

**Figure 3: Across production costs, there are numerous levers that apparel retailers can pull to drive efficiency including changing their country mix**

Cost Element	Lever	Description	Potential FOB Benefits
Materials	Platforming	Rationalizing the number of fabrics used and communicating platforms to vendors can reduce costs and complexity by allowing vendors to plan and consolidate fabric purchases.	1-3%
	Yield Optimization	Using yield optimization software can lead to a decrease in fabric use and can provide additional negotiating power to buyers by allowing them to leverage yield information.	1-3%
Labor	Country Mix	Wage rates and labor efficiencies across different countries vary significantly and with constantly changing wages, it's important to ensure a balanced mix to decrease risk and exposure.	5-15%
	Cost Transparency	Arming buyers with detailed costing information, such as minutes required for sewing a garment, allows for should-cost based negotiations.	2-5%
Overhead	Factory Efficiency	Factory efficiency, including worker efficiency, factory floor layout, availability of utilities, and strength of management, can impact product cost.	Up to 8%
	Process Efficiency	Working with key vendors to streamline processes, such as sample requests and purchase orders, can have a positive impact on relationships and lead times.	1-4 weeks in lead time improvement
	Sample Costs	Sample costs are typically hidden within product cost but they are not insignificant. Implementing simple rules, such as checklists to comment on all aspects of a sample during every round and reviewing some samples using technology, can save costs over time and reduce approval lead times.	0.5-2% depending on adoption rate and average price point
Duties	Country Mix	Countries with duty-free (e.g., AGOA) or partial-duty (e.g., CAFTA) status can provide cost savings on products with high duties like synthetic t-shirts which have a 32% duty rate.	Up to 30% on applicable products
	Product Engineering	Duty rules are often complicated and slight changes in a garment can significantly adjust duties paid. For example, the difference in duties on a woven cotton pullover vs. a woven cotton blouse is 7.3% and the difference can be as simple as adding a waistband.	5-10% on applicable products
Logistics	Country Mix	Some countries provide advantages on shipping rates and lead times with near-shore countries providing the most advantage.	1-3% on landed cost and 1-4 weeks in lead time improvement
	Sourcing	With a strong focus on sourcing merchandise, opportunities to source logistics, which represents a lower cost overall but still can significantly impact total cost, is often forgotten.	1-2% on landed cost

Source: A.T. Kearney analysis