfortable and have that breathability. So, you'll see a lot more soft shells, and just that kind of style. I think that we'll be seeing something that combines a lot of different fabrics, and something that becomes a lot of different things.

We introduced a garment last year that was a Schoeller and Primaloft combination. And, it turned out to be one of our best selling garments, because it had both warmth and breathability. We thought it was a little bit 'out there', and didn't know how well it would do. But, people are starting to adopt their soft shell as to how they live their life, because it is a more comfortable garment. These are really the things I see. I really echo a lot of what Pat said.

KATHY SWANTKO (Moderator) – Okay. How about the retail side?

DAVE MATZ – Steve and I were talking this morning, before the Panel started. And, one of the things that we were talking about was how retailers are looking for that "next big thing". And, they are also worried about taking a risk on the "next big thing". I think that it's interesting that Steve said that soft shell has become a style. That's a very interesting comment, because I think it is true. There are so many different facets of a fabric. In particular, soft shell, which is available in all different weights, like Gore. So, I think that retailers are always looking for the "next big thing". We need those "cash cows" in our stores. We particularly need to be specialty. We need to offer the next cutting edge thing. And, all of the things that have been mentioned---lifestyle, warm, light, packable, multi-function. It's a very big challenge for a manufacturer of garments or fabrics to come up with something that's going to be everything.

STEVE SULLIVAN – It's actually a nightmare!! (Laughter)

PAT NUGENT – I think the place I look for the "next big thing", and have for years is the automobile industry. And, right now the automobile industry is using a fabric called Luminex, which is actually a light-giving fabric. It's not a reflective fabric that requires light to shine on it in order to be seen; but rather, a fabric that uses fiber optics, which actually provides light. Nike is looking at it for the under side of visors for their hats or caps. The automobile people are using it, for example, on the panel at the edge of the door for safety when you open the car door. So, if you've got your car door open to change a tire, or whatever, you'll be very visible to on-coming traffic. Also, Audi is starting to use it in the trunk. So, when you flip the trunk up, The Audi safety triangles in the trunk will be constantly lit through the use of the Luminex fabric. This fabric is from Rotofil in Switzerland. And, they've actually been selling it to the Milan Opera, Cirque du Solis, for use in Hollywood films, etc. There is actually a new movie coming out in a few weeks, using Luminex for costumes.

This is where the latest trends start. And, I think, right now this fabric is not affordable for us in this room. But, I think there will be a way for that to be developed that it will eventually become affordable. So, I would say, light-giving fabrics might be our "next big thing". And, how we incorporate that into our products, and how the retailers present it etc., might be an interesting new development.

JOHN ANDERSON – Just bridging off of what you said, Pat, the automotive industry is driving things on the recycling side. It's where we got our latest breakthrough of being able to make 100% post consumer filament. It's because of the developments in the automobile industry that the Ford Motor Company has said that by 2007, they want all of the interiors in their cars to be made with recycled materials, period. They think that is what their consumers want.

DAVE MATZ – I think we're also seeing a lot of military impact on design. I was at a real interesting conference where a guy was talking about how the military wants a base layer that will be able to detect when there's been a penetration of the garment, and whether there needs to be first aid. So, I think the military still drives a lot of innovation and trends within our industry.

KATHY SWANTKO (Moderator) – While we're talking about innovation, just to bring something up from our past Panels, it was mentioned that there's been a disconnect along the supply chain regarding how to meet the consumers' needs. The primary problem appears to be getting this information back up the supply chain, from the manufacturer and the retailer to the supplier side. So, let me direct this question first to Steve and Dave. From your perspective, does enough discussion go on between manufacturers and retailers about ideas for new product developments, or about how existing products are working? And, how much of that information is filtered back up the supply chain to the supplier side?

STEVE SULLIVAN – I think there's always been a great dialog between our retailers and a company like mine. But, it's kind of a day late and a dollar short. The retailers, like those that Dave works for, are doing a lot of things to try to alleviate that problem. But, it's usually about a year after a trend has emerged that we really start hearing a lot of feedback.

On the supply chain side—And, I don't know how many of you are aware of how long it takes to get a garment from beginning to end. But, it's essentially about 18 months. That's how long it takes for us to work on any kind of advanced development garment. That's any garment that's going to have any kind of innovation. And, it likely takes 18 months to get a garment to market, because of the length of the supply chain, and the length of lead times for fabrics. And by that time, we as manufacturers are on to the next 18 months, and the retailers are just beginning to comment on something that they are just seeing for the first time. So, we are at work trying to make strides to change this by having retailer summits, and bringing our reps in a lot earlier for previewing the lines, before there are actual prototypes, to discuss with them where they see emerging trends. But, Dave may be able to comment on this as well.

DAVE MATZ – One of the comments I heard recently, it's kind of like editors and writers-----buyers are not good writers. We need the manufacturer to be the writer, and we'll be the editor. We'll give you our opinion, and tell you what we like and don't like. But, in terms of coming up with something new, we need to depend on you guys for that. Our group is working to coordinate with our vendors earlier and earlier. We're going to be looking at spring 2006 this week. And, we want to be able to give our feedback early enough to have changes made in that 18 month cycle.

I know there are some manufacturers that have, or there are indeed folks not only looking 18 months down the road, but are also looking 5, 6, 10 years down the road. These people are trying to figure out how to come out with some of the new welded technology that some of the vendors are using at this time. That's been in the works for a really long time. And, they're using retailers like Adventure 16 to help in this process. (John Meade from Adventure 16 is here this morning.) And, I know that Adventure 16 is pretty involved with many manufacturers in having his buyers come out and answer the questions: "What do you like? What don't you like? And, how would you change it?"

PAT NUGENT – You know, the challenge for that is that our job is to be very visionary. And, this is a fine line for designers and companies to walk. There are countless examples that I can recall of designers leading with their thinking and their performance. But, the challenge is to educate the reps and the retailers, so that they also have the vision. Part of the design process has to be education of the people who are going to see the designs. Otherwise, we work on something 18 months out, you see it for the first time, and it's kind of weird, and so you don't adopt it. So, all of this does take time. And, I think one of the challenges for us is to educate why the product is coming and what the trends are, etc.

DAVE MATZ – Soft shell is a good example of this. Steve can speak to how difficult that has been to pioneer, particularly in the Southeast. It's a "no brainer" in the Rockies. But, we're still struggling to get our own customers to understand why a soft shell is a great product for the Southeast.

STEVE SULLIVAN – And, I'd say the hardest thing is to relay the understanding. ----And, I don't know how many of you have looked at prototypes-----but, I can't get the president of our company, Brian Cousins, who is a very bright guy and my original business partner, to look at a prototype and see the vision for the end product. It's just not part of his make-up. And, it is very challenging. We've brought retailer in to show them prototypes before, and their eyes gloss over. And, then there are certain people that totally get it. But, you either get it, or you don't. You can either see where the product is going to go, or you can't. And, that's incredibly challenging, because that's really what you're looking at, if you're looking that far out on things. The soft shell thing-----again, I'm just seeing it as a style. And, Dave is right, I think the Southeast is the last to drop on any style, because it's a very brand conscious territory. But, it's a very challenging supply chain when it comes to making clothes.

KATHY SWANTKO (Moderator) – Any comments on this side of the table?

KAREN DENIZ – I know manufacturers that manufacturers give out your product. You wear-test them. But, when you show a prototype--and it's like you said, sometimes their eyes gloss over, and they don't have the vision. But, if you put it on their back, and they wear it, doesn't that help them to appreciate it more and understand it more? I know with us at Optimer, we must give away 5, 6, 7 thousand t-shirts every year.

STEVE SULLIVAN – You've got more money than I have!! (Laughter)

KAREN DENIZ – Oh, I can assure you, that's not the case! It's because we really think that wearing is believing. Once you get it on somebody's back, it really resolves all the doubt, or any of the questions, because they think, "Wow! This stuff really does work!"

STEVE SULLIVAN – You know, you're right! And, now that we've gotten further along in our process, when we do a new prototype, what we do is actually test the fabric first. That's usually the first thing. And, so we'll just build that fabric into existing garments. We'll take our Serendipity Jacket, or whatever, or we'll use whatever garment is the most appropriate to test that fabric. We do a ton of fabric testing. I just ordered up, I don't know how many bolts of fabric yesterday for testing. But, that's hard for a manufacturer to do on a broad level with a new style. More so, it's about style. After you've got the fabric figured out, then it's the style and whether the retailer is going to adopt the style. And, that's the hard part.

SION SHAMAN – I think we're forgetting something here, which is very important. And that is the consumer. We talk about the supply chain, but not the consumer. The problem that I really believe exists today in the supply chain is the fact that we are not leveraging the information that is available to us from the consumer.

One of the things that I look at when I sit down to design is to look at the information that the retailer gives us, as to how a consumer has reacted to a new product. And, that is so important. Like you said, we could spend 17 or 18 months making a prototype. You go through your testing, and the designer may not like it at your level. So, you go back to the drawing board again, and try to design again. But, if we were exposed to this information that you retailers have about the consumer's likes, and what they want, this initial information makes it a lot easier for us. Then, on the fiber aspect, because that's on the other end of the spectrum, it will make it easier for them to also look at what is available technologically, and try to incorporate that into a new product.

JOHN ANDERSON – When you're innovating at the fiber level, if you can picture how far back we are, and this is probably a good example of the chain. We've discovered in our company that years ago you could show a great fabric, or you could make a great yarn, and people would pick up on that. But, those days are gone. Today, if we're going to bring a new concept to the marketplace, we need to show garments---well styled garments. And, we've actually found that, while there are some of our partners who work very quickly, others don't work as fast. To solve this problem, we've been known, in some cases, for putting a bale of fiber on a plane to India, where we have a technology partner, who brings back 60 days later, a line of garments that have been wear-tested and tested in a lab. So, we've got performance data on them. And, that's huge!!

The other secret that we've discovered is feet. When you have a new fiber innovation, and you want to bring a new fiber innovation to market, and you want feedback quickly, by putting it on wear-testers in socks is a great way to get feedback. This works great, even if socks is not the intended application. Did it perform the way you hoped it would? This is just a little trade secret that we've found to be very effective.

KAREN DENIZ – We do that also. We actually go to local events and marathons, and we'll give one sock of a competitive product, and one Dri-release sock. And, we'll ask the runners to wear the right and the left. At the end of the race, we'll ask them to come back and give us their feedback as to which one was more comfortable.

KATHY SWANTKO (Moderator) – Okay, well, let's talk a little bit more about networking and brainstorming, because I think that disconnect between all levels of the supply chain is causing a problem. At our last Panel, Terri Perlman with REI, who also

sits on the Board of Directors for OIA, the Outdoor Industry Association, pointed out that OIA's annual Rendezvous has the purpose to give the supply chain an opportunity to get together, network, and coordinate discussions. Now, I know for a fact that Dave is the only one on this Panel that has gone to the Rendezvous. And, although it hasn't been heavily attended by suppliers in the past, this may be an opportunity to get that input throughout the supply chain. And, I'd like Dave to comment about the Rendezvous, and the networking that goes on there.

DAVE MATZ – I think the Rendezvous offers a really unique opportunity for the whole industry. It's a time when we can get together and not have sales pressure, or deadlines, or running to appointments. You just have time to sit down and say, "Well, what do you think? Let's talk about the disconnect we're having between manufacturers and down to the retail level." And, I do think that it is a cooperative effort. We need you to lead and develop new fibers and fabrics. And, we need to give our feedback about what we're seeing on the sales floor, and how those fibers and fabrics can address the issues that we're seeing. But, it is absolutely collaborative. And, the Rendezvous offers such a great opportunity for those discussions to happen.

The Rendezvous is held over several days. There are not only seminars, but there are times when you can just sit down and have a meal and talk with a panel like this. Honestly, we've had a hard time getting retailers to attend the Rendezvous, but we're working hard at solving that as well. And, I think Frank Hugelmeyer, executive director of OIA, would like to see more suppliers at the Rendezvous. The dates are October 6 - 9 this year, and it's going to be in Colorado. Actually, it's been bandied about, but it's going to be moving to the Southeast in years to come.

STEVE SULLIVAN – But, at the same time, I'd echo what Sion said earlier, the consumer is probably one of the key missing elements in this business. I'd love to see consumer groups at the Rendezvous--bringing in consumer focus groups, because a really close friend of mine in Jackson is Tim Polk, the guy who started Ride Snowboards. And, as much as he rode the wave of snowboarding when it was really hot, that company succeeded for one reason, and that was because he literally spent about 90% of his time, during the years that the company was around, talking to 12 to 17 year old kids. He did focus groups. He went to soccer games, and would sit on the sidelines, and talk to them after games. He literally spent hundreds and hundreds of hours trying to get into their mind-set of these kids. And, obviously in that industry that was incredibly important, as it is in ours for the future.

DAVE MATZ – We've had some great speakers. If you'd come, you'd know. (Laughter)

KATHY SWANTKO (Moderator) – Well, let's switch gears here for a little bit, and talk about niche markets. Again at our last Panel, there was discussion about the opportunities available in niche markets for performance fabrics. In some end-uses, basic cotton is being replaced by microfiber fabric, and other performance fabrics. For example, Optimer's Dri-release micro-blend performance fabric is now being used by WildBleu in sleepwear for women. And, this is creating a lot of excitement in the women's sleepwear market. Also, Shamrod/CastleRock is using performance fabric in its new Expert t-shirt line. Karen and Sion, would you give us a comment on how these ideas came up, and also how things are progressing in these two areas. Do you want to start, Karen?

KAREN DENIZ – Sure. We're very excited about WildBleu, because it's taking Dri-release into a whole other market, and a whole other end-use category. And, it goes back to that whole idea of versatility, and being able to take products to cross over into all different lifestyles, and all different needs. Helen rocky, who was at Brooks, and really was one of Optimer's very first customers, was sold on Dri-release, and thought it was a great performance product. Doing the same things that we did, She gave t-shirts out to women runners, and started getting letters and calls from women, who were of that "certain age", as we like to say. These women said that they were wearing their Dri-release shirts to sleep in. They said that it was the first time that they were able to sleep through the night, and not have to get up during the night to change clothes, because they had night sweats, and their pajamas or night gown was wet, which made them feel clammy and cold. So, Helen developed this whole marketing plan on taking Dri-release and moving it into sleepwear, primarily geared originally toward menopausal women. However, there are many other medical uses. People who are going through chemotherapy have night sweats and hot flashes. Other auto-immune diseases also suffer from the same thing. But, it's also just the fact of being able to sleep comfortably, sleep through the night, and feeling much better the next day.

So, Helen has taken this and developed an entire range, and the product is now moving into bedding as well. So, there will be pillow cases, bed sheets, etc. We've taken bed sheets, and are now doing a test in nursing facilities in Wilmington. The major problem in nursing homes is pressure ulcers or bed sores. And, we provided one floor of this nursing home with Dri-release knit bed sheets. And, the first feedback that we've received is first of all, the patients love them, because they're blue. They're sick of having to lie on white sheets all the time. (Laughter) But also, they're much more comfortable. It's actually cut their energy bill in half, because it dries so quickly that they can basically take the sheets out of the washing machine, and they're dry. And, when you're thinking about a hospital or a nursing home, where they are constantly changing beds, this is very important. We've actually got enough data now to make the claim that the Dri-release sheets do cut down on the number of pressure ulcers or bed sores. So, this is a whole other market.

Regarding the Wildbleu clothing line, it's not just an oversized t-shirt, it's got styling. It's prints, and it's all coordinated. So, you can take the top of the pajama and wear it as a t-shirt. You can take the sleeveless tank night gown and wear it as a

beach cover-up. It's very multi-functional, and it's wonderful! I sleep in it every night.

KATHY SWANTKO (Moderator) – Okay. Sion?

SION SHAMAN – Expert stands for "extra performance t-shirt". And, we started working on this about 10 years ago. I am a student of history. I love history. And, when you think about t-shirts-----everybody owns t-shirts and jeans. I think it's the most important piece of clothing that everybody has. Every year, there are over 2 billion t-shirts made. That's a huge number! And, if you go back in the history of t-shirts, they started as an undergarment. Then Hollywood picked up on it. John Wayne wore it, and James Dean used it as a "rebellious youth" type symbol. Then, the 60s came in, and it was tie-dyed. Then, in the 80s, the sports world and the music world picked up on it, using it as a walking billboard. So, with the evolution of t-shirts, the next step is performance t-shirts. And, that's how we came up with the idea about 7 or 8 years ago.

We worked with a fiber producer and a spinning mill to create a product that felt like cotton, or felt natural, but had performance qualities. It had some features like moisture management and anti-microbial. And, now the product has gone to a different level now, where we offer heather colors. And, I think that's the area that we are so excited about, because of this fashion aspect that is lacking in the performance market. We need to bring into the performance market and create a balance. And, I think balance is the key word. We need to create a balance between function and fashion. You can be too fashionable, as if you're going to a disco or a night club. Or, you can be too functional, and not be comfortable enough. That's the whole point.

KATHY SWANTKO (Moderator) – Are there any other niche markets that you panelists can think of that would be something that would be open to a performance fabric?

JOHN ANDERSON – Kathy, I can mention one. Sometimes you get pure serendipity when you get involved with people in wear trials. You learn things about your product that you didn't think of. My favorite story is one that involves HoloFiber®, which we discovered when we were working on a product for climbers. We discovered the equestrian market for HoloFiber, which is one market that we never thought about. Now, the equestrian market has become one of our biggest markets.

We do a lot of business in horse blankets. People have said to us, "I raise Clydesdale horses. I would take the horses out and exercise them., and they're legs swell. Now I put these HoloFiber wraps on them, and my horses legs don't swell anymore. I don't know how you do it, but it works!"

KATHY SWANTKO (Moderator) – So, these are the kind of ideas that we're hoping that we can come to some sort of conclusion on, as far as how we can network and get these ideas passed along the supply chain. But, let's go on, and touch briefly on fashion versus function. At our last Panel, Dawson Wheeler of Rock Creek Outfitters, brought up the issue of fashion versus function. As a retailer, he stressed the importance of fashion in a garment, and pointed out that, in particular, the 18 to 28 year olds won't buy, unless a garment looks good. However, once they buy it, they become educated, and discover the function in the garment. What changes do you anticipate will be needed as the market becomes more fashion driven, and what impact will this have on the supply chain as a whole? Any comments from anyone?

PAT NUGENT – I'll take that one. I think that fashion will drive function. And, an example of that is where technical and functional fibers are finding their way into the fashion market. The high-end fashion brands that are sold at the high-end retailers and their own store fronts (i.e. Donna Karen, Prada, etc.) are eating up technical fabrics right now, because their consumers are active people, who want comfort and safety, etc.

The other thing that I think is driving fashion is the activity level of the consumer at all ages. Whether you're 16 or 60, you're active, you're fit, particularly in this industry. And, you want clothing that stretches. The word "stretch" hasn't crossed anybody's lips this morning, because we've come to expect it in our clothing. If it isn't there, we don't like it. And, one of the next big trends is that all of the soft shell fabrics that aren't stretchable right now, need to become stretchable. Obviously, there are already stretchable soft shell fabrics out there. So, I think the fact that people are fit, and they're trying to live longer, healthier lives is a lifestyle statement, and that is driving fashion.

You guys are starting to wear flat-front trousers again. (You've always worn jeans, which are flat-front pants.) In womenswear, certainly what we're seeing in women's fashion right now---you can't wear some of those styles without the use of stretch and functional fabrics. So, I think technology and lifestyle choices are driving fashion, and not the other way around.

KATHY SWANTKO (Moderator) – From the retail standpoint, I'd like to get some input.

DAVE MATZ – I'd like to say, I'll take the counter-point of that. I think that the entry of all the fashion houses, whether it's Polo or Prada, and getting into sort of an outdoor lifestyle, that fashion is really driving the function. What Dawson said was that these young kids don't want to wear it, if it doesn't look good. It's got to look cool! I think that Cloudveil does a great job of really having a clean, sophisticated look. Arcteryx is another great example of a very fashionable line that has an astounding function element to it. And, I think that's part of what attracts the fashion houses is that they can make something that is so beautiful, and yet it has such great function too.

KATHY SWANTKO (Moderator) – Do you think that there will ever be an interest in more coordinated separates in the performance market at retail?

DAVE MATZ – Coordinated separates. ?

KATHY SWANTKO (Moderator) – That's an old fashion term. (Laughter) Sorry about that. (Laughter)

STEVE SULLIVAN – Coordinated separates are where top and bottoms match. (Laughter)

DAVE MATZ – Yes, yes, I know. (Laughter) I think it is something that we think about at outdoor shops---how things are going to go together. (Laughter) But, when I think of coordinated separates in outerwear, usually what I think of is ski. Your top and bottom are going to match, so that you look good on the slope.

KATHY SWANTKO (Moderator) – Do you think that kind of concept would ever work with the younger people?

STEVE SULLIVAN – I'll throw down a scenario that that topic is never going to come up at an ROI meeting. (Laughter)

DAVE MATZ – Yeah.----Rob, don't you want it to merchandise well in the store? (Question is directed to Rob, a business associate, sitting in the audience.)

(Rob in audience) - I'm sure that my buyers pay a lot of attention to coordinating merchandise on the selling floor, because our customers do.

DAVE MATZ – Sure. But, then you look at how the floor looks. We just had a presentation by Kathy Weiss, who is the merchandiser for Patagonia. She's talking about in the winter having ten to one, tops to bottoms. Bottoms in an outdoor store are usually black.

KAREN DENIZ – And, in all honesty, my feeling in fashion right now, is that coordination is not really what's happening. People like the idea of mixing and matching, and not having everything as a "look". If it's color, if it's a brand, no one is going to wear head-to-toe Prada. They'll throw in a Gap t-shirt. And, I really don't think that coordination is important.

STEVE SULLIVAN – When I think of coordinated separates, I think of a generation that is significantly older than I am. (Laughter)

PAT NUGENT – I think that the term "coordinated separates" have given way to the word "sportswear". And, it's coordinating for your lifestyle. It's coordinating the top you love to wear with the pants that fit well---probably black. So, we wouldn't necessarily call it that. But, merchandisers on the selling floor had better think about it, because when the consumer comes in, or in a direct mail situation, or on the web, they don't have time to shop around to figure out what goes with what. You need to do that for them, even if it looks mismatched, because that's the trend.

STEVE SULLIVAN – I think that one of the most interesting things that the fashion market brings to our market that could be learned by the retail environment in the outdoors is: Although the technical aspect of a fashion garment may be important, it's not the main thing. The main thing is styling. When was the last time we found out what technical fabric was used in a DKNY shirt, or a pair of pants. Now in our market, when we're talking about soft shell, there are 50 different varieties available. You can get waterproof soft shell. You can get windproof soft shell. You can get just pure stretch woven soft shell. You can get knit soft shell. Everybody is calling everything soft shell, and becomes too confusing. So, I think just "common talk" is really important. I think that outdoor retailers have missed it that fashion drives sales. Color and fashion drives sales. And, I don't give a rat's whatever what anybody tells you, color, fashion, and design drives sales!

SION SHAMAN – What we see out there is we hear a lot about moisture management. And, this is the first time that consumers are beginning to understand it. I think the success of this industry really depends on how fashionable you can make a functional product. And, that's the whole story, because when all of us go shopping, we like to look good in what we buy. And, the function is really the icing on the cake. It's true, the lifestyle and health and wellness today is all part of lifestyle. People do care for their health. So, it creates new opportunities in performance fabrics. But, at the end of the day, it's really the colors, the fit of the product, and how comfortable they are in it that is important. And, the extra benefits of performance fabrics, like warmth, etc., comes after that.

Here is a good example about coordination. There is a company that is growing, and they sell socks. And, it's called the Little Mismatch. And, what they sell is mismatched socks. And, they are doing great. So, what is a trend in fashion today? A lot of people claim that there is no trend. But, what is going on, and what, I think, is going to make our product consumer-friendly is what's important. That means we need to educate the consumer, and make them feel good about it. So, you have to feel good and look good. But first, you have to look good; and then you can tell the consumers that here is a product that not only makes you look good, it makes you feel good too.

KATHY SWANTKO (Moderator) – Let's move into education. We all agree that education at retail is important. Previous panels have indicated that the manufacturer has the primary responsibility to provide retailers with tools to educate consumers, and to help sell products. What are examples of effective, practical educational programs at retail? What is being done that's right, and that others should know about? And, I believe that, Dave, you have some comments on this?

DAVE MATZ – Yeah. Nothing replaces a good rep. Unfortunately, I think that good reps are hard to find. Reps, these days, are asked for so much that they are running day to night to just get around their territory. And, spending quality time in those territories is very difficult. There are big territories, and there are a lot of retailers, and just getting in the doors is tough---

saying, "I need to see your staff at 8:00AM in the morning" is a big challenge for any rep to be able to get that kind of attention from a retailer. But, I think the rep is number one. There's no replacing a good rep!

There is a new take on education out there. Paul Kirwin Communications has started a new thing that is an on-line training system. It's on display at Cascade Design. You should go by and see it. It's called 3 point 5. And basically, it gives the retail staff the opportunity to watch an info-mercial on-line, and then take a test to see how much they retain. And, as they pass the test, they gain a better discount on their goods. Paul says that he's seen some really good results. But,, I think that this kind of innovation is something that we should all be looking at. Like I said, the reps are running day into night, and they don't always have as much time as they'd like to give to the retailers. So, I think the retailers need to have additional tools at their disposal, whether it's a web site where their floor staff can get educated, or whether it's having an event with some product line managers come into the stores and talk about what's new and what's happening. I think that one of the difficulties with manufacturers, when you get up to the fabric level, is that there are some great fabrics out there, and the soft shell is a great example. But, we need to relay the fabric education.

STEVE SULLIVAN – Consumers don't get it, because there is not a consistent message. I think that the way Gore has marketed itself is great, even though they have a variety of products. They use the phrase, "Guaranteed to keep you dry!" And, I'm sure that every retailer in this room has had the experience of a consumer walking into their store, and the customer says, "I want a Gore-tex jacket." They have no idea what that means----none! All it means to them is that they want to stay dry! They don't care about breathability. They don't care what it looks like. They just want to stay dry. And, they know that Gore-tex is guaranteed to keep you dry. So, I think that just a real consistent marketing message is very important. I think also that every manufacturer that works with Gore will tell you that they are a pain in the ass!! They are a pain, because they are very focused on making sure that you follow through on what they are promising. They want it to be "Guaranteed to keep you dry!" And, when they give you that stamp of approval, and give you that hangtag to put on that garment, it's worth it, because they may have pushed you to make a better garment, and it's going to hold up to their standards.

PAT NUGENT – I think that the message that I hear you saying is that Gore has been successful, because they have kept their message simple.

STEVE SULLIVAN – And, consistent.

PAT NUGENT – And, they've also had the opportunity to market a product 12 months out of a year. One of the challenges in the winter outdoor industry is you only get at those consumers a very short amount of time, once a year. You don't have product coming out on a monthly basis, like the sportswear people do. So, keeping it simple is difficult. There are so many great technical messages that we all know about, but they are so complicated. The consumer doesn't have time to digest all of that, and become intimate with all that knowledge. They just need those short facts----what it's going to do for them!!

DAVE MATZ – I think they've also had the benefit of time. Gore-tex has been around for a very long time. And, they've just been at it with the same consistent message.

KATHY SWANTKO (Moderator) – Karen, I know that you've worked a lot with retailers on education.

KAREN DENIZ – Our biggest problem, really is that retailers want point-of-purchase materials, but then they won't use them. They say they have display managers who feel that these materials don't fit with the overall look of the store. And yet, we'll say to them, "Well, tell us what you want, or tell us what you need." And, that's where a lot of it falls short. We've gone to retailers, and we're a small group, so we're all kind of multi-tasking like everybody else. But, whenever we have an opportunity, and know that a retailer is starting to promote a Dri-release product, we'll go and visit them. We'll talk to their sales people on the floor. We'll give them product to wear, and let them know what it's all about. I had one experience at a store, which by the time I left the store, they had sold 24 Dri-release t-shirts. The sales associates were so excited about it, because they understood it. And, you could hear them all through the store saying, "Oh, don't buy that t-shirt, come and look at this one!" But, it's a tough battle with the retailer, separating the merchandise, identifying it, and not just mixing it in with everything else.

JOHN ANDERSON – We found that on highly technical products that a catalog or on-line is probably one of the best ways to get people to stand still long enough for that message, even if they don't buy at the time. Then, they may even go and buy it at retail. Right behind that is a hangtag or something on the garment that is simple, but tells the story. And, we've kind of bridged off of that on technical products-----we actually do sales training with manufacturers reps. Even though they are 4 or 5 steps down the chain from us, they need to understand product in order to sell it.

DAVE MATZ – We need as many tools as we can get. The retailers, particularly the independents are doing everything from bookkeeping to ordering to merchandising. And, merchandising sometimes falls short for sure. There's always so much going on. So, any kind of tool that you can give us is helpful. Whether it's a diagram, or a little display that can be set up with just a few easy props that doesn't cost any money, all the way through to a nationwide advertising campaign in regional newspaper, it's all important to us. We're interested in all of these things, and we want to have as much support as we can get.

KAREN DENIZ – I also think that what Pat mentioned, "keeping it simple" is very important. And, I would just like to ask a retailer

about hangtags. We have seen it in product that is sent to us, there is more weight in all the hangtags than there is in the garment itself. I mean, it's like you've got a whole library hanging off the sleeve of a t-shirt. And, how effective is that? Do people really look at all those hangtags? Or, do they just cut them all off?

SION SHAMAN – Research shows that the consumer doesn't really study the hangtags. They just look at the message, if there is a message. But, I really think that the biggest problem we have, and this is a question that I'm always being asked when I meet a retailer or a manufacturer. They ask me "What is next? What is the next big thing?" And, truthfully, you just don't go out and pull some product out of nowhere, and say this is the next thing. The next thing is always an extension of an evolution that is taking place. And, the information truly lies with the retailer. The retailers are sitting with a lot of good information from consumers. Ultimately, the consumer decides whether we are successful or not. And, it's because of their response to a particular garment, that a fabric is also successful. Soft shell was mentioned earlier. Soft shell has been a great product. It's comfortable. It's fashionable, and it performs. The unfortunate thing is that there is not enough information that we can get from the retailer or the manufacturer, that we can go and design the next best thing to follow soft shell. What is it that they want? There are soft shells that are heavier, or lighter. There are soft shells that are water repellent. There are soft shells that are just for thermo-regulation.

DAVE MATZ – That's where I would go back to my earlier editor/writer analogy. We would love to give you some feedback, so come into our stores, and we'll make some time to look at what you've got going. But, we're definitely depending on you to come up with the next best thing, because that's not what we do.

KAREN DENIZ – We hear a lot on our end of the business that "I'll know it when I see it." But, could you give us a little hint here? We're trying, but I think there needs to be a little more direction here also.

KATHY SWANTKO (Moderator) – Let's talk a little bit more about getting input and feedback. It's important to get feedback from the end-users during the product development process, as well as to learn how existing products are performing. For a performance product to be successful, consumers have to be able to understand it, like it, and be able to pull out their hard-earned money to buy it. So, Steve and Dave, you may have some input on this. What specifically are you doing to get feedback from consumers? And, how have you tried to involve the end-user in the product development process, and how successful has it been?

STEVE SULLIVAN – I could probably speak to that a little bit. We're a little bit unique in the fact that we've actually sold direct, as well as sold to retail, since the day we started. And so, the one real benefit of that is that we've been able to garner a lot of information via direct sales through our mailing lists, or special web surveys. Actually, it's stuff I should probably share with you, at some point. But, it's really interesting to find out, especially what the most popular activities are for consumers. And, that's how we direct a lot of our design energy. As you might notice if you've looked at our line, we started a ski line last year that was pretty snow-sport specific----ski and snowboard. That line has been tremendously successful. And, we did that purely off of feedback that we got from consumers. We found that 67% of all of our Cloudveil customers ski or snowboard. So, I think it drives a lot of information. But, it's really hard to get information back from retailers, except kind of the "passing of the buck" from our reps. And, that's a very challenging thing, because we have what I like to call "the last store I walked out of" call, which happens virtually every day in our office. Trying to disseminate that information from our reps is difficult, because they'll come out of a store saying, "Oh, we have to do this!" And, we're like---well, if we had to do every single thing we hear, we'd have about 7,000 products in our line. So, we do have a tough time getting feedback from retailers, and we're trying to address that. But, it is very challenging!

DAVE MATZ – I think there's no getting around it. You've got to go out on the road. Mountain Hardwear and Marmot have done an early line show in Atlanta over the last couple of years, where they just set up in Atlanta, and show the line for two to three days. And, they'll have 30 or 40 retailers come in to those line shows over those days. And, they'll just give a group line show. I think that those are great opportunities to get that kind of feedback. I do still think that reps are important, even though they do suffer from that "last shop I was in" mentality. So, I think that gathering that kind of information from your reps is still key. But, getting your product people out there, and traveling is also important. Again, when I was a rep, I would have to shepherd around a few product managers to different shops in my territory. And, they get a little taste of what it's like to be on the road. It's hard work.

KATHY SWANTKO (Moderator) – Steve, following up on this, I want to ask you this question, because you had touched on a little bit about testing a product. Our last Panel had stressed the importance of doing a legitimate level of testing to make sure that a product is right before it's brought to market. But, sometimes products are moved to retail before end-user evaluation has been completed. Do you have any thoughts or examples of rushing to market too fast?

STEVE SULLIVAN – Sure. (Laughter) We've all done that! We actually use a testing facility called SGS to test all of our fabrics beforehand. So, we get a pretty good idea of where the fabric will perform abrasion-resistance-wise, and whether its water repellency or whatever it is that you're testing, is effective. And, those tests are very expensive. We spend a lot of money on this. But, if it's a t-shirt for example, and I knew that I had the fit pretty well dialed, and the fabric wasn't going to go up in flames, etc., then I would rush something like that to market. So, we're pretty careful about rushing especially new design things to market.

It gets really tough in this industry, because the product development side goes so slowly. It's just unbelievable how slowly and how long it takes to make a garment these days. You'd think it would be the opposite with all the speed on everything. You can FedEx something to Hong Kong in 24 hours, but you can't get a prototype for 8 weeks. Everybody wants more business, but you can't get fabric from Gore or Schoeller. Sometimes it takes 14 to 16 weeks lead times. And, that's after you place goods—it's three months before that.

PAT NUGENT – But, you know, it's because you are on the leading edge of development. Companies that aren't on the leading edge, don't have those same kind of lead times. So, it's a double edge sword.

STEVE SULLIVAN – Yeah, this whole industry is like leading edge stuff. I'd love to get back to that common talk thing, and hear from some retailers about that, because our reps have such a problem. We have seven different kinds of Schoeller fabrics that we use in our line-----actually eight, if you include our glove line. I use five different kinds of Gore fabrics, and the messages just get so muddled! That's why I was talking earlier about function and fashion, and how important it is, because it really is fashion, I think, that drives sales. But, people get too mired in worrying about that whole technological feature. This industry is so about tech, sometimes it's just numbing! Does it look good? Is it water and weather resistant? Sweet! Wear it!

KATHY SWANTKO (Moderator) – I also want to get into a discussion about global competition. And, this follow up on a discussion that we had earlier on fashion trends, and the need for quicker turns as a result of fashion becoming more important. At our last Panel, Barry Garlick of Optimer, stated that many in the industry need to change their attitudes that "they will only work in Asia". Not that we have anything against global competition. But, we're also looking to help the domestic industry survive. Barry pointed out that by using CBI relationships, US fabric can be used in manufacturing and can certainly be as cost effective as Asia, and can be competitive with Asian prices.

In addition, since it takes up to 8 months or more for a product to be delivered out of Asia, US ventures can significantly shorten these delivery times. So, first of all, do you agree with the assessment that Barry had made? And secondly, if so, how does the domestic industry change the perception of manufacturers and retailers, who have already made up their minds that Asian production is just cheaper than the U.S.?

SION SHAMAN – It all depends on the garment. There are manufacturers who feel that sourcing in Asia is cheaper, but that's not necessarily true. We showed a major retailer about two years ago, using U.S. fabrics, cutting and sewing in Central America, that we could shorten the lead time by four weeks, and the price was about 5% less. It really depends on the garment. And, it depends on which countries you work with. You have to look at the logistics of the industry in Central America. What type of fabrics are they using there? And, how good are they at doing what they are doing? It's not just about the price anymore. There are a lot of other things involved as well.

KAREN DENIZ – In our business, where a great portion of our Dri-release product goes into t-shirts, it makes absolutely no sense to do a t-shirt program in Asia. The labor intensity is minimal. And because it's a high polyester content, you be paying exorbitant duty to bring it back into this country. This type of product can be done either domestically or in the Caribbean Basin for a lot less and a lot shorter lead time.

SION SHAMAN – And actually, the retailers are showing that. When you just look at past numbers from Central America, there were about 2 million pounds of fiber or yarn going down to Central America. However, now these figures are about 8 million pounds a week. This fiber goes primarily into very simple garments.

STEVE SULLIVAN – You always want to do it where it's closest to the supply chain. We build all of our knits in Canada and Mexico, because it's quicker. But, the most challenging thing for us, especially in this outdoor industry where we are using a lot of technical fabrics, is the lead times for the fabrics. The cut-and-sew times are nothing. I can get a run of the highest end Gore-tex jackets with bonded everything, made in just 45 days. But, it takes three to six months sometime to get the fabric.

To give you an example, when we come to this show, we know what our year is already. We know what our entire year is. We've made our purchases. We'll do a "chase-by" after this show, and after we've seen some results. But, I've forecasted every single style we'll make this year. So, this show is just window dressing, and it's really expensive window dressing!!!

SION SHAMAN – At the time people are talking about the industry going through difficulties, we really don't believe that. The industry IS going through some major changes, but we believe it's only temporary. For example, we've been around for about 17 years, and last year was our best year. That's because we decided to go into certain areas where we thought we could be competitive. That was basically base layers. If it was the hard core products that are used for outerwear, we wouldn't be able to compete at all. But, one of the great things about the U.S., I think, is that the U.S. is the best place for design and technology, and new product development. And so, a lot of these types of base layer products stay right here.

(KATHY SWANTKO (Moderator) – Well, since time is getting short, I want to stop here, and open it up for questions or comments from the audience. Does anyone have a question for the Panel, or want to make a comment?

(Tate Chamberlain - Attendee) - My name is Tate Chamberlain, and we manufacture soft shell. My question is for manufacturing

overseas, do you find the quality is better?

PAT NUGENT – That's a big broad question and it's a good one. I think the trick is to develop relationships with suppliers, whether it's your fabric vendor or your sewing factory. It's still all about relationships, in spite of the fast pace of our business. So, there are good manufacturers everywhere in the world. And, there are bad manufacturers everywhere in the world. And, we are in a global business. We can try as hard as we want to say, "we have to protect this, or that, or the other thing". But the fact is, the textile business and the apparel business is global. So, it takes time to check out the people that you work with. And, there's a mentality match that your company needs to consider when looking for a good partner.

STEVE SULLIVAN – The reason we moved a lot of our production over there is that it's easier to do business. We actually manufactured exclusively in the U.S. for the first two years that we were in business. And then, we went over there, because of full-package pricing, for example, which we could not get in the U.S. And, we had some great cut-and-sew facilities in the U.S.---in San Francisco. But, we went over there for the ease of doing business. And, for certain garments, they definitely are absolutely superior in the construction techniques.

KAREN DENIZ – I also think that it's like Pat said, It's about relationships. It's actually, how important are you to that supplier? Because if you're just like a "hiccup" to them, you're not going to get the attention that you want. So, you have to find the right fit.

PAT NUGENT – The other thing that's important in finding suppliers anywhere in the world is the concept of service. Some people are service-oriented, and some aren't. And, it depends on the level of service that you need, with regard to the ease of doing business. If you've got a giant staff, and can do a lot of the work yourself, then you don't need someone that is service-oriented. But, if you're a small shop, and you need a lot of service provided, then you've got to find the big organizations that can offer the level of service that you need.

(Mark Lazarus - Attendee) - I am Mark Lazarus from Laztech Consultants. In my involvement with other end-use markets, and I know this market is very different from some of those other markets, but the business is governed by price points at retail. And, what that has done is that it has prevented new technologies for happening. Some of those technologies are things that both Karen and John have brought to the market, and it has prevented these technologies from actually reaching the consumer. The consumer never gets to vote on recycled fiber, or Holofiber, or something like that. Since we have the whole chain here, what are your thoughts? If recycled fiber is more expensive in the garments, will the retailer actually bring that into the store and allow the consumer to kind of vote on whether they'll spend the extra money to bring that technology forward?

DAVE MATZ – I think the retailer will. We're specialty retailers. And, we're not going to compete against Target and WalMart. All of those price points are going to go to them. We don't want to see soft shell go to \$99. We want that to stay high, because we want it to stay in our stores. And, I think the consumer is always looking for something that's unique. I think that Patagonia has been very successful at bringing out very high-end fibers, and they've pioneered the way on a lot of recycled stuff. And, again on organic, I think you're going to see even more of the "Green Feet" initiative that's in the hall. Those are not cheap technologies.

STEVE SULLIVAN – I agree and disagree. I think it's been a huge problem. There have been a number of companies that have brought some technologies very down market. And, the retailers have seen exceptional sales in those categories. And, it has really changed the dynamic. The last 7 or 8 years has really changed where we really think about price point. I think it's really a bad move, and even specialty retailers have been affected. You can get a soft shell type garment in Target now for \$59 bucks. Lands End has got one for \$49 bucks. But, if retailers want to be specialty, they need to sell specialty product.

I also think that there's a huge move back to luxury. In this week's Business Section of USA Today, the cover story was all about luxury. People are willing to spend more for good products. And, I think retailers need to step up to the plate on that, and not support products that are taking their market down. And, that has not been the case the last 7 years!

(Attendee: Mark Lazarus) - I wasn't necessarily talking about Target or WalMart either. I was talking about specialty stores in other end-use categories like intimate apparel or swimwear.

PAT NUGENT – I think consumers are willing to pay a price for what they perceive as high value. And, in the pricing work in my career, it's always been price/value that has been the discussion, not just price. There has to be something that the consumer feels they are getting for their money. And, that gets back to the message we send, and how easily it's conveyed to them as to why the garment or the item is worth the price.

KAREN DENIZ – Then, I think it comes to the retailer as to how they position it within their store. And, the manufacturer also has to be careful not to take the new technology and just put it into the same silhouette as an existing technology. It has to look different, and it has to grab somebody's attention.

KATHY SWANTKO (Moderator) – Another question?

(Attendee: Carrie) - My name is Carrie, and I manage a retail store in Telluride, Colorado. A lot of our customers demand information on social responsibility for manufactures, and it's something that we try to support in our store. But, when I come to

this show, and I ask all of these companies, "How can you prove to me that you are manufacturing responsibly on a social level, as well as on an environmental level?" It really is difficult, because all they usually do is to tell me "yes, we are responsible". So, what kind of question can I ask, or how can I get that information to my customers?

STEVE SULLIVAN – Well, I can tell you that any responsible manufacturer has a Vendor's Guide. Our Vendor's Guide is about 250 pages long, and it details every item we make. It explains things that can and cannot be done within a particular factory, like workers ages, overtime, all sorts of issues like that. Now, I'm not going to tell you that I can enforce that, as a small company, every day of the week. But, we do have an agent over in Asia that goes in and does surprise visits. Regarding the social responsibility thing----some people have really taken up the torch on that, and obviously Patagonia has been a leading candidate. But, I guess we'd have to talk more about the kind of information that you want. Do you just want to know that they are not under-age workers that are being stuck in a sweat shop? Or, do you want to know that people are provided adequate ventilation, lunches, benefits, etc.? There are so many different levels there.

KAREN DENIZ – At the textile mill level, there are certifications that are required. And, you can ask the textile mill, if you go back to that level, "Are you ISO Certified?" And with that, a mill has to meet standard requirements, in order to get that certification.

KATHY SWANTKO (Moderator) – Next question?

(Attendee - Ken Sheldon) - I'm Ken Sheldon from that pain-in-the-ass company, Gore! (Laughter)

STEVE SULLIVAN – Gore is a great partner, by the way!!! (Laughter)

(Attendee - Ken Sheldon) - I have a question about the fabric lead times. One of our biggest challenges is how we reduce that. So, my question is actually two-fold: Are there any recommendations that you have as to how we can get better acquainted with the consumer and what they need, in order to better anticipate those needs? And, what's the real impact of fabric lead-time reduction?

STEVE SULLIVAN – It's everything!!! We could do three more turns a year, if you guys could provide fabric in 30 days. And, one of the challenges for you guys is that being a converter, this is even more difficult. You are not an actual textile manufacturer. And, that's a huge difference! You have to depend on the textile manufacturer to really lead the way, so that you can get product to us on time. And, I know that there's challenges with that. But, it's everything!! If you can get fabric lead times down to 30 to 35 days, which is what we get a lot of our more commodity type suppliers, we could turn things four, five, six times a year! With you guys, we turn stuff twice a year. We have a fall delivery, and a spring delivery. That's it!!

JOHN ANDERSON – That's when having a highly motivated supply chain is important. If you've got all the pieces in place, you can do it. We had an experience working with the baseball league, and utilizing a particular product from Milliken. In 60 days, went from a fabric idea over lunch, to executed baseball caps that were on the heads of the major league players that were playing in the World Series. I've never seen that before. But, everybody in the chain was motivated. They understood when we had to have what, and in what place, and people just did it!

STEVE SULLIVAN – The more vertical you can be, the better! Every factory that we look at----we're always looking for vertical factories that don't job out anything. They don't job out the embroidery. They don't job out bonding, if they're doing a bonded garment. And, we actually demand that our factories get up to speed, if they're missing an element like that, because being vertical is key! Unfortunately, being a converter, you guys will always have that challenge.

KATHY SWANTKO (Moderator) – I'd like to let this go, but in the interest of time, I'm going to have to cut it off now. But, you're welcome to stay after and ask questions of anybody on the Panel for a few minutes.

So, in closing, I'd like to thank the members of our Panel for giving their time and energy. Today's dialogue has benefited tremendously from your experience and insight. And, thanks to all of you for attending and supporting today's discussion. We hope it's been a valuable experience. If you have ideas or want to offer help on any action item, please see me after the program, or contact me later at your convenience.

Within the next several weeks, the transcript of today's panel will be available in pdf format for downloading from the FabricLink.com and TheTechnicalCenter.com web sites. Again, the transcripts from earlier panels are currently up.

I also invite you to visit FabricLink's Technical Center, where you can find the newness needed to drive the performance market. TheTechnicalCenter.com, the performance market's link to innovation!

Thanks again for coming and have a great show!!