

# Garments

Essential sourcing intelligence

December 2012

US\$150

## Indonesia supplier profiles

Detailed profiles of 30 suppliers with verified manufacturing and export credentials

## Product gallery

Specifications and full-color images of 170 top-selling export products ranging from formal wear to sarongs

## Industry trends

Coverage of current issues, plus insights into supply centers, products and pricing



**promoting sustainable global trade**

**hinrich foundation**

Global Sources is offering this series of *Developing Country Sourcing Reports* as part of its corporate social responsibility undertakings in partnership with the Hinrich Foundation, a philanthropic development organization whose mission is promoting sustainable global trade.

The aim is to give international buyers new sourcing opportunities from experienced exporters, generating orders and creating lasting jobs in developing economies.

## Supplier capability in Indonesia

**GARMENTS**

Exports of garments from Indonesia continue to rise in light of the resurgence of demand from major markets.

Shipments have been increasing consistently over the past decade, with growth becoming especially pronounced since 2009. Starting that year, the industry has been registering double-digit expansion annually.

The recovery of the US economy is regarded as the main factor driving this development. The emerging trend of establishing a wider reach in the Asia-Pacific region is also a positive contributor.

The industry benefits from a number of strengths, the most important of which is low labor cost. Compared with China and most sourcing hubs in Southeast Asia, manpower expenditure in Indonesia is smaller, resulting in less-expensive models.

**Key findings**

- Suppliers are generally expected to keep prices of garments unchanged over the next six months in response to strong competition and to keep repeat customers. Some manufacturers will push up quotes to cope with rising expenditure for raw materials.
- Overseas revenue in the coming year is projected to increase as more companies expand their reach in emerging destinations, including the Asia-Pacific and South America. This outlook is bolstered further by the sustained recovery of the US and the easing financial condition in a number of EU members.
- The government is actively assisting the industry to ensure stable domestic availability of key materials such as cotton. It has implemented programs designating specific areas in various provinces that are devoted for the sole purpose of growing plants to be used for textiles.
- Heavy reliance on imported fabrics is adversely affecting the continued development of the industry. Besides this crucial challenge, the sector is facing other difficulties, which include cutthroat competition with makers from the Asia-Pacific and stringent loan requirements enforced by local financial institutions.
- Emphasis on colorful and elaborate styles will mainly dictate product trends in coming months. Models will typically feature motifs such as geometric patterns, polka dots and floral designs. Embellishments such as embroidery and cutouts will still be widely adopted.

**Objective, methodology & scope**

This Indonesia Sourcing Report is part of a series designed to provide buyers with information on new products from export manufacturers in supply markets that specialize in handmade merchandise.

The Developing Country Sourcing Report series is part of Global Sources' corporate social responsibility initiatives. It is offered in conjunction with the Hinrich Foundation, whose mission is promoting sustainable global trade. One of its objectives is to help create jobs in developing Asia through export promotion.

To produce this report, large, midsize and emerging manufacturers, all with substantial export experience, were surveyed. The selection of suppliers is designed to reflect the composition of the industry in Indonesia in terms of geographic location, materials used and range of products offered.

For in-depth profiles, our researchers visited the facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other makers in this report were either visited or contacted by phone.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including a breakdown of exports by product type and market. Suppliers also participated in a survey designed to provide insight into the industry.

This report covers different classifications of garments available in Indonesia, including casual, formal, baby and children's wear, and sarongs. Each product category has its own price guide that describes features of low-end, midrange and high-end models.

**In this report**

- 17 in-depth company profiles
- 13 short company profiles
- 170 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics and charts

The Industry Overview section discusses key issues affecting export manufacturers. It provides insight on the composition of the industry and elaborates on the important supply centers within Indonesia.

The Products & Prices section details the features and price ranges of garments. It also examines the design and manufacturing processes, main materials used, and sourcing centers where components are procured.

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## Industry Overview

The garments industry in Indonesia is showing signs of progress in terms of export performance. This development is brought about by the recovery of traditional markets abroad.

Overseas sales have increased by an average of 17 percent annually since 2009. Revenue jumped from \$11 billion in 2010 to \$12.8 billion the following year.

The sector's marked improvement is a result of growing orders from major destinations that are slowly recovering from the financial crisis. The US is the primary market as it accounted for \$4.3 billion in 2011. The EU is another significant destination, contributing \$1.8 billion to total revenue. The five leading markets in the association are Germany, the UK, the Netherlands, Belgium and Spain.

Japan is the most important destination in the Asia-Pacific region, absorbing shipments worth \$323,000. Completing the industry's 10 largest markets are Canada, South Korea, the UAE, Malaysia, Australia, Saudi Arabia and Singapore.

The sector's strengthening export performance enabled Indonesia to become the tenth-largest garment manufacturer in the world in 2011. According to the World Trade Organization, the country trails after China, the EU, India, Turkey, Bangladesh, the US, Vietnam, South Korea and Pakistan.

Overseas revenue is forecast to climb steadily over the next five years. The Ministry of Industry and Trade predicts that the sector will grow 7 to 8 percent annually. This positive outlook is partly influenced by rising orders from emerging markets, particularly the Asia-Pacific and the Middle East. Some local suppliers plan to expand their client base in South Africa, Egypt, Saudi Arabia, the UAE and Lebanon. Others

will focus on South America, including Brazil, Argentina, Bolivia, Chile, Uruguay, Peru and Colombia.

An improving local economy, which attracted foreign investments of \$18 billion in 2011, has also pushed up revenue. The government attributes the segment's development over the next 12 months to business expansions resulting from the establishment of new factories and increased efficiency.

### Competitive advantages

The industry has several strengths contributing to its growth.

The sector's primary advantage is low labor cost, which has attracted foreign clients to consider the country as an alternative production hub. The average minimum wage in the apparel segment is about \$4 per day. Salaries differ across provinces, but are still relatively lower compared with those in other emerging economies. The basic daily compensation in Thailand, for example, is \$5.20 to \$5.90. In China, salaries range from \$3.75 to \$5. Workers are paid as much as \$10 in the Philippines.

Another competitive edge of the industry is the increasing use of sustainable materials such as organic cotton. Items adopting this input are popular among clients who

prefer environment-friendly and hypoallergenic fabrics.

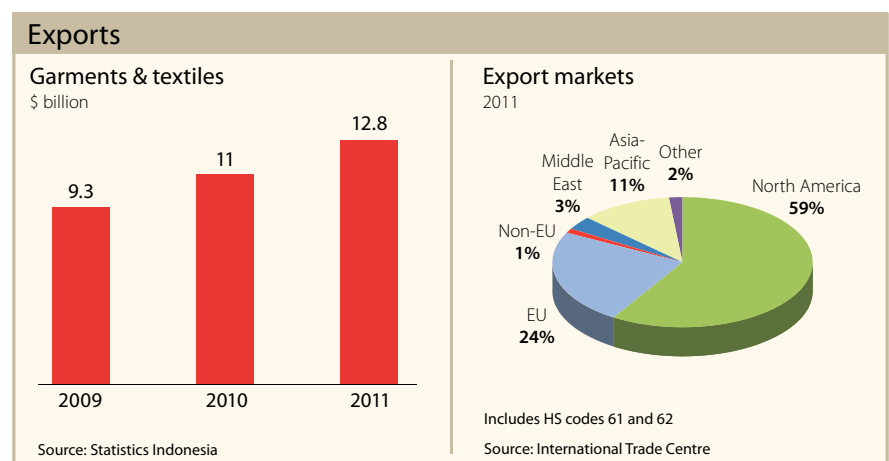
Low minimum order requirement also propels the sector. Most manufacturers allow shipments of 20 pieces or less, depending on the model. Makers are likewise flexible regarding replacement, refund and payment policies.

### Challenges

The surging cost of raw materials, particularly cotton, is the most crucial difficulty. Since about four-fifths of the input is procured abroad, expenditure is heavily influenced by the depreciation of the rupiah and surging shipping costs and importation duties. About 90 percent of cotton is bought from Australia and the US. The rest is sourced from Japan.

Other imported fabrics have become more expensive by 40 percent over the past year. These include printed silk chiffon from South Korea, and embroidered cotton and voile from Japan, India and China.

In response, the Indonesia government is implementing additional policies to increase the output of domestic cotton producers. Starting with Folks Cotton Intensification established in 1978, two other projects that aim to designate areas



## SUPPLIER MATRIX

Company * In-depth profile	Year established	Head office location	Ownership	Factory location(s)	Full-time employees	Part-time employees	ISO certified
	1993	Badung (Bali)	Locally owned	Badung (Bali)	10	5	No
	2008	Badung (Bali)	Locally owned	Denpasar (Bali)	5	15	No
	1995	Badung (Bali)	Locally owned	Denpasar (Bali)	9	6	No
	1997	Badung (Bali)	Locally owned	Solo (Central Java)	32		No
	1985	Badung (Bali)	Locally owned	Badung (Bali)	10	10	No
	2001	Badung (Bali)	Locally owned	Denpasar (Bali)	10	2	No
	1998	Badung (Bali)	Locally owned	Denpasar (Bali)	75	100	No
	2006	Badung (Bali)	Locally owned	Badung (Bali)	12	60	No
	1984	Badung (Bali)	Locally owned	Badung (Bali)	70	30	No
	2007	Badung (Bali)	Locally owned	Denpasar (Bali)	6	60	Yes
	2003	Badung (Bali)	Locally owned	Badung (Bali)	8	30	No
	1990	Gianyar (Bali)	Locally owned	Gianyar (Bali)	10		No
	2004	Badung (Bali)	Locally owned	Denpasar (Bali)	5		No
	1975	Badung (Bali)	Locally owned	Badung (Bali)	7	3	No
	2000	Badung (Bali)	Locally owned	Badung (Bali)	12	10	No
	2002	Badung (Bali)	Locally owned	Badung (Bali)	5	3	No
	1998	Badung (Bali)	Locally owned	Denpasar (Bali)	29		No
	1998	Badung (Bali)	Locally owned	Denpasar (Bali)	4	4	No
	1982	Denpasar (Bali)	Locally owned	Denpasar (Bali)	30	40	No

## Ayu Shop II

INQUIRE NOW

Ayu Shop was established in 1993. The supplier generated \$100,000 in total revenue last year.

The company's entire output is sent abroad. Australia and the EU each account for two-fifths of shipments. France, Italy, Spain, Portugal and Greece are the key markets in the bloc. The rest is absorbed by the US.

Ninety percent of orders are under ODM basis.

Casual wear is the major product line, accounting for 60 percent of turnover. Dresses and shorts are the best-sellers.

The company targets all price segments. Quotes are from \$2 to \$20. Rayon sarongs are offered for approximately \$2.50. Tank tops are available for \$4.50. Maxi dresses start at \$10.

Rayon and cotton are the materials used. They are sourced from vendors in Bali province's Denpasar city.

The owner is the chief designer and creates up to 12 new models every

month. Samples are usually sent within a week.

Ayu Shop operates a 600sqm factory in Bali's Badung regency. The plant is equipped with locally bought sewing, overdecking and cutting machines. All manufacturing processes are done in-house.

The facility rolls out as many as 10,000 pieces every month. The average monthly output is 5,000 pieces.

There are 10 permanent employees. Up to five additional workers are hired during the peak season, which is from September to January.

A six-member QC team checks all finished items before packing and shipping.

Polybags and cartons are normally used as packaging. The minimum order requirement is 50 pieces. Delivery is usually completed within 14 days.

Ayu Shop plans to expand its market reach in the Asia-Pacific region over the next 12 months. Upcoming models will feature simple and basic styles.

### Capability

#### Materials used

Cotton	Yes
Polyester	No
Rayon	Yes
Silk	No
Spandex	No

#### Exports by product

Casual wear	60%
Formal wear	–
Baby & children's wear	–
Sarongs	40%

#### Exports by market

North America	20%
EU	40%
Europe (non-EU)	–
Asia-Pacific	40%
Middle East	–
Other	–

### Contact details

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### Company facts

Year established	1993
Head office location	Badung (Bali)
Ownership	Locally owned
Factory location(s)	Badung (Bali)
Full-time employees	10
Part-time employees	5
Total annual sales (all products)	\$100,000

### Sales & output: Garments

Annual sales	\$100,000
Share of total sales	100%
Annual export sales	\$100,000
Total monthly capacity	10,000 pieces
Average monthly output	5,000 pieces
Capacity utilized	50%
Average monthly exports	5,000 pieces
Export ratio	100%

## Popular export models



**Model:** AY01  
**MOQ:** 50 pieces  
**Packaging:** Polybag, carton  
**Delivery:** 14 days  
**Price:** \$6.66  
**Description:** Dress; cotton; crocheted; in various colors and sizes



**Model:** AY02  
**MOQ:** 50 pieces  
**Packaging:** Polybag, carton  
**Delivery:** 14 days  
**Price:** \$3.88  
**Description:** Cropped top; cotton; crocheted; in various colors and sizes



**Model:** AY03  
**MOQ:** 50 pieces  
**Packaging:** Polybag, carton  
**Delivery:** 14 days  
**Price:** \$4.22  
**Description:** Tank top; cotton; crocheted; in various colors and sizes



**Model:** AY04  
**MOQ:** 50 pieces  
**Packaging:** Polybag, carton  
**Delivery:** 14 days  
**Price:** \$6.11  
**Description:** Tank top; cotton; crocheted; in various colors and sizes



**Model:** AY05  
**MOQ:** 50 pieces  
**Packaging:** Polybag, carton  
**Delivery:** 14 days  
**Price:** \$9.44  
**Description:** Dress; rayon; in various colors and sizes



**Model:** AY06  
**MOQ:** 50 pairs  
**Packaging:** Polybag, carton  
**Delivery:** 14 days  
**Price:** \$6.66  
**Description:** Shorts; rayon; in various colors and sizes

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