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Technology & Business Insight - From Concept to Consumer

Refurbishment: Turning Problems into Profits

— by Doug Easly, Quality Corrections and Inspections

A high-quality refurbishment program can offer your firm innovative ways to turn defective or otherwise problematic apparel, footwear and other sewn products into profitable merchandise.

As many U.S. apparel companies have moved some or all of their production offshore, they have encountered ever-increasing quality issues as a result of importing.

Sometimes, it's too costly and time-consuming for importers to ship imperfect goods back to the manufacturing plant, which is usually overseas. For most retailers, there's a window of about one or two months to turn over stock. For retailers and manufacturers, sending merchandise back to the original vendor inevitably may lead to a loss in revenue. Thus, the need to establish a quality apparel refurbishment program to perform inspection and rework of defective goods is crucial to an apparel firm's operations.

Two ways to institute a refurbishment program are by: 1) incorporating internal quality procedures; and 2) developing a close relationship with a well respected and experienced third-party refurbishment company. Let's first take a look at internal quality procedures.

Internal Quality Procedures

Internal quality commitment requires the participation of everyone within your company. Without total commitment from all involved, your quality program will never get off the ground.

Apparel quality issues happen on the front end (initial shipment) as well as the back end (returns). The key is to develop processes to ensure that defect costs are held to a minimum and profit is upheld. From the front end, it is important to establish quality policies that everyone understands and follows.

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Third-party apparel refurbishment firms can inspect garments for loose or improperly sewn buttons, and re-sew the buttons as needed.

Improving Quality of Initial Shipments

Here are three important steps:

1. Provide a constant commitment to having dedicated product quality personnel and programs. This commitment should apply not only at your distribution centers, but also at your offshore plants or your contractors' facilities. It's important to make both your U.S. and international operations or contractors' operations aware of your commitment to your quality standards. Your commitment to product quality will be reflected in your customer's satisfaction and repeat business.
2. Write and implement a quality standards manual and document a statistical quality audit process for all inbound merchandise. Provide standard training on an ongoing basis to ensure all employees understand the procedures and follow them accordingly.
3. Carry out a root cause analysis to determine the cause of any quality issues. Provide the results of this analysis in the form of detailed specifications to your plants or manufacturing partners to prevent future problems of the same nature.



Managing Returns with Refurbishment

Procedures for handling returned items often are overlooked and, in many cases, returned items are piled up in the corner of a warehouse or distribution center. Companies that don't establish a refurbishment process to inspect and repair returns are at a disadvantage because they cannot fix problematic merchandise and get it back in stock and on the selling floor.

A high level of returns may indicate that your quality-control inspection is not at the level it should be. In addition to addressing your front-end quality procedures, however, you also should develop a plan for getting the returned items back into stock so that you can sell them to someone else.

You obviously can't restock a returned item that is torn, stained or otherwise damaged. However, if you develop a refurbishment program, you can restore defective products and get more of your returned items back on the shelves — and ultimately generating profit.

With a multi-step refurbishment process, a company can turn around returns quickly and get defective products into saleable condition. By refurbishing returned products — whether sewing a pair of pants or removing makeup from a blouse — your company and its customers do not have to order new merchandise, a key advantage in peak periods.

To effectively manage an apparel returns program, a company first needs to set up an area of its facility specifically for employees who are responsible for handling returns. Here, these employees will open returned packages and adjust customers' accounts accordingly. These employees can then determine what type of refurbishment is needed. This evaluation usually requires some type of cursory inspection of the garment, such as looking for damages such as rips, tears, or spots.

Sometimes it's not in the cards for apparel firms and retailers to design an entire system internally to deal with apparel quality issues, especially when it comes to refurbishment, which can require not only inspecting and sorting, but also sewing, tagging, cleaning and repackaging, to name just a few procedures. Here is where a third-party refurbishment service can help.



Apparel refurbishment companies often retag garments that have been incorrectly tagged with labels containing the wrong price, size, or color data.

Third-Party Quality Refurbishment

Quick response is needed when it comes to handling less-than-first-quality products or returns in order to get the merchandise back to first-quality stock for resale without lost profit margins. One of the best and most efficient ways to do this is by developing a close relationship with a well-respected and experienced third-party refurbishment company. Many refurbishment companies offer apparel and footwear rework, repair, and inspection services for manufacturers, importers, retailers, and catalog/mail-order businesses.

Many refurbishment companies are accustomed to working under tight deadlines and adhering to strict quality control specifications set by different clients, including both U.S. and international companies. They can solve a vast array of problems that arise during the manufacturing, shipping, or returns process. Essentially, they take dead stock and turn it into merchandise with profit-making potential. Many also guarantee their work.

Experienced refurbishment companies have the skills and creativity to deliver very diversified services. Beyond offering refurbishment, these firms often can help alleviate production overload during peak seasons by handling some production at their facilities.

How do you know what to look for in a refurbishment service? Following are some tips to help you choose the right company for your needs.

Selecting a Refurbishment Firm

Upon receiving a sample and specifications from a customer or potential customer, a good refurbishment firm should have a rapid response team that devises a plan for corrective action and conducts a cost and time analysis for the project. The firm should have quality assurance teams in its facilities, with members including auditors, seamstresses, dry cleaners, and other repair experts.

A good refurbishment company also should offer:

- military and/or acceptable quality level (AQL) 4.0 inspection procedures;
- equipment and personnel capable of performing tasks including sewing (repairs/alterations), spot/stain cleaning, sewn-in label changes, button replacements, mold/mildew removal, deodorizing and sanitizing (including an ozone chamber), steam pressing, dyeing, contract cutting, and stitching; and
- fulfillment, warehousing, and distribution services, including re-ticketing, re-labeling, sorting, packaging, hangtag and price labeling, and "pass-through" distribution capabilities whereby the refurbishment firm can ship corrected merchandise directly to the final customer.

Refurbishment firms also should be able to help their clients develop innovative merchandising tactics for selling less-than-first-quality, slow-moving, or overstocked inventory. For example, if a customer has over-projected demand for long-sleeved shirts or pants, the refurbishment firm may suggest converting the products to short-sleeved shirts or shorts in order to meet seasonal demand.

Or if a particular SKU is selling poorly, a refurbishment firm may dye garments a different color, or upgrade the style by replacing outmoded or sub-par buttons and buckles with more fashionable trims.

A good refurbishment firm also should be capable of measuring and altering off-spec garments, such as dresses, so that they meet clients' specifications. The company also should be able to treat minor stains and spots, remove mold and mildew from imports that come in from humid tropical areas, and remove nuisance odors from clothing.



A good apparel refurbishment firm can offer creative solutions for poorly performing styles. For instance, it may be possible to convert pants and long-sleeved shirts into shorts and short-sleeved shirts, respectively, to better meet seasonal demand.

Before You Refurbish: Evaluate Your Options

Above all, before you begin a refurbishment project, it's important to perform a cost analysis to compare the expense and repercussions of returning goods to your vendor vs. repairing defective merchandise. Sometimes products are so bad, there is nothing you can do with them. Depending on your return-to-vendor (RTV) policy, you may ship the goods back to the vendor or charge the vendor a fee for costs your company incurs to destroy the imperfect goods.

Before throwing in the proverbial towel, however, consider your options carefully. Look at both the short-term and long-term expenses and savings of a RTV approach vs. a decision to have defective merchandise repaired and inspected. You may get your merchandise money back by using your RTV policy. However, you may lose a customer who is unhappy about undelivered products, and who may go to your nearest competitor to get the goods. To over-promise and under-deliver is a company's worst nightmare when it comes to ensuring overall customer satisfaction and repeat business.

Finally, if you're tired of discounting or throwing away defective apparel or piled-up overstocks, dealing with continual merchandise quality issues, and most of all, dealing with unmet customer expectations because of backorders, then it's time to start a refurbishment program. By developing an internal apparel refurbishment program and establishing a solid relationship with a trustworthy refurbishment company, you can start to regain profits you may currently be discounting or throwing away.

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Efficiency and quick response services are essential in a third-party apparel refurbishment company. Such firms should be capable of conducting quality inspections as well as reworking problematic garments.



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