

**The Analysis of Domex When Confronting the U.S.-China Trade
War and The Pandemic of Covid-19**

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Abstract

Domex as a garment manufactures required the adaptability of the global changes. Started from 2018, the supply chain of the garment industry have changed because the retaliatory tariff of the U.S.-China Trade War. Then, the outbreak of the Covid-19 shrunk the demand of apparel which also bring the crisis to the supply chains of garment. Therefore, Domex done a series of internal managements to overcome these impacts. To identify whether the managements are workable, Domex funded this study to clarify the pros and cons of its strategies toward the U.S.-China Trade War and the pandemic of the Covid-19. Data came from two resources. One was the observation of the operation in Domex's headquarter in Taipei. The other was the transcript from the e-mail and the in-depth interview with the chief executive officer of Domex. With content analysis, there are four major finding. First, the U.S.-China Trade War had little impact on Domex's operation. Second, Domex took retrenchment strategies to deal with the impacts of the Covid-19. Third, all the strategies were on purpose to have a long-tern battle in post pandemic era. Last, not until the universal of the vaccine, the impact of the overstock is unsolvable.

Keywords: Domex, the U.S.-China Trade War, Covid-19, garment industry

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EXECUTIVE SUMMARY

Recently, the global economy is facing the crisis of the U.S.-China Trade War and the pandemic of Covid-19 which also have impact on Domex's operation. First, Since Donald Trump started a Trade War with China in 2018, the rule of supply is changed because China, as a global factory, is threatened by the retaliatory tariff. Later, in the end of 2019, the emergence of the Covid-19 not only pushed hospital systems to the brink, but also dragged the global economy into what may be the worst recession since World War II. One common of these two events is both of them have changed the regulation of global supply including garment industries. Facing this situation, Domex did a series of action to overcome the impact from the U.S.-China Trade War and the pandemic of Covid-19. Therefore, the research purpose is to clarify the impacts that Domex meet during the time and analyze the pros and cons of Domex's strategies when confronting these impacts.

INTRODUCTION

Domex started at garment production. From 1984 until now, under effort of five thousand employees in Taipei headquarter and oversea branches, scale of Domex have grown stably. Domex have acquired certifications such as ISO9001 and Oeko-Tex Standard 100 internationally. Moreover, client like Puma, Carhartt, Sessions, Himaraya, Kasco, CK and Tommy Hilfiger have preference for Domex. They place orders of skiing wears, climbing wears, down jackets, sporting jackets, casual pants, swimming shorts, polo shirts and so on.

Since Donald Trump inaugurated in 2016, he started a series of actions to decrease the global influence of China on purpose to make America great again (MAGA). Therefore, President Trump officially launched a trade war with China in March 2018 by accusing China stole American intellectual property rights and commercial confidential in the Section 301. From August 23, 2018, the United States has begun to impose 25% tariffs on textile materials originating in China, such as polyester pellets and nylon pellets. In June 2019, retaliatory tariffs have been imposed on textiles worth more than 1.3 billion US dollars¹. Then, in December 2019, the Covid-19 broke out in Wuhan, China, which became the virus of the 21st century and spread to the world. Therefore, countries began to lockdown, causing economic activities to begin to shrink such as the demand for clothing consumption reduced, cancellation of orders, and a sharp drop in the flow of human and capital resources that have indirectly affected the garment industry. Even though China and the United States have formally signed the phase one trade deal on January 16, 2020, the content of the agreement is that China must increase imports of

¹ 紡拓會 市場開發處, "美中貿易站下紡織品及成衣貿易情勢," *紡織月刊 Taiwan Textile Monthly*,

August 1, 2019.

American productions in the next two years (2020-2021), yet, the tariffs have not been removed². According to President Trump, the revocable part of the tariff will be discussed in the phase two trade deal.

In the situation that the retaliatory tariff is not removed it yet, the order-transfer effect occur continually. That is, due to the pressure of the retaliatory tariff, the production cost in China increased. Therefore, the brands would transfer the orders from China to other countries such as Vietnam, Indonesia, and Bangladesh so on so forth due to the cost orientation. According to the Fashion Industry Benchmarking Study in 2019 from the United States Fashion Industry Association (USFIA), 83% of respondents expect to decrease sourcing from China over the next two years; the study also showed that around 25% of respondents indicated that they source more from Vietnam than from China in 2019, which means that for the first time since 2014, China has fallen from the position of the biggest supplier to the American fashion industry³. This trends indicated the uncertainty of the U.S.-China Trade War. No one can predict when the retaliatory tariffs will be removed, and the garment industry as a supplier will have different effects depending on the location of the production base. That is, garment manufacturers with production lines in China have to face high tariffs and the risk of order transfer.

² *Economic and Trade Agreement between the Government of the United States of America and the Government of the People's Republic of China*, by The Government of the United States of America and the Government of the People's and Republic of China, Vol. 1 (Washington, District of Columbia: United States Trade Representative, USTR, 2020).

³ Dr. Sheng Lu, *2019 Fashion Industry Benchmarking Study* (United States Fashion Industry Association, USFIA, 2019).

On the other hand, garment manufacturers with production lines in Southeast Asia, although they don't need to face the pressure of the retaliatory tariff, there may not have a chance to benefit from the order-transfer effect.⁴ When it comes to the transfer-order effect that transfer the order to the Southeast Asia, it meant that the increase in demand has led to the increase of the productivities. That is, the garment manufacturers in Southeast Asia need to increase their productivities to meet the transferred orders which led to the demand for raw materials. Therefore, in addition to expand the downstream manufacturers, the upper and midstream manufacturers also took advantage of this time to invest Southeast Asia, which especially led Vietnam to the textile base.

The formation of the textile base in Vietnam, made the garment markets in Vietnam saturated. Garment manufacturers may be squeezed or over-competitive in Vietnam. More, the costs of land and labor have increased in Vietnam recently. Due to these factors, other countries in Southeast Asian, such as Indonesia, Thailand, Cambodia, etc., have become the choice for Taiwanese garment manufacturers moving into or setting up factories. MAKALOT (聚陽), which has a production base in Vietnam, the Chairman Liping Zhou (周理平) said that MAKALOT will focus of the expansion on production line that its will shift from Vietnam to Indonesia in the next few years⁵. Despite MAKALOT, the chairman of Eclat (儒鴻), Zhenhai Hong (洪鎮海) also indicated that in order to diverse the company's risks, he plans to expand

⁴ 李怡欣, "貿易戰轉單效應? 台灣各產業感受不一," *大紀元*, May 19, 2019, <https://www.epochtimes.com.tw/n281797/貿易戰轉單效應-台灣各產業感受不一.html>.

⁵ 戴慧瑀, "聚陽通過配發 7.6 元股利 明年接單成長動能看好," *經濟日報*, June 18, 2019, <https://money.udn.com/money/story/5710/3878150?exlink>.

the factory in the third place in Southeast Asia other than Vietnam⁶. To concluded, the strategy that moving out from Vietnam showed the sense of crisis that some garment manufacturers felt about the U.S.-China Trade War, and thought that the order-transfer effect not only brought the extra income, but had many potential concerns that need to be awareness.

While preventing the potential threat of the U.S.-China Trade War, the Covid-19 has become a new crisis. Countries lockdown to control the outbreak of the Covid-19 which dragged the sale performance of brick and mortar stores, and injured the whole garment industries. First, the sluggish sales in retail sales have caused overstocked, which in turn to shut down stores, then canceled orders with suppliers. Then, since garment manufacturers could not receive orders, they began to furlough or even layoff to reduce costs and expenses in order to survive during the pandemic. Finally, when industries faced bankruptcy due to the Covid-19, people tend to buy only necessities because they lose their jobs.

It is not difficult to discover that the dilemmas brought by Covid-19 has become the top challenges in the United States from the Fashion Industry Benchmarking Study in 2020 from USFIA.⁷

⁶ 蔡茹涵, "儒鴻這波只被砍單 4% 洪鎮海：我唯獨漏算世代交替," *商業週刊*, May 13, 2020.

⁷ Dr. Sheng Lu, *2020 Fashion Industry Benchmarking Study* (United States Fashion Industry Association, USFIA, 2020).

Table 1 Top Business Challenges for The U.S. Fashion Industry: Rank in 2020 vs. 2019

Top business challenges for the U.S. fashion industry in 2020	Rank in 2019
1. Economic and business impacts of the coronavirus disease	/
2. Managing supply chain risks	3
3. Protectionist trade policy agenda in the United States	2
4. Increasing production or sourcing cost	1
5. Economic outlook in developed economies	11
6. Finding a new sourcing base other than China	5
7. Compliance with trade regulations	12
8. Investing in and updating technology	4
9. Meeting consumers' demand	8
10. Market competition from E-commerce	6
11. Economic outlook in emerging countries	10
12. Market competition in the United States from brick and mortar stores	7
12. Political tensions in developing countries	15
12. Market competition in markets other than the United States	14
12. Protectionist trade policy agendas in countries other than the United States	9
12. Protecting your company's intellectual property	17
12. Human resources (HR) issues, including talent recruitment and retention	16
18. Currency value and impact of exchange rates on competitiveness or profitability	13

Source: the United States from the Fashion Industry Benchmarking Study in 2020 from USFIA⁸

The reason why the pandemic of the Covid-19 damaged the garment industries is because apparel is non-essential consumption. In particular, the rise of fast fashion illustrates the high repeatability and substitutability of clothing. According to the survey of the US consumer sentiment during the coronavirus crisis from McKinsey & Company, it showed that during the pandemic, the consumption in the "apparel" has been reduced by more than 30%; while the

⁸ Ibid.

positive growth has shown in "groceries" which elaborated that consumers have more inclined to consume necessities such as food, toilet paper, etc.⁹¹⁰

Covid-19 changed the consumption habits of consumers, which in turn affected the entire textile and garment industry. First, sluggish sales have caused overstocked. Faced with this problem, coupled with the concerns that will oversupply continually in the future due to the pandemic, brands have canceled orders or delayed shipments and payments to the garment manufacturers in Asia. These actions have forced these garment manufacturers to lay off employees or furlough to reduce operating costs. In the end, people who lose their jobs will be more inclined to reduce unnecessary expenses such as clothing, which became forming a vicious circle.

The orders shrinking also affected the entire upstream of garments industries. First, the decrease in garment orders has caused a shortage of raw material or even outage. When the inventory of raw materials has dropped to the lowest point, and unable to received orders for a long time, the raw materials would be out of demand inevitably. According to the purchasing trends compiled by the Taiwan Textile Monthly in April 2020, purchasing must be more precise

⁹ McKinsey & Company, "Survey: Uk Consumer Sentiment During the Coronavirus Crisis," last modified June 26, 2020, accessed August 6, 2020. <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/survey-uk-consumer-sentiment-during-the-coronavirus-crisis>.

¹⁰ McKinsey & Company, "Survey: Us Consumer Sentiment During the Coronavirus Crisis," last modified July 24, 2020, accessed August 6, 2020. <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/survey-us-consumer-sentiment-during-the-coronavirus-crisis>.

and decentralized, and another reliable source of raw materials must be found to overcome the challenges brought about by the trade war and the pandemic of Covid-19.¹¹

To conclude the impacts and challenges from the U.S.-China Trade War and the pandemic of Covid-19, first, geographical relations is the crucial variable for the garment manufacturers have a different situation in the U.S.-China Trade War. Then, the coming pandemic made the development of the U.S.-China Trade War even worse. Taking the garment industry as a case, the garment manufacturers in China not only need to find ways to avoid the retaliatory tariffs but also have to face poor performance in sales caused by Covid- 19. on the other hand, the garment manufacturers in Southeast Asia, in addition to facing the revenue crisis caused by the pandemic, the order-transfer effect brought about by the U.S.-China Trade War has yet to be clarified its chances and threats.

Motivation

Domex which has garment factories in China and Vietnam, required to have attention to the impacts of the U.S.-China Trade War on both sides and made appropriate decisions. The factory in China has already transformed into domestic brands (DN1) in China a few years ago. Therefore, it was not affected by the retaliatory tariffs or out-migrated orders.

¹¹ 紡拓會 市場開發處, "2020 年展望成衣採購的下一步," *紡織月刊Taiwan Textile Monthly*, April 1, 2020.

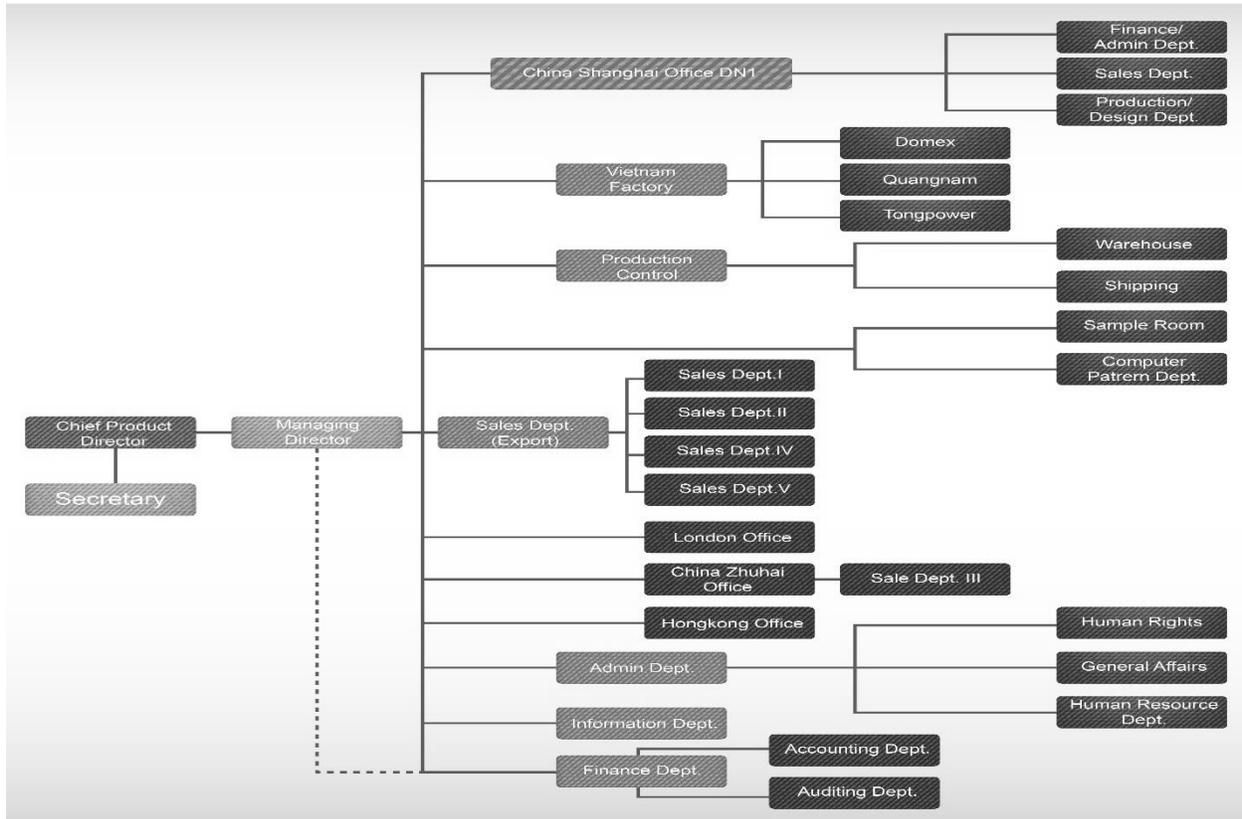


Figure 1 The Organization of Domex¹², (Source: quoted from official website of Domex)

Since the factories in Vietnam are OEM, it is necessary to consider the impacts of the order-transfer effect which included:

1. Did Domex benefit from the order-transfer effect?
2. Did Domex damage from the order-transfer effect?

And then to question:

1. On the whole, how does the order-transfer effect affect Domex's factories in Vietnam?
2. How does Domex deal with the order-transfer effect?

¹² Domex, *Organization*, vol. 10.9*16.49 (Domex, 2017).

As the U.S.-China Trade War has not ended yet, the Covid-19 has brought new challenges to the garment industries. As mentioned above, the impacts of the Covid-19 on the garment industries is interlocking. From the very beginning, the consumption of apparel (non-essential consumption) was decreased, leading to orders shirked, which in turn affected the entire supply chains to have the issue of overstocked. Then, the shortage of raw material or even outage appeared. Facing such difficulties, research needed to clarify:

1. What is the biggest challenge for Domex to face Covid-19?
2. Does Domex face the problem of overstocked?
3. Does Domex face the problem of the shortage or outage of raw material?

Then, concluded the situation of Domex in the pandemic of Covid-19 and discussed:

1. What strategies has Domex took in response to the pandemic of Covid-19?
2. What preparation has Domex made for the post-pandemic era?

Overall, the U.S.-China Trade War has caused the global economy to shrink. Whether the pandemic of Covid-19 is properly controlled has also become one of the variables of global economic shrinking. The strategies that Domex took to the challenges brought by the U.S.-China Trade War and the pandemic of Covid-19 have become the foundation for Domex to develop stably in the post-pandemic era. The clarification of these issues helped this study explore the impacts of the U.S.-China Trade War and the pandemic of Covid -19 on Domex and the pros and cons of Domex's responses.

Project Objectives

Clarifying these associated questions or even offering a concrete resolution is crucial to Domex's long-term development. At the same time, organizational renewal should be done

gradually especially for a manufacturer like Domex who is responsible for family livelihood of 5,000 employees.

Steady steps for Domex should start with understanding obstacles, and then evaluate manpower, resources and funds carefully to seek proper solutions. Thus this research is an exploratory pilot study.

Mission Required

1. What are the impacts that Domex has in the U.S.-China Trade War?
2. What strategies that Domex took when confronting U.S.-China Trade War?
3. What are the impacts that Domex has during Covid -19?
4. What strategies that Domex took when confronting Covid -19?

Detail of Project

Task

Content analysis was adopted to answer the four missions required. There were two sources of data. The first data was the observation when the assistant researcher was in the summer internship during 2020. The observation and the secondary data which mainly were the Fashion Industry Benchmarking Study in 2019 and 2020 from the United States Fashion Industry Association (USFIA) and the Taiwan textile monthly from August, 2019 to August, 2020, became the finding in the previous three missions, and the content of the in-depth interview. The interview was also the method for answering the same mission mention above. The detail of the interviewee is as below.

Table 2 Details of Interviewee

Department	Position	Nationality	Number
Decision maker	Chief executive officer	TW	1

Source: edited by the author

The questions were divided by two part. The first part is the e-mail interview. The question were:

1. At the beginning of August, President Lee told me that the others who have factories in China have tried to transform their Chinese production line from export sales to domestic sales when comforting the U.S.-China Trade War.
 - i. Although Domex does not have a factory in China, still asking if Domex has any similar idea about changing the sales patterns.
2. In the middle of August, I accidentally heard a phone call from Chairman Du. The content of the phone is, since the outbreak of Covid-19, the order is decreasing. Therefore, Chairman Du is hoping to suspend one of its production in Vietnam to ensure the year-end bonus giving successfully.
 - i. Is the statement is true?
 - ii. What is the situation right now?
3. The colleague from the sales department mentioned that due to the pandemic, the number of flights decreased. Therefore, when it comes to sending samples, the procedure needs to be early than before.
 - i. Is there any obstacle when executing the procedure of sending samples?
4. The manager of the sales department mentioned that Domex will have a top executives' discussion on tax reduction plans and so on so forth after the summer internship.

- i. Is the statement is true?
 - ii. What is the situation right now?
5. The assistant researcher happened to meet the company's on-the-job training for the sales department on the first day of the summer internship. The training was the basic application of VStitcher. The purpose of the training is the digitization of sourcing.
 - i. What is the purpose of digitalized sourcing?
 - ii. Although the digitization of sourcing is the trend, was the U.S.-China Trade War or the pandemic of Covid-19 became the reason that the training was set at this moment?
 - iii. How is the progress?
6. Can Domex evaluation its biggest challenge base of the survey of Fashion Industry Benchmarking Study in 2020?
7. Following the previous question:
 - i. Can you describe how do the previous five challenges affected Domex?
 - ii. Do Domex take any action to deal with the 18 challenges on the list in the previous question?

Table 3 The Self-Evaluation of Top Challenges for Domex in 2020

Business challenges for the U.S Fashion Industry in 2020	Top challenges for Domex in 2020 (ranking from 1 to 18)
Economic and business impacts of the coronavirus disease	
Managing supply chain risks	
Protectionist trade policy agenda in the United States	
Increasing production or sourcing cost	
Economic outlook in developed economies	
Finding a new sourcing base other than China	
Compliance with trade regulations	
Investing in and updating technology	
Meeting consumers' demand	
Market competition from E-commerce	
Economic outlook in emerging countries	
Market competition in the United States from brick and mortar stores	
Political tensions in developing countries	
Market competition in markets other than the United States	
Protectionist trade policy agendas in countries other than the United States	
Protecting your company's intellectual property	
Human resources (HR) issues, including talent recruitment and retention	
Currency value and impact of exchange rates on competitiveness or profitability	

Source: the United States from the Fashion Industry Benchmarking Study in 2020 from USFIA, edited by the author

The second part is the in-depth interview. Base on the data collected from the observation and the e-mail interview, the researcher used the in-depth interview to collected more detail from the interviewee. The questions of the in-depth interview are:

1. Down below is the result of the self-evaluation of top challenges for Domex in 2020 according to the e-mail interview:
 - i. Can you describe the impact of each challenges on Domex?
 - ii. What have Domex done to deal with the challenges in table 3?

Table 4 The Result of The Self-Evaluation of Top Challenges for Domex in 2020

Top challenges for Domex in 2020
1. Economic and business impacts of the coronavirus disease
2. Increasing production or sourcing cost
3. Market competition from E-commerce
4. Finding a new sourcing base other than China
5. Human resources (HR) issues, including talent recruitment and retention
6. Currency value and impact of exchange rates on competitiveness or profitability
7. Managing supply chain risks
8. Protectionist trade policy agenda in the United States
9. Economic outlook in developed economies
10. Compliance with trade regulations
11. Investing in and updating technology
12. Meeting consumers' demand
13. Economic outlook in emerging countries
14. Market competition in the United States from brick and mortar stores
15. Political tensions in developing countries
16. Market competition in markets other than the United States
17. Protectionist trade policy agendas in countries other than the United States
18. Protecting your company's intellectual property

Source: edited by the author

2. Do you think that “Economic and business impacts of the coronavirus disease” increase the difficulties to other challenges in table 3?

3. Following the previous question, why?
4. Does Domex have other challenges caused by the U.S.-China Trade War and the pandemic of Covid-19 that did not mention in Table 3?
5. Before the pandemic of Covid-19, does Domex get benefit from the order-transfer effect by the U.S.-China Trade War?
6. Before the pandemic of Covid-19, does Domex get damaged from the order-transfer effect by the U.S.-China Trade War?

Requirements

There were two requirements for Domex in order to complete this project. To start with it, under the condition that researcher had signed confidentiality agreement, Domex need to provide all data the researcher need related to this research. Then, Domex needed to allow researcher to interview the chief executive officer.

Limitations

In order to focus on the research questions and consider the time limitation, the other trade agreement such as RECP, and other individual event like the election of the United States, were not be in the discussion. The research is only focus on the impact of the U.S.-China Trade War and the pandemic of Covid-19. More, since the research took the Fashion Industry Benchmarking Study in 2019 and 2020 from the United States Fashion Industry Association (USFIA) and the Taiwan textile monthly from August, 2019 to August, 2020 as the main literature review, may not reflect the whole situation of the garment industries which made the content slightly different.

Criteria for Project Evaluation

Only when the researcher reach the following two criteria can this project be evaluated as finished. First, the researcher completes the study in time. Second, the results of study can answer four missions required.

Fund

Domex provided NTD\$180,000 to the Department of International Affairs for this project from March, 2020 to February, 2021.

Division of Responsibility

Principle moderator: Arranging the project. Directing assistant researcher to collect data.

Assistant Researcher: Collecting data. Composing data analysis and conclusion.

DATA ANALYSIS

Data Collection

Three kind of data were collected for this research. The first one was the secondary data mainly from the Fashion Industry Benchmarking Study in 2019 and 2020 from the United States Fashion Industry Association (USFIA) and the Taiwan textile monthly from August, 2019 to August, 2020. The data include the variables that having impacts on Domex during the U.S.-Chins Trade War and the pandemic of Covid-19. The second one was the observation from Domex's Taipei headquarter. The data found out the events that related to the U.S.-Chins Trade War and the pandemic of Covid-19 in Domex's Taipei headquarter in July and August, 2020. Last one was the interview with the CEO of Domex. Length of interview was an hour. Interview venue was at the office of Domex's CEO. The following content tries to answer four mission required respectively.

Data Analysis

The Impacts That Domex Has in The U.S.-China Trade War

The impacts of the U.S.-China Trade War on the manufacturing industries depended on the factories' location. That is, the distribution of garment industries could be divided into two areas, one in China and the other in Southeast Asia and South Asia. Most of the garment industries in China faced the impacts of retaliatory tariffs. However, according to the e-mail interview, Domex's factory in China had been transformed several years ago, mainly serving the brands in China and developing its brand (DN1) domestically. Since Domex's factory in China is

mainly for domestic sales, it has not been affected by the U.S.-China Trade War. Therefore, Domex's factory in China was not in the discussion.

On the other hand, according to the organization of Domex, the OEMs of Domex are in Vietnam, so they did not directly affect by the retaliatory tariffs of the U.S.-China Trade War. However, it could not ignore the changes that the U.S.-China Trade War caused to the entire garment industries, which had indeed brought some impacts to Domex. Through the interview, the CEO of Domex indicated that Domex did receive extra orders due to the order-transfer effect. However, the conclusion was that even if the company received extra orders from the order-transfer effect, revenue did not grow significantly. Generally speaking, receiving extra orders was a good thing for the company, but these orders were transferred from China to other regions because they could not bear the retaliatory tariffs from the U.S.-China Trade War. Under such a background, the transferred orders may not necessarily helpful to company revenue. There are three major factors that need to consider when confronting order-transfer effect.

Cost-Orientation Leads To Low Profits from Transferred Orders

These orders that used to belong to China have adapted and even used to the low cost of human resources and the massive scale of production in China for a long time. Currently, they moved out orders from China only to avoid the additional cost from the retaliatory tariffs. That is, the purpose of orders transferred is to seek cheaper production costs other than China, such as Southeast Asia and South Asia had become the plan B for the clothing retailers. However, due to the land resources in Southeast Asia and South Asia are limited, the scale of production could not compare with China brought the concern that production cost could not be reduced through massive production. Therefore, to compete with the market, the company offered the quoted

price lower than the original price when receiving the transfer order, resulting in less or even zero profit with the transferred order.

The Differences Between Transferred Orders and Domex's Marketing Position

Due to the low-cost of resources, China has already developed as a district for textile & garment. Most of the transferred orders are from fast fashion brands, such as GU, Zara, H&M, and so on so forth, which having products like T-shirts and jeans that with much simple production methods. However, the marketing position of Domex is OEM (Original Equipment Manufacturer). That is, Domex is a manufacturer of brands, mainly producing functional clothing with complicated production methods such as down jackets, jackets, and windbreakers. Therefore, the production cost of Domex was higher than the original cost of transferred orders from China. To conclude through the interview, since the differences between the properties of most of the transferred orders from China and the marketing position of Domex, most of the orders that Domex received in order-transfer effect were from the brands with partnerships already.

The Cargo Throughput of Domex

As mention previously, due to the land limitation of Southeast Asia and South Asia, the scale of production is also affected. Therefore, it is essential for companies to estimate whether their capability of cargo throughput can carry out the transferred orders. To estimate a company's capability of cargo throughput, the working capital, productivity, and the ability of warehouse are in the discussion of cargo throughput. Domex, having three factories in Vietnam, also faced the same consideration. The chief executive officer said in the interview:

“Domex’s cargo throughput is unable to take the extra orders from the order-transfer effect due to the limitation of production scale. If the transferred orders are more than 20% of the company's productivity, Domex has to face the problem of ignoring quality to catch up with the quantity in quality control.”

The Strategies That Domex Took When Confronting The U.S.-China Trade War

Overall, the actual impact of the U.S.-China Trade War on Domex is less than the literature descriptions because of two main reasons. First, since Domex’s OEMs are not in China, they did not directly affect by the retaliatory tariffs. On the other hand, Domex must consider whether the order-transfer effect brought by the retaliatory tariffs would affect the productivity of factories in Vietnam and the operation of Domex. Furthermore, Domex needed to consider whether the properties of the transferred order are fit with Domex's marketing position. That is, whether the characteristics, quoted price, and production methods of the transfer orders were acceptable for Domex has become an important consideration to face the order-transfer effect. According to the data the research assistant collected, it showed Domex strategy responded to the U.S.-China Trade War is as follows:

Control the Amount of Production

Considering Domex's productivity and cargo throughput at that time, if the transferred orders were over receiving, the quality of the clothing might decrease due to the limited human resources and the pressure of delivery date. On the other hand, the properties of the transferred orders are unprofitable. It has little benefit to the company, even receiving more orders from the order-transfer effect effect. Therefore, Domex adopted a defense strategy in facing transferred

order the U.S.-China Trade War. To avoid the situations mentioned above, Domex only increased the orders at 15% more of the company's production when receiving the transferred orders from the order-transfer effect.

The Impacts That Domex Has During Covid -19

The introduction of the project explained how the pandemic of Covid-19 changed the consumption habits of consumers, which in turn damaged the garment industry included Domex. Whether in email interviews or the in-depth interview, Domex pointed out that the “Economic and business impacts of the coronavirus disease” is the biggest challenge for company in 2020. The reason why Domex having this recognition is because the pandemic of Covid-19 effected the entire apparel industry in both supply and demand. The pandemic has reduced the willingness of consumers to buy clothing, which has led to an oversupply of clothing. Under this background, Domex has four changes:

The Shrinking of Orders

Among these four changes, the first is the shrinking of orders. The Taiwan Textile Monthly in August, 2020, provided an information of Domex’s customers:

PVH, the parent company of Tommy Hilfiger and Calvin Klein, said the company is very cautious about autumn sourcing because same-store sales for its reopened North American stores fell by about a quarter.¹³

¹³ 紡拓會 市場開發處, "全球紡織產業動態," *紡織月刊/Taiwan Textile Monthly*, August 1 2020.

Since the end of the pandemic is unknown, in order to avoid losses caused by long-term oversupply, brands have reduced or cancelled orders for the next season to OEMs. Domex also confirmed in the interview that shrinking orders is the biggest problem Domex faced in the pandemic of Covid-19.

The Brands Delay the Payments

As the brands has reduced income due to the pandemic, they also have to operate in such a difficult situation. In addition to cancel orders with Domex, they also extended futures payments. The impact of the deferred futures payment is that the company's cash flow is insufficient, which led to the possibility of difficulty in working capital. Domex said that although the company's current cash flow is sufficient. However, if the pandemic continually working, Domex have to face the problem of insufficient working capital sooner or later.

The Increasing of the Production Cost

Through the meeting interview, due to the reduction in flight frequency because of Covid-19, the company has increased additional costs on sending samples, factory input, and shipment. Such costs will eventually be reflected in the net revenue.

The Overstock of Out of Season Clothing

Finally, another problem from the oversupply in the apparel industry is that Domex's cargo throughput is shrank due to the out-of-season overstock caused by the pandemic, which led to the company's inventory turnover is squeezed.

Summarized the first three changes are the direct impact of the pandemic of Covid-19 on Domex's revenue. The decrease in revenue affected the company's entire operations. Therefore, it is difficult for Domex to maintain operations due to the shrinking business. In the situation of limited income, Domex still needed to maintain the company's fixed expenses included the fees of water and electricity, stationery consumption, and employee salaries. Second, with insufficient cash flow, the company may not have enough funds to buy raw materials, which affected the company's order receiving. The same factor that affected the company's sales is overstock. The company has no revenue due to the unsold, and feel pressure in finance on receiving orders; at the same time, because of excess inventory, the company is not able to accept new orders caused by the inventory turnover.

The Strategies That Domex Took When Confronting Covid -19.

According to the data the research assistant collected, it showed Domex strategy responded to the U.S.-China Trade War is as follows:

Delay Future Plan

In the e-mail interview, “Finding a new sourcing base other than China” is the forth in the survey of the self-evaluation of top challenges for Domex in 2020. After the meeting interview, the CEO indicated that Domex has always consider to expend its production base to Africa. However, despite the fact that environmental conditions in Africa are not friendly enough for the manufacturing industry, Domex has no budget for inspection and investment due to the Covid-19. Therefore, Domex repeatedly postponed plans to set up factories in Africa. In addition, the company originally opened a new factory in Vietnam this year to increase new productivity.

However, due to the pandemic, the order receiving was not ideal so the new factory is idling. That is, the company has no excess revenue to meet the expenses of the new factory, so the company had to zero the productivity of the new factory and postpone the operation of it later.

Decrease the Production Line in Vietnam

In the fact that the pandemic has impacted Domex's revenue, Domex had to adopt retrenchment strategies. In the email interview, Domex argued that in response to Covid-19, the company made the decision to stop production lines in Vietnam. Domex said the decision was to respond to that situation that as the pandemic continuously occurs, many countries have begun to lockdown, which greatly impacts the performance of retailers' physical channels and harms the entire industry. First, the decline in retail sales has caused unsalable goods. In order to survive, the brands have canceled, delayed orders or shipping, and even extended payment. Under such circumstances, not only the company but also the cooperating manufacturers and customers have impacts on the cash flow. As the end of the pandemic is unknown, Domex said that the decision of decreasing the production line in Vietnam that has to be taken for the company's long-term survival.

Reduce Fixed Expenditure of Labor Cost

Another retrenchment strategy that is necessary is to reduce the fixed expenditure of labor cost. First, the company successively dismissed unnecessary human resources. Dispatched workers and temporary workers who are responsible to cut or inspected will not be re-employed or recruited as soon as the contract expires. Then, the company encourages employees to use up annual leave during the pandemic and do not work overtime. Finally, the bonus would be paid

less because of the poor revenue of Domex. In these ways, the company is able to achieve a reduction in labor costs.

Apply Subsidy

According to the Pandemic Relief 3.0 issued by the Ministry of Economic Affairs, R.O.C, the qualified applicants are "The average turnover for two consecutive months starting from January 2020 has decreased by 15% from the average turnover of the six months before December 2019 or the same period of the previous year."¹⁴ In the email interview, Domex said that the company's revenue has been reduced by 20% compared with the same period last year. Therefore, it is eligible to apply the Pandemic Relief 3.0, which also showed that Domex is indeed negatively affected by the pandemic. The kind of relief that Domex applied for is a subsidy. During the meeting interview, Domex said the subsidy is an emergency fund for turnover. In the case of unable to increase revenue, if Domex encounters a problem of difficult turnover, the subsidy is for this purpose.

Last but not least, the researcher observed another action at Domex's Taipei headquarters in July and August 2020, although Domex emphasized that this was neither in response to the U.S.-China Trade War nor the pandemic of Covid-19.

¹⁴ 產業競爭力發展中心, 經濟部對受嚴重特殊傳染性肺炎影響發生營運困難事業資金紓困振興貸款及利息補貼作業要點, by 中華民國經濟部, Vol. 3.0 (中華民國經濟部, 2020).

Other Strategy - The Digitalization of Export Sale

Under the influence of the U.S.-China Trade War and the pandemic of Covid-19, cost managements have become particularly important. Through the interview with Domex, the transcripts showed that due to the pandemic, the number of flight for sending samples has been reduced. Therefore, the period of simpling needs to be advanced or lengthened. In July 2020, Domex set a training for VStitcher and asked employees in the sales department to the application of VStitcher.

“VStitcher is the industry’s leading 3D software for apparel design and development. With VStitcher, designers have the ability to design garments through size ranges, leverage graphics, fabrics, trims, colorways, styling, and photorealistic 3D rendering. Its comprehensive set of features enables designers, technical specialists, and pattern makers to create designs and take them to the next level with true-motion fit, pattern modification, grading, tech pack, and more.”¹⁵

Through interviews, we can learn that Domex's current progress has reached 3D pattern-making and the use of digital procurement systems, including reducing the number of samples produced and the workload of business procurement.

Although Domex emphasized in the interview that the training of VStitcher's is not in response to the U.S.-China Trade War nor the pandemic of Covid-19. However, according to many literature, the digitization of garment business will mainly help garment enterprises to

¹⁵ VStitcher, "Vstitcher," BROWZWEAR, last modified September 4, accessed September 10, 2020. <https://browzwear.com/products/v-stitcher/>.

survive during the post-epidemic era. Li & Fung Group Chief Operating Officer Wilson Zhu said:

"In today's retail environment, speed has become the most important consideration, and what customers expect, too. Technology is disrupting and changing all industries, and the traditional supply chain must adapt."¹⁶

More, according to the online conference, "Digital Transformation: The Key for garment manufacturers to survive in The Post-Epidemic Era" hold by Centric Software and Taiwan Textile Federation:

"Most of the world's fashion brands and apparel manufacturers are racing to advance in the pandemic and have become more virtualized and digitalized. They jointly innovated through the digital product lifecycle management system (PLM), increased speed, and paid close attention to consumer behavior. More, they abandoned the clumsy old system to use more collaborative digital tools."¹⁷

As mention above, the digitization of garment manufacturing is an inevitable trend, and it is indeed not directly related to the U.S.-China Trade War or the pandemic of Covid-19. However, even if it is not directly related, the U.S.-China Trade War and the pandemic of Covid-19 have undoubtedly accelerated the digital development of the garment business. Therefore,

¹⁶ Joan Magretta, "Fast, Global, and Entrepreneurial: Supply Chain Management, Hong Kong Style," Harvard Business Review, last modified January 1, accessed August 20, 2020. https://www.hbrtaiwan.com/article_content_AR0000105.html.

¹⁷ Centric Software 塞趨科軟件, "[網絡研討會] 數位化轉型：成衣製造商迎向後疫情時代的關鍵," last modified June 29, accessed August 16, 2020. <https://www.centricsoftware.com/zh-hant/events/網絡研討會-成衣製造商-迎向-後疫情時代-關鍵/>.

although Domex's development of digitization of garment manufacturing is not aimed at the U.S.-China Trade War and the pandemic of Covid-19, it does respond to the current global changes.

To Concluded this chapter, since the geographic factor, Domex does not effect by the retaliatory tariff; besides, its own marketing position does not fit with the properties of most of the transferred orders, therefore, Domex has little benefit on the order transferred effect. As the result, Domex took a conservative attitude by controlling the amounts of transferred orders. On the other hand, the pandemic of the Covid-19 made the whole garment industry into a crisis of revenue decreasing. If Domex only took internal control to sustain the operation without any action to increase the revenue, Domex need to face the issue of balancing costs and incomes soon or later which also make Domex more difficult to recover the capital and human resources in the post-pandemic era.

Summary

To sum up, Domex has not been affected by retaliatory tariffs due to geographical factors; and its market positioning does not cater to most of the properties of transferred orders, so there is no obvious benefit from the order transfer effect. Therefore, the company adopts a steady and conservative attitude to control the volume of transferred orders without affecting product quality and efficiency. On the other hand, Covid-19 has caused a harsh environment in the apparel industry. If only through internal control to extend the company's operating and no solution in increasing revenue, Domex would fall into a dilemma of break-even, which would affect the company's recovery from the obstacles to insufficient funds and human resources in

the post-epidemic era. Moreover, before the universal of the vaccine, the problem like overstock of out-of-season clothing could not be solved by internal control.

CONCLUSION AND SUGGESTION

The data used in this project came from the secondary data and the transcript of the interview. In this chapter, results found were examined whether they correspond with the project purpose or not, that is, if findings can clarify what challenges Domex met and its strategies to the U.S.-China Trade War and the pandemic of Covid-19

Conclusion

Mission required 1

According to the research result, the U.S.-China Trade had little impacts on Domex. The mainly reason is that location of the factories were not influenced by the retaliatory tariff. Secondly, the marking position of Domex could not meet the preferences of the properties of transferred orders. Therefore, most of the transferred orders Domex received were from the brands with partnerships already. Last, the production scale of Domex does not have the capacity to take the extra orders from the order transfer effect. To conclude, the U.S.-China Trade War has less impact than the description of literature since the geographic relations, the difference of the properties, and the capacity of Domex.

Mission required 2

The collected data showed that because the cost-orientation of the order transfer effect, the orders were not profitable. Therefore, Domex take a conservative attitude to face the order transfer effect. That is, considering the limited productivity and cargo throughput, Domex

control the amount of production, only increasing the orders at 15% more of the company's production when receiving the transferred orders from the order-transfer effect. By doing this, Domex could avoid the risk of ignoring quality to catch up with the quantity in quality control.

Mission required 3

The result of both the e-mail interview and meeting interview showed that Domex's considering "Economic and business impacts of the coronavirus disease" as the biggest challenge in 2020. To analyze further, the reason why it became the top challenge is that the aspect of the influence is all chain of demand and supply. The pandemic of Covid-19 changed the consumption habits of consumers, which in turn damaged the sales in the garment industry included Domex. As a result, the pandemic of Covid-19 caused the shrinking of orders which led to the overstock of out-of-season clothing, the payment delay, and the increasing of the production cost. Worst of all, not until the universal of the vaccine, the overstock of out-of-season clothing could be solved.

Mission required 4

Based on all data collected, Domex met the difficulties of sustaining operation in the situation of sales decreasing caused by Covid-19. Domex did four actions to deal with these difficulties. The first one is to postpone future plans such as operating a new factory. Second, Domex made the decision of decreasing the production line in Vietnam in order to survive the canceled, delayed orders or shipping, and even extended payment. Third, to reduce the operating costs, Domex did a serious of retrenchment strategies to decrease the fixed expenditure of labor cost like dismissed unnecessary human resources, encourages employees to use up annual leave

during the pandemic, and so on so forth. Last, Domex applied subsidy prepared for the possibility of difficult turnover caused by the decreasing income during Covid-19.

Suggestions

To conclude the answer to the four mission required, if Domex would like to have a well development in the post-epidemic era, maybe Domex can consider the following point.

First, payment regulation needs to be improved. To reduce the impact of the Covid-19, the brands canceled orders or postponed futures payments and transferred the impacts on garment manufacturers. Therefore, to avoid the impacts of the Covid-19 on the supply chain, the existing payment regulation should be improved, such as the minimum deals of payment or practical standard proposed by Domex. Then, discuss its feasibility with the partnership brands.

Second, maintaining the retrenchment strategies until the universal of the vaccine. Before the pandemic is under control, it is more practical to reduce expenditures than to increase revenue. Therefore, the research suggests that the company maintain retrenchment strategies to extend the company's operation in the precondition that the cash flow is stable.

Next, Sourcing needs to be more distributed. By diversifying sourcing, the possible risk of excessive losses can be avoided when facing the instability and uncertainty of the global.

Last, Continue the development of digitization, whether it is business or process, precision production brought about by technology can enable Domex's supply chain to be more synchronized with market changes to cope with the uncertainty of the future international situations.

APPENDIX A

E-MAIL INTERVIEW A

Rita Lee<rita@e-domex.com>

2020年9月28日上午11:05

收件者: 吳芊樺 <wendy556624@gmail.com>

副本: Daniel Lin <moreforest@gmail.com>, rose@e-domex.com, 台北李總經理 <nick@e-domex.com>

Dear 吳同學

針對您提出的問題，回覆如下，謝謝。

親愛的 Rita 您好:

我是吳芊樺，因擔任109年度文藻固祥合作的專案學生，在今年暑假有幸前往公司實習。

在實習期間，我觀察到了一些固祥對於中美貿易戰及新冠肺炎疫情的態度與行為，希望能向您請益：

一、八月初李總有和我談到在中國有設廠的同業，在面對這一波中美貿易戰的威脅時，會嘗試將中國產線的產品從外銷轉內銷。

1. 雖然固祥並無在中國設廠，但還是請問固祥是否有類似改變銷路的考量？

答：公司在中國的廠區已在數年前轉型，主要服務於中國內地的品牌及嘗試自有品牌的發展。

二、約在八月中旬，無意間聽到杜董事長的電話內容，主旨是由於新冠肺炎疫情的影響導致訂單減少，希望越南生產線可以停一線，以確保年終獎金順利發放。

1. 請問是否屬實？

答：正確，但不是因為要減少年終獎金一事，主要的原因是國外的疫情持續升高，在各國家展開封城之際，許多店舖都沒有開張，生意相對受波及。各大品牌為了生存，延遲下單或出貨，甚至展延貨款，如此情況下，對每個企業在現金流動上會有影響。不知此疫情何時能結束，為了公司長遠的生存，不得不做的措施，以照顧公司大部分的同仁。

2. 請問後續的發展？

答：基本而言，後續發展端看疫苗開發是否成功，疫情是否能有效的阻隔？市場是否能重新開放，如此我們才能訂定下一步的政策。

三、在個人學會製作及寄送主副料卡的過程中，同事提到因為疫情導致飛機班次減少，所以在寄送樣品方面一定要比原訂日期再提早個二至三天。

1. 請問是否在執行上有遇到阻礙？

答：當然會有影響，由於運送時間的變長，許多批核樣品的時間也相對延長，對於生產的安排就會有影響。公司只能自我加強要求提前生產樣品，將影響降至最低！

四、實習的最後一天，廖秀琴經理有向我提到，之後公司高層會討論減稅方案等問題。

1. 請問是否屬實？

答：不知廖經理所談的減稅是指何事。但公司會依政府因為疫情所頒定的一些輔助企業方案進行申請，這中間包含減稅或是輔助企業金的申請。核批審核是否通過，要端看政府如何判斷該企業是否符合申請需要，給予相關輔助。

2. 請問後續的發展？

答：目前公司符合企業紓困方案 3.0。其通過的要項：不裁員與減薪，公司的營運收入跟去年同時期相對減少 20%的業績，所以符合申請資格。

以上四項問題的相關資訊，對完成公司委託文藻辦理之研究案，將有某大之助益，因此，衷盼您能幫忙，本人可以在您方便的時間請，專程回公司一趟，向您當面請益。

期待您的回覆

芊樺

E-MAIL INTERVIEW B

Nick Lee <nick@e-domex.com>

2020 年 10 月 19 日 上午 10:01

收件者: 吳芊樺 <wendy556624@gmail.com>, Rita Lee <rita@e-domex.com>

副本: Daniel Lin <moreforest@gmail.com>, rose@e-domex.com

親愛的 Rita 您好:

我是吳芊樺，因擔任 109 年度文藻固祥合作的專案學生，在今年暑假有幸前往公司實習。

感謝公司上次電訪所提供的資訊，我已對公司有了進一步的了解，但我仍舊有一些固祥對於中美貿易戰及新冠肺炎疫情的態度與行為，希望能向您請益：

一、本人上班第一天剛好碰上公司針對營業部的內部研習，研習內容為 VStitcher 的基礎應用。研習目的在於成衣採購數位化。

1. 成衣採購數位化之目的為何？

答：減少成衣的製作與採購流程，縮短生產製作時間，讓成衣更能快速反應市場需要。

2. 雖然成衣採購數位化是未來趨勢，但選擇在這個時機點開設研習，是否是為了因應中美貿易戰及後疫情時代？

答：此項研習與投資，跟疫情與中美貿易戰無太大關係。若是真的要牽扯關聯，只能勉為其難地說，此時投資開發數位化，只有時間較為充足，人員有較多時間訓練與適應，對公司整體運作影響較小，也不會對客戶造成影響。

3. 目前研習的進度到哪裡了？

答：3D 立體打版與數位採購系統再進化，減少製作樣品的數量與減少業務的採購的工作量。

二、固祥是否能根據 2020 年美國時尚產益標竿調查列出的 2020 年美國時尚產業所面臨之挑戰，自行評估公司認為的最大挑戰為何？

2020 年美國時尚產業所面臨之挑戰	2020 年固祥所面臨之挑戰 (1-18 名依序排名填入)
新冠肺炎疫情所造成的經貿威脅	<u>1</u>
供應鏈的風險管理	<u>7</u>
美國國內的貿易保護主義政策議程	-
生產及採購成本的增加	<u>2</u>
發展中國家的經濟前景	-
尋找中國以外的採購基地	<u>4</u>
遵守貿易法規	-
技術的投資及升級	-
滿足客戶需求	-
電子商務的市場競爭	<u>3</u>
新興市場的經濟前景	-
美國境內實體店的市場競爭	-
發展中國家的政治問題	-
美國之外其他國家的市場競爭	-
美國之外其他國家的貿易保護主義政策議程	-
保護公司的智慧財產	-
人力議題，包含人才的招募及保留	<u>5</u>
幣值與匯率對競爭及營利的影響	<u>6</u>

三、承上題：

上述其他未標示的項目對公司影響較微，所以無法評比。下列問題回答範圍頗廣，無法文字敘述，若是可以，最好面談，或是電話會議。

1. 是否可以詳述固祥認為的前五名是如何影響固祥發展？

答：統括而言：最直接的影響就是公司的營業額減少，生產勞動力供過於求；相對成本增加。

2. 是否有針對上題所列出的 18 項挑戰，做出因應作為？

答：公司要營運生存，當然要有所調適，才能讓企業生存。

ATTN：吳同學

事實上妳的這些問題，無法給妳一個完整的標準答案。主要的原因在於各品牌要求的不同，各個成衣廠的規模大小不一，

舉例而言，許多報導在說明，許多品牌一直試行在銷售店鋪內，裝設 3D 試衣鏡。主要的目的就是讓消費者能從中，穿搭出自己想要的服裝與樣式，減少試衣時穿脫的麻煩與時間。

且間接減少店鋪內的人事成本與褶衣整衫的工作。實際運作上，此計畫推廣數年，效果迴響不是很大，究其原因：在於衣服的款式繁多，穿搭與尺寸多樣化，品牌與店鋪間要投資的金額非常大，

除了電腦設備與技術人員外，最主要的是要一群後台服務人員，不定時要將資訊彙整與更新，才能稍微有所成果。所以成衣紡織界的數位化進展，無法像電腦資訊業立即看到成效。

針對妳的問題，在文字敘述上，我只能大致回覆妳，若妳覺得不夠清晰，可以上來公司，我們再來交換意見！請見諒！

謝謝

李祖祥

APPENDIX B

MEETING INTERVIEW

一、疫情對固祥最大的影響為何？

答：大部分的問題，事實上，整個比較實際，第一個應該是說，歐美的疫情一直在很嚴重。都會有一些管制，譬如說：宵禁的管制、或者是封城管制、或者是一些所謂的賣場人數控制等等，就像台灣的家樂福。變成說，大家的意願會變低。出去要戴口罩，要保持距離，不能太親密，變成說大家的外出的頻率會變低。所以變成說，市場的生意就不好因為你不會去逛街。

第二成衣這行、紡織業並不是生活必需品。很多國家像武漢封城，他會自己去買去超市、買生活用品、但是不會讓你去超市買衣服或一些賣場買衣服，所以導致整個大環境是，每個行業幾乎百分之六、七十是萎縮的。

近年，就是因為這些疫情，本來近年該去銷售的東西，通通不能銷售，那就是產生了庫存，那庫存就會影響到明年的訂單狀況。因為你庫存沒有銷售，你再去進新品，那buyer的資金壓力是不是很大？倉庫是不是要很大的倉庫？所以變成說這些都是問題。所以變成說，這個情況下，固祥面臨到的最大問題就是訂單萎縮。

訂單萎縮影響到的就是，income變少了。收入變少了，但是你還是要維持一定的營運量，那公司如何生存？如果今天你是老闆，你是要讓公司馬上斷糧還是要把生存生產的時間拉長，讓大家都有點飯吃，雖然吃不飽，但至少不會餓死的那種感覺。所以這個就是所謂的在存戰備糧。那公司的因應就是如何節流，沒辦法開源，因為大環境不好如何開源？所以你能節流。

那節流方面就有很多的方向了。工廠端、還是公司端、還是客戶端。所以變成說，在面臨上，我們要有很多所謂的應變措施。首先是從財務端，就是要想辦法節省開支，。節省開支完以後，公司才可以拉長戰線，拉長時間去迎戰這個疫情。這是財務端。所以節流是一定要的。

那節流方式就很多種了。一個是公司內控。報表的、影印紙的消耗水電力的減少都是所謂的內控管理。但是反過來講就跟家裡一樣，家裡就是那麼多口人，柴米油鹽醬醋茶，加起來就是要這麼多錢，那我如何去照顧公司每一個人？，這時候，我們就不得不去做取捨。

第一個把所有的計畫展延，公司開了一個新廠，但今年訂單的狀況不好，所以不得不把新廠的生產力全部歸零。今年就不適合設新的工廠。把開設新廠的計畫往後延。

第二，減少不必要的人員。以前我們都會請一些臨時工去做一些，譬如說剪線的動作或者是做一些檢查的動作。現在就把臨時的派遣工全部停止招聘，合約到期就不再招聘。

第三，縮小打擊面。本來工廠有二十條生產線，想辦法濃縮成十五十六條、或者是十七條這樣，讓整個公司的運行時間拉長。

再過來減少加班，工廠要減少加班，就可以不用付加班費。再過來，公司鼓勵員工在這段疫情時間，盡量把所謂的特休假趕快放掉，這樣的話公司就不用去補你錢，就不用發薪水。因為這是所謂的年假啦，大家都有。

然後再過來，就是相對的，我們也會有獎金。公司在這麼困難的營運狀況下，不會像以前說，公司有賺錢，可以發大筆的獎金給各位，獎金方面就會相對的減少。

二、剛才講的有包括中國的廠區嗎？

答：基本上中國自己內需夠，但是生意也不是說很好。跟其他國家比，絕對是比較好一點，因為中國十三億人口，絕對有極大的消費力。

第二中國的網路購買是很強的，如果不相信你可以看雙十一，你就可以發現它雖然或許疫情會有所影響，但是影響的層面不會像歐美這麼大，因為他們的網購、行動支付都很強，所以人與人的接觸就會比較少，所以中國這方面來講有沒有萎縮，也是有。而且這段時間因為中美貿易的問題，中國現在是被壓著打。基本上來講，現在因為新疆的、新疆獨立運動、新疆人權問題，所以現在有很多歐美國家禁止中國棉進入歐美，因為中國棉百分之六七十是來自新疆，所以造成我們也會有部分的原物料短缺。

全世界中國大陸的東西就是便宜，包含布料。你現在禁止中國棉出口到各個國家，所以歐美國家的棉就會貴了。所以單價上也會相對提高，單價上也會相對提高的時候，市場賣價也跟著提高，但是消費者買不買單，你並不清楚。所以這個時間來講，也是一個非常意外的事情。

所以有沒有影響，都有。只是帳面上影響的幅度。我認為會有所影響，但大或小，我們不敢講，但絕對比歐美來的輕微。在市場消費上，因為我說過他們的店，行動支付跟網購是非常強的，所以他們習慣這個動作，所以對他們來說可能還不會造成太大的消費市場的萎縮。

那就是上次電郵訪談，就是有要求固祥填排名的表格。然後有注意到，其中一個是尋找中國以外的就是尋找其它生產基地，所以是有考慮投資嗎？

這是一個目標，因為我們是勞動密集產業。為什麼要去尋找其他的生產基地？因為我們、亞洲各國都已經飽和了。那你如果你再去找成本更低的生產製造地，目前來講只有非洲，或者是緬甸。那我們是有去探訪過，只是目前沒有任何進度，因為現在我們的訂單來源還不以支撐，或是需要其他的生產基地。目前是 OK，但這是公司未來必須要走的路。因為客戶是很現實的，今天你賣他十塊，他希望明年能賣他十塊，後年他就希望你降價。因為得利的是誰？客戶跟消費者。所以為什麼平價服飾 GU Zara h&m 會這麼受歡迎，這麼盛行。就是因為他時尚速度快，它的價格不像名牌那麼貴，他是走大眾路線。當我們消費者買到平價的東西的時候，CP 值不會太差的情況下。你就不一定去買高品質的東西。當你的 CP 值要高的時候，你的價格要更低的時候，要吸引消費者的時候，你只能去搜尋低價的生產基地，人工，資本低的。

就像鴻海集團來說，他不是要到美國威斯康辛州投資嗎？最後現在被告嗎，說他很多減免及補助都會被威斯康辛州取消。原因何在？因為鴻海的規模並沒有他們想像中的那麼大。那鴻海不是白痴。鴻海因為它是屬於電腦製造業，他所謂製造者，當你人事成本太高，相對就會吃掉公司的利潤。然後身為一個企業一定要賺錢，沒有利潤的生意，誰要做。

反過來講，現在問題最大的就是整個市場都不好。不管是每個國家，或者是我們每個的競爭者都為了要維持公司的正常營運，可能會去接一些賠錢訂單，維持基本開銷。沒

有利潤的訂單就像是那種稀飯，吃不飽，但是你也餓不死。那就所謂的基本開銷，因為我說過一開門就是柴米油鹽醬醋，你就得出這些錢。你沒給他工作做，你還是得付他這些錢。就是你要休無薪假，也要給七成薪水。那這七成薪水就是現在所謂的粥啊。雖然虧錢還至少還有點收入，可以 **cover** 你們七成的薪水。

所以現在有肉的訂單很少，所以為什麼很多的供應商會尋找不同的生產基地來生產？因為 **buyer** 可以選擇單價低的，可以賺更多的利潤，他也是去維持他品牌的營運。因為現在都虧錢嘛，當然是少虧最好。少虧的方法就是一種，就是減少支出。當我的訂單以前是十塊錢，現在九塊六可以買，我幹嘛還付你十塊錢。供應商會有更多的 **resource** 去尋找更便宜的供應商，對他最有利益的供應商，因為得利者是他，他就不會去管我的死活。

三、現在問題是是疫情之前的問題，就是在疫情爆發之前，是只有中美貿易戰的問題。中美貿易戰就是看過文獻的話，就會知道說，有一些中國訂單會轉到東南亞去，那固祥有沒有因此就是接到訂單？

答：應該不能說沒有，但是並沒有想到這麼多。因為固祥的特性是，簡單的款式客人不會給我們。為什麼？因為他們可以找到更低單價的。譬如說，何謂簡單款式？Polo 衫或者是所謂的 T-shirts 襯衫這種工段不多，複雜性不多。每個剛起步的都可以做這些東西，所以他可以找到更便宜的 **sourcing**，他就不需要來找固祥。

這些東西會從中國大陸跑出來，就是因為以前中國都做得很便宜。中國大陸是一條龍的，他們什麼都便宜，所以他們可以做得很大。現在中美貿易戰，這些訂單要丟出來的情況下，以前你在中國大陸買 1 件 3 塊前的 T-shirt，你現在去東南亞國家你可以找到，你當然要至少維持 3 塊。如果比他貴一點點 3 塊 1 或 3 塊 2，他還可以接受。如果今天到四塊錢，多了一塊錢他就不一定能接受，所以他可能會走到南亞或者是非洲。

所以但是就是我講的，並沒有想像中說，亞洲國家都可以因轉單而受惠，但是反過來講，那些比較有技術性的比較，有功能性比較 **function** 的東西，我們就有可能拿得到，因為他要有一定的基本功，他要有一定的基本知識及一定的專業知識。所以可能以前我們可能可以做五十萬件就是因為中美貿易戰再多給你十萬件或者是二十萬件。但這還要取決於你工廠規模大小。

第二個，你有沒有那麼大的吞吐量。為什麼？每個客戶的交期期幾乎都一樣，你不可能一下子就吸收這麼多。這麼多東西，你頂多只能多接收 10 到 20 個 **percent**。你超接了，你就是準備去付空運，那這個錢就是，你就是沒有賺到錢還倒虧錢。因為空運很貴，空運現在因為疫情的關係，空運的油價及空運的 **SPACE** 都不夠。所以每次幾乎 3 個月空運或者是海運的費用都會提高。

再過來，因為我們是做品牌的。品牌有他品牌的要求，要符合一些人權或一些環保，要符合一些所謂的 **ISO 9012** 以及有無違反人權？建築物安不安全？你都有這些認證，他才會給你。所以很多的東西就不是說我一下子就可以拿到的。或許我今天跟 **Puma** 做，這個認證 **puma** 接受，但是我如果跟 **levis** 做，他可能就不接受這個認證，他要你另外再去另外一個認證給他，那這個認證不是說你今天認證明天就會過，不是。他至少要半年 3 個月的醞釀期，還有評估期。那就不是說今天中美貿易戰打開，我們就可以受惠。真的只能說有，但不是那麼大。因為我說過，考慮客戶的要求、公司的吞吐量、再加上價格能不

能夠接受，這些都是你消去考量的；還有公司能不能夠負荷那麼多的訂單，所以說，大概都是有受惠啦，只是多跟少的問題而已。因為固祥是比較保守的。一般來講，我們接訂單最多只到 15 個 percent 就差不多了，因為再多品質會開始出現問題。為什麼？第一個，那段時間要出這麼多貨的情況下，在質量上就不會這麼嚴格。不是說一定會出問題，只是在品質的檢驗上可能會降低標準。第二個，再過來就是工人有沒有辦法長期加班。在人權是否有符合？這些都是要考量，所以就變成是說有受惠，但不是像你想像中的大家都可以賺到，不會。還是要評估很多的點。

四、就是因為疫情，然後確定固祥營收就是有減少，然後接不到訂單。然後就是有影響到需要去申請疫情紓困。那疫情紓困，那個是算貸款嗎？他是紓困貸款嗎？

答：那基本上有兩種，政府為了拯救失業率，他也很怕很多中小企業會倒閉，造成大量的失業潮。所以政府會提出一筆所謂的三百億或五百億的企業補助金來解救，中小企業面臨，就像你講的，就像我們現在很多客人的 payment term，付款條件從六十天變到一百二十天，這樣就多了兩個月的利息。

第二個，你還有一個現金流的流動。當你的公司沒有那麼多現金的時候，你可能要去跟銀行說，你的錢是剛剛好。但是只要一個客人，沒有準時付款，就會出現現金流的問題，周轉金可能就會有問題。但是你去跟你的債主說因為客人什麼原因導致，可能債主不願去聽這些東西。人家講的，銀行是兩天收傘。我想你也看過。就像現在半澤直樹，銀行一定是兩天收傘。所以銀行不會去聽你這一些。

小企業如果在週轉金不足的情況下，如果發不出薪水，或是延遲貨款付給人家，可能會面臨倒閉。但是只要一倒閉，勞工就會有很多的失業人口，失業就要去領半年的就業補助金，這些都是連帶效應。

政府為了顧及大部分人的權益，所以他會提供，給一些中小企業，一些補助，可能可以說半送你的錢吧，但是不會很多。可能你一個月要十萬塊的週轉金，他給你一成，讓你至少能積少成多，讓你能多維持一個月、兩個月減少失業率。因為只要一有失業勞工一出來，就一定會暴動。就是很現實的因為人吃不飽就會去搞政治來去抵抗。就是政府為了平穩，他也必須做這個動作，這是一種小額的給予。

另外就是銀行的補助。只要有在這個疫情時間借款，借款的利息降低，還款的天數要拉長。我本來是三年要還，我可能拉到四或五年還。這樣的話，就可以挽救中小企業不要大量裁員。再來銀行也有部分的收入。這是雙管的，不是單方面的，就是一個一體兩面的事情。

五、所以固祥申請的是補助金而不是貸款？

答：對。但事實上，我們也有貸款，我們也有跟銀行借錢。為甚麼？因為我說過，客人把付款時間拉長了，我們準備的周轉金可能就不夠。那我們就去。可能跟銀行短期借款，借兩個月或三個月，或者借半年。但是好處在哪裡？因為這一段時間，政府為了補助企業繼續生存，所以他的利息就會變比較低。可能以前我要還 2%，現在搞不好只要 1.6%。你會覺得 0.4% 不多，但是當你數目大的時候就差很多。大概就這樣，這樣清楚嗎？

六、所以這些輔助金又在周轉上面嗎？還是說會用在員工薪水裡面？

答：沒有辦法給你肯定答案。每個企業有每個企業文化，我們只是預防，不一定會用到。

基本上公司的財務算是比較穩健、保守型。但是我們也不希望把自己，把所有的子彈都打出去。我們寧可去花小小的一些力行，去積一堆子彈在這邊當作預備。因為就像我們說的天有不測風雲，忽然發生甚麼是就來不及了。但是我們就是短期，當客人貨款一進來，我們就還給銀行，就這麼簡單。所以你也可以把它當作是一個週轉金的儲備也可以。

七、就是之前第二次電郵訪談。有提到那個數位化的研習。然後雖然你說，他不是針對中美貿易戰或新冠肺炎。但是數位化就是會減少紙張的浪費，或者是可能會達到一些節流效果。所以你覺得這對後疫情時代是有幫助的嗎？

答：我們應該這樣說。短期內你看不出成效，但是這裡畢竟要走的路。就像我舉個比較簡單的例子：以前台灣要推行行動支付非常困難。為什麼現在推行的很快？因為要減少人與人的接觸，方便性夠。這是以後會走的方向，因為這就是一個趨勢。只是因為後疫情時代，這個趨勢快了一點。

再過來，Uber eats, food panda 也是一樣，本來效果沒這麼好，生意沒那麼好，但就因為這個疫情，導致大家懶得出門，懶得人群接觸，導致生意一下擴展起來，推動的比較快，接受度比較快。

同樣的道理，今天公司要數位化，這是一個未來的趨勢，為什麼？因為要節省開支，所以開支不是我們公司想而已，客人也想節省因為客人就可以減少一些做樣品批核的時間。以前可能我今天有修改一點，我就要再重新做一個樣品寄給客人去核可。這中間從寄送做完，至少兩個星期。因為要等原物料到，到了要再去修印花，印花用完就要用車縫線、車完樣品，之後要再寄給客人。客人可能還要再等三四天再給你。新的一份評論，然後再回過來，根據評論修改，去判斷是否要第二次的核可，或者是第三次，或者說你可以直接生產大貨。

數位化的好處就是說，今天這個數位化，目前來講，可能我今天接上電腦修改完以後穿在電腦的人型模特上就可以直接看，節省大家的時間。第二個，他可以馬上從電腦是不是符合設計師需要的，他也可以馬上做修改，所以這個是勢必要走的方式。

但是立竿見影的效果現在可能不是很出來，因為這只是初期，還在摸索，而且因為衣服的項目很多，你沒有辦法達到很多很多的項目，就像我說的，你現在能做的，除了T-shirts或者是所謂的襯衫，或者是一些比較夾克才可以。但是你如果女裝就要去有腰身，或是有上圍，這些都要去考慮到，。然後褲子可能就要去看臀的大小。然後國家不同，尺寸也會不同。

這是一個趨勢，但是沒辦法一下就告訴你效果達到什麼地步，但是這是一定要走的路。那疫情時代只是讓說，因為現在的訂單變少，所以變成說大家的時間變多，那就乾脆去推動這個東西。第二個，倉儲系統也要數位化。這些東西都要什麼？都要錢。你沒錢沒辦法辦事。很多，成衣很多，很多的客戶都要求紙箱統一尺寸。可能一個紙箱可以裝T-shirts 七十件，但是裝羽絨衣只能裝十件。但他還是要這種紙箱，為什麼？因為符合客戶端

的機器人時代。他們的倉儲全部都標準倉儲，只要貼上條碼，東西一到，就直接送到指定倉儲，這也是一種數位化。

所以數位化的東西是一個長遠的東西。目前固祥能做什麼？所謂的 3D 的人型 model 去看看我們的電腦馬克打出來的效果是不是客人需要。從這些東西來看，是否可以減少樣品製作的時間跟批核的時間。但是相對的，我們也不是全部項目都可以這樣做。現在目前我們能做到的就是褲類，所謂的游水短褲或者是所謂的長褲，目前來講是這個目標在做。反過來講，puma 今年也會開始要求 3D 立體，但是他們也在評估，是哪個東西比較適合，他們也在考慮可能是針織，或者是平織都會，因為客戶都知道，但是就像我說的，這要一個很大的後台。

八、剛才有提到，就是現在政策是節流，但是一直節流沒有開源，也不是也不是一個辦法。

答：基本上來講不是沒有開開源，但是因為沒辦法出國，開源都有在開源，客人都會有廠商來問，但是就是用電郵的形式在問。所以我們有評估說，這家公司到底是正派公司，還是只是一般的仲介商。所以我們並不是說都不去開流。有喔！我們都在試。但是問題是，目前來講，績效不是很好。

來問的都是一些，
投機客比較多吧

為什麼？就像中國大陸、中美貿易戰對中國設限，對美國設限的問題，變成很多人都不想跟中國採購情況下，那可能以前在中國生產的東西，就轉到東南亞去生產。所以他去看，可能上了東南亞的網站或是越南網站去看哪些廠商有做這些東西，去找到這些廠商。

第一個，比價格。第二個，比生產期，快或慢的。就是新客戶對我們的要求，我們都了解。相對的，我們也要去瞭解，你來找我的這家公司，是否是正派公司，還是只是一個仲介商。因為為什麼你當你豁出去拿不到錢說怎麼辦？我們有沒有辦法去做銀行調查，因為我們現在就出不去。要做銀行調查就要提供完整的個人信用，或者是公司的狀況，或者是公司的銀行資料。我們才可以委託銀行去做一些背景調查。所以我們還是持續有在開源，但是效果不彰。因為我剛才說過，都不是一些正統的大公司，或者是一個正派的公司。都不是一個稍具規模的公司，可能是新公司，或者是不到十年的公司。那我們在成衣這個行業上，我們就會比較小心、謹慎。

我們會要求你開的 LC asite，甚至你開三十天我都可以接受，因為至少有信用狀，你可以去銀行押匯。我把東西交給銀行，你沒給錢銀行不給你提單。但是如果你連信用狀都開不了，今天換做是你，你會想跟他做生意嗎？素未謀面的一個供應，一個 buyer，跟你要這麼多訂單，可能十萬二十萬不是台幣是美金的情況下，你敢貿然出貨嗎？你沒有任何的保證，你敢貿然出貨嗎？對嘛，因為你要去付我們的主副料錢嘛。所以變成說，我們還是有持續在開源。但是我剛剛說的，效果不彰。

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