

## **Sweatfree Purchasing Consortium Open Membership Call**

Guest presenters: Donnie Hodge, President, Knights Apparel, and Theresa Haas, Director of Communications, Worker Rights Consortium  
Wednesday, October 20, 2pm ET; 1pm CT; 12pm MT; 11am PT

### **Update on the Sweatfree Purchasing Consortium—Michele Reale, Associate Attorney with State of New York Office of General Services and SPC Board member**

The organization has 11 members – 4 states and 7 cities. [as of October 27, 2010: 12 members— 4 states and 8 cities] Outreach for additional members is ongoing. In the past several months, a board of directors has been elected, and bylaws and budget adopted. A contract for online supply chain database has been approved; 6 to 12 months to completion anticipated. The organization is receiving assistance in legal research and development.

### **Donnie Hodge—introduced by Bjorn Claeson, interim coordinator, SPC**

Mr. Hodge, was named President and COO of Knights Apparel in July 2008, and is responsible for running the day-to-day operations of the leading producer of licensed college sports apparel.

Mr. Hodge, who has over 35 years experience in operations, management, manufacturing, marketing and supply chain at apparel and home textiles manufacturers, was previously the Chief Operating Officer of the Gerber Childrenswear division of Kellwood Company, where he helped orchestrate a re-engineering of the brand. His efforts over his seven years drove the Greenville, S.C.-based Gerber to “Best-in-Class” metrics in the areas of sales growth, operating earnings growth, capital employed, inventory turns, SG&A and Burden costs, distribution, and price value positioning.

Prior to that, Donnie spent 19 years at J.P. Stevens and successor company West Point Stevens, Clemson, S.C., where he rose to become Senior Vice President-Strategic Planning and a member of the company’s Executive Strategy team. During that time, he helped turn the home textile division into the top performing group within the company, leading the effort to stabilize business processes and helping to direct the development of the Ralph Lauren Home Fashions line. Donnie began his career in plant management at Milliken and Co., Spartanburg, S.C., as a Plant Manager and held 11 positions over the 10 year period he was there, including managing one of the largest manufacturing plants in the company before the age of 30.

Mr. Hodge is married with 3 children. A resident of Landrum, S.C., Donnie holds a BA degree from Erskine College, Due West, S.C.

### **Presentation by Donnie Hodge, President, Knights Apparel**

Donnie has been in the textile industry for most of his career, and at Knights Apparel for the last two years. Knights Apparel is the largest supplier of collegiate apparel in the US, followed by Nike and Adidas. Knights Apparel does not ship products under their brand; they have access to several other labels. They have exclusive contracts with 25 of the top 30 universities. They also

supply product for NBA, National Hockey League, Dallas Cowboys, and others. Overall, they have a broad portfolio of brands and source products from around the world.

*Why do apparel companies not pay living wages?*

First of all, there isn't a universal standard of what living wage is; it's up to interpretation. Second, it can cut into profit margins. However, the CEO of Knights Apparel realized that if they didn't support a living wage, there is no reason other companies would.

The Worker Rights Consortium (WRC) had done independent living wage studies in Haiti and the Dominican Republic. Due to logistical problems in Haiti, Knights Apparel decided to focus on a factory in the Dominican Republic. Alta Gracia is a town with 95% unemployment and is the former location of another collegiate apparel factory (BJ&B) that closed. Knights Apparel engaged a marketing company and developed a brand, Alta Gracia, with associated logo. They decided to use the same (BJ&B) factory that had been shut down previously. They have set up a simple product line: t-shirts, hoodies, fleece, but have capacity to make virtually anything they want to. Currently they have about 150 workers at the factory. The wages are the living wage rate that WRC calculated, and the workers are unionized. They engaged an outside firm to prescreen with hiring, and WRC assisted as well, so that as many families as possible were helped.

Duke University, Barnes & Noble, and Follett assisted with roll-out which occurred over the last 12-16 weeks. The Alta Gracia product is now in 400 bookstores at universities in the United States, and is also being expanded into additional stores. They are discussing working through distributors to reach smaller organizations and are developing graphics targeted to religious organizations and other youth-oriented branding. Success will depend on having enough demand to keep the project going. They are looking for new avenues of potential markets to buy products from this factory, and are very interested in conversation about how they could potentially supply some product to governmental entities.

Alta Gracia has its own website (<http://altagraciaapparel.com/>), facebook page and twitter account.

### **Remarks by Theresa Haas, Director of Communications, Worker Rights Consortium (WRC)**

The WRC is a labor rights monitoring organization that primarily works with colleges in the United States and Canada. The WRC also does labor rights monitoring for public entities such as San Francisco and Los Angeles. The WRC is involved in monitoring at Alta Gracia. The living wage calculated for Dominican Republic, which is paid at Alta Gracia, is almost 3 ½ times the Dominican legal minimum wage.

With Alta Gracia, the WRC has agreed for the first time to allow a hang tag to be placed on the label, signaling monitoring and verification by the WRC. Thus far the factory has been exemplary in its compliance, and the WRC is very pleased to be involved.

### **Question & Answer Period**

*Carol Bracewell, City of Madison's sweatfree procurement advisory committee: Is Knights Apparel hoping to sell directly to public entities or through distributors? And which quantities make sense for each?*

Donnie Hodge: Probably both. Knights is capable of taking relatively small orders today (for ex. 500 blank t-shirts or printed t-shirts). They will plan to maintain a stock of blank inventory.

*Carmen Herrera, City of San Francisco: The city requires vendors to be local and primarily uses two that are based in San Francisco. Would Knights Apparel be interested in working with these vendors, or their subcontractors?*

Donnie Hodge: Would be glad to talk with vendors who would like to have their product made at Alta Gracia. Purchasing officials are welcome to put vendors in touch with Mr. Hodge.

*Bjorn Claeson: What's the range of products that you can make there?*

Donnie: Currently making t-shirts, hoodies, crews, and fleece. Planning to add polos. Given sufficient demand will be able to supply other types of products as well. Knights Apparel welcomes inquiries about specific product types.

*Carol Bracewell: Could there be a way to streamline or consolidate the orders that departments are looking for? Could the Sweatfree Purchasing Consortium compile a list of the highest volume products and work with members to place joint orders?*

Donnie Hodge: That would be great.

*Liana Foxvog, SweatFree Communities: Is the Alta Gracia product retail price affected by the higher wages for workers? How have sales gone so far? Does Knights Apparel run any of their other factories or is the work all contracted out? Has Knights considered payment of living wage at their other factories?*

Donnie Hodge: Alta Gracia is the only factory that we own. In order for it to work, the company needs to have 100% of the production in the factory. If you only have 20% of production in the factory then others wouldn't be paying the same price, and therefore workers wouldn't actually receive the living wage. All of Knights Apparel's other business is contracted out with preapproved vendors.

Yes, it costs more. Generally, fabric is 60-70% of the cost of a garment. The labor rate at Alta Gracia is about 3 ½ times what Knights Apparel typically pays. Due to the extra labor cost there is a 10% higher total cost. However, Knights Apparel has priced the Alta Gracia product

efficiently in the bookstore so that it is in the same realm as comparable products. For example, there may be a few shirts in the store at \$15 but most are \$18-22, so Knights apparel sells the Alta Gracia shirt at \$18, and loses some potential profit but is able to sell the shirt. Knights Apparel did not want the product to have a higher cost because they wanted the initiative to be successful. Alta Gracia has already been successful enough that both Follett and Barnes & Noble have come back to Knights Apparel wanting to expand product categories next year.

*Bjorn: Has the research been done on why people are buying the Alta Gracia products?*

Donnie Hodge: There is in-store signage telling what the brand stands for. The Worker Rights Consortium and United Students Against Sweatshops have helped tell the story on campuses: that it helps people escape from poverty. It seems like there are people who will not only say they support the idea but are actually buying the product because of the cause.

Theresa Haas: There's been a significant academic interest in the product. A study is in process on the impact of the living wage in the Alta Gracia community. A study will be conducted on consumer interest in the project.

*Carol Bracewell: In Madison the sweatfree procurement advisory committee is struggling to figure out a clear way to implement the sweatfree ordinance. One of the challenges is to get the vendors to fill out disclosure documents that ask for information about the factories and conditions. Does Donnie think this is a feasible process? Is Knights Apparel supply such information available? And how can advocates and purchasing officials get through to other vendors?*

Donnie Hodge: Knights Apparel is very transparent about Alta Gracia. If the customer is serious in asking for and requiring the information, the customer will get it readily. Mr. Hodge also suggests placing upfront requirements on vendors to qualify for bidding, and consider requiring vendors to provide an outside audit during the bid process. The audit contains the information required in disclosure documents. If the audit is not provided, that can be a red flag.

*Liana: Of Knights Apparel's overall business, what percentage is Alta Gracia? Is Knights Apparel willing to disclose the factory locations of all their contracted-out manufacturing?*

Donnie Hodge: Currently Alta Gracia is a single-digit percentage of Knights Apparel's production. Knights Apparel would be willing to make available factory location information; they already share that with their retailers. Wage information is more sensitive—they would first want to understand the purpose of requesting information about wages.