

## Nature of Business

People's Garment Public Company Limited started business as a garment manufacturer in 1980, before subsequently expanding into the manufacturing of knitted fabrics. The company operates its business with the alliances in order to be integrated business from upstream to downstream. It focuses on adding value to products and creating the innovation on textiles and garments together with quality and environmental friendly concerned. Company's core products can be divided as following:

### 1. Ready to wear garments

The company's core business is manufacturing Ready-to-wear garments; Menswear, Ladies wear, Children wear, Swimwear, Sportswear, Cycling wear, and Men's Underwear which are divided as below categories:-

<ul style="list-style-type: none"> <li>■ International Brand (International trademark) certified license for production which consist of Arrow, Elle, Felix Buhler and Lecoq Sportif</li> </ul>	<ul style="list-style-type: none"> <li>■ Local Brand which consist of Streamline and BSC</li> </ul>
	<ul style="list-style-type: none"> <li>■ House Brand:- Company's registered trademarks for production and distribution which consist of Primo Linea, Proud, 360 (Three -Six -O), Swoop and Oberon</li> </ul>
	<ul style="list-style-type: none"> <li>■ Uniform</li> </ul>

2. Textiles Product In order to be a leader in integrated polo-shirt production business, company invests in knitted factory in Kabinburi which has a modern machine and technology to strengthen efficiency of production process.

Location of offices and plants details as following;

Business Place	Location	Business operation
Headquarters	Bangkok	Management & Administrative center
Lamphun plant	Lamphun province	Production of Ready-to-wear garments made from woven fabrics
Kabinburi plant	Prachinburi province	Production of Knitted fabrics and ready-to-wear garments made from knitted fabrics

### Income structure

(Unit: Million baht)

Sales revenue	2019	%	2018	%	2017	%
<b>Domestic:</b>	595.02	85.41	<b>603.37</b>	<b>86.99</b>	752.83	78.43
Garments	550.72	79.05	<b>556.69</b>	80.26	678.93	70.74
Knitted fabric	43.00	6.17	<b>43.86</b>	6.32	53.03	5.52
Leather goods	1.30	0.19	<b>2.82</b>	0.41	20.87	2.17

<b>Overseas</b>	<b>101.62</b>	<b>14.59</b>	<b>90.26</b>	<b>13.01</b>	207.00	21.57
Garments	94.31	13.54	<b>79.02</b>	<b>11.39</b>	179.62	18.71
Knitted fabric	7.31	1.05	<b>7.01</b>	<b>1.01</b>	10.34	1.08
Leather goods	-	-	<b>4.23</b>	<b>0.61</b>	17.04	1.78
<b>Total</b>	<b>696.64</b>	<b>100.00</b>	<b>693.63</b>	<b>100.00</b>	959.83	100.00

## Operating results

In 2019, the company had total sales of 696.64 million baht, which was classified as following; domestic sales amounted 595.02 million baht, decreased about 1.38 percent and overseas sales amounted 101.62 million baht, increased about 12.58 percent from the previous year.

## The Development of quality and product standard

The company has developed on innovative material in order to reach its worthy and customer satisfaction by adhering the concept **“safe for customers and be environmental friendly”**

The company operated all activities to maintain quality of products, reach the safety standard of color and chemical, and pay attention to reduce the impact on environment such as;

- : Certified to Quality System ISO 9001: 2008
- : Certified to Environmental Management System ISO14001 : 2004
- : Certified to Products that are certified to reduction of Global warming : (Cool mode)
- : Certified to Product for Energy saving “ Energy saving label No.5”

The above are as guidelines for sustainable reducing the impact on environment and support vision of the organization **“We are fully committed to be leader to create quality products and services with innovation of apparel in Thailand”**

## Functional textiles

### Energy saving label No.5

- **Knitted fabric tagged with Energy saving label No.5:** Safe, Strong, durable, Heated reduction, Non-ironing, and Anti-pilling
- **Garment tagged with Energy saving label No.5:** Electric save, Comfortable, Non-ironing.

Made from chemicals and dyes stuff that are safe from carcinogens and heavy metals, strong fabric construction, durable color, sweat absorbency and heat ventilation, so it is comfortable when wearing and it can be washed without ironing.

The company has developed a product that has certified to the Energy-saving label No.5 to be ready-made clothing products and fabric totaled 10 models under the brand “Arrow, BSC COOL, PRIMO.

### **“COOL MODE” the symbol of environmental friendly garments**

Products with special function to absorb sweat and heated-ventilation so it make them comfortable when wearing with less stuffy heat, it can be worn in buildings or rooms with air conditioning temperature 25 degrees without uncomfortable. In 2019, the company received the New version of COOL MODE certification totaled 1 items which have been distributed to Uniforms customer and customer who are interested to buy knitted fabric.

## “Recycle Polyester” Changing plastic waste into clothing products

Products that transform plastic bottles to be recycled yarn with Environmental friendly innovation and it is developed to be value product. The company produces and distributes it in form of Polo shirt and T-Shirt for Uniforms customers and customer who is interested in buying knitted fabric both of domestic and overseas.

## Market conditions and competitions

### Oversea markets

Overall aspect of textile and garment industry in 2019, The production of textiles from natural fibers and artificial fibers decreased as a result of lower purchase orders from trading partners and domestic demand which is caused by moving production bases to CLMV countries, especially Vietnam which it has the advantage of wages and tax incentives. As Thailand exports the fabric to Vietnam the most, but the growth rate has decreased because Vietnam can produce products similar to Thailand's; moreover, Vietnam has a low cost that is advantage over Thai exporter, which major competitors of Thai exporter are India, South Korea, Taiwan and Indonesia.

Regarding the finished garments, it had a slightly decreased rate due to the competition to import fashion products from China and Vietnam that price are cheaper. In the case of exporting, the major trading partners are the United States, China and the United Kingdom. Moreover, it is still expanding well among the group that are contracted as a licensee to produce products for foreign brands.

In the year 2019, the company exported 65% and 35% to the United States and Asia respectively, which overall has increased for exports from 2018. The sales volume of exports to the AEC countries increasing due to the customers' believe in the potential and rely on the quality of the product, including the development of product styles to be diverse and modern, even there is still a price competition from neighboring countries such as China, Vietnam, Indonesia, Cambodia and Bangladesh with lower wages.

The company has continuously operated with a team together with agencies to directly visit customers in Vietnam and Japan to build good relations with each other. Moreover, the company focus on proactively marketing by offering a full range of products and new innovations, initially from fabric pattern creating, fabric production, and garment pattern creation until sewing into ready-made garment to be offered as an sample to customers (as an Original Design Manufacturer: ODM), this is strategy to enhance competitiveness.

### Overseas distribution channels

1. Distribute through Trading Firm
2. Selling directly to customers in USA., E.U, Asia, and AEC

For the year 2020, the company continues to focus on expanding the market to the United States, Europe, Vietnam, Japan and the AEC Group under the Customer Code of Conduct and the international standard WRAP, including Code of Conduct “PVH” of International Brand products. It is expected to grow up from the outer wear and sportswear products.

## Domestic Markets

In 2019, the competition of domestic market in the garment business is still continually competing due to the marketing strategy of domestic manufacturers to maintain market share. In the same time, international brands are coming to penetrate domestic market which they take more advantages on it because they are well-managed production system, lower production cost both labor and raw material as they order a big lots of material. So, they get more power of negotiation with supplier including distribute the goods to customer effectively because they have branches located around the world and they also have plan to expand more branches continually.

The domestic distribution of ready-to-wear garments, the company applied more marketing strategy of sales promotion to stimulate market of each brand name; for example, focusing on price discount of products launched in department store and other commercial places including import more to wear garments from China, Vietnam, Cambodia, Bangladesh, and Korea. The imported products mostly were fashion with every price range for selection. Moreover, at present, many new international brands are more being imported to domestic market as a result; it leads to be high competition for gaining more market shares.

The company is aware of the importance of implementing proactive marketing strategies in conjunction with ICC International Public Company Limited, a key customer and distributor for the company.

- To regularly carry out surveys of customers' needs and satisfaction to ensure they are able to respond most of customers' requirements.
- Created marketing activities to attract target markets in consideration of brand image and the creating value for society.
- Developed and created innovation in order to response customers' needs for "to be safe products for customers and environmentally friendly".

As always, trademarks remain a key factor in business competition; customers are still fond of brand name products, but the company is confident that its products are well-known and are recognized quality as international standards.

## Uniforms

The Company has efficiency in design, raw materials selection, producing good quality products, and delivering on time, including good after sales services. The company also focusing on principles of competing both of good quality and reasonable prices, as a result, the company is a manufacturer of Uniforms for many well-known organizations such as financial institutions, governance sectors, state enterprises, private sectors and many educational institutions.

### Domestic sales and distribution channels

1. The company has assigned ICC International PLC, a significant company in the SAHA Group and a key customer of the company, to be a distributor. Its main distribution channel comprises department stores, discount stores, and modern trade.
2. Distribution via E-commerce
3. Distribution via Factory Outlet
4. Direct distribution to customers of corporate uniforms, Office wear, and Work wear to leading government, private organizations and state enterprises.

## Marketing Management

In order to provide more distribution channels to customers and consumers, the company applied the following strategies;

1. Create “Fashion Trend” in advance by creating story board concept such as color concept, and mix & match of all products group, together with doing pre-collection. These strategies help making purchasing decision easier as one stop service; as a result, the customers satisfy with these operations and respond by purchasing more. Since, they have clearly visual merchandise so it supports doing marketing plan in advance.

2. Cooperation with customers in cost management in case of high volume orders in order to increase competitive advantage for customer and gain more sale revenue both parties.

3. Adding distribution channel partners by selling products via **LAZADA/ LOOKSI/ SHOPEE/ and Thailand Best** for house brand and O shopping for brand name. This channel is enable to expand more customer’s base. Moreover, it can directly response customers’ needs whose life style is modern and smartphone life style such as purchase goods via Smartphone

The market of ready to wear garment is high competition in a wider range of distribution channels such as Department store, Modern trade and Convenience store included new distribution channel like E-Commerce and Modern trade. The competitive trend continually grows in every year as those channels are easily reached by consumers and faster response the customers’ needs. Moreover, TV shopping channel provides manufacturers to completely show and communicate on products innovation. These channels are trend to grow continually so the company had been applying some strategies and still carry on for the continuous year.

As the company has changed its strategy by offering a wider range of products and innovations that customers and consumers needed, together with seeking new customers to increase sales volume. The company also modifies working process to control overall costs including the reduction of raw material costs, production costs, administration costs and financial costs in order to have competitive cost and expenses leading to competition ability in both domestic and international market.

## Raw materials procurement

The company is committed to providing quality products to consumers. The company therefore pays attention to the selection of quality raw materials from both domestic and international production sources, which most of the raw materials are produced domestically. Regarding distributor selection, the company has established a process of checking and select distributors both in terms of quality checking before buying. Regarding the recruitment process, which the company will consider distributors that meet international standards and product certification standards, and etc., in accordance with the policy regulations and requirements relating to company procurement to ensure that the company’s procurement process is transparent and fair to all distributors

In the year 2019, the company mainly procured and ordered raw materials in the country due to having confidence in quality and continuously developing with partners to support trade in the country. Regarding for the Knitted Fabric, we use the product from the company’s knitted fabric factory, which is an advantage from that the company is a comprehensive Polo and T-shirt manufacturer initially from the design, knitting and fabrication to ready-made garments; moreover, the company has

continuously developed both production processes and products that are environmentally friendly. The company's products have passed international standards for the use of chemicals that are safe for consumers and are accepted by customers both domestic and abroad. In addition, the company has received good cooperation from partners in controlling chemicals to meet REACH standards and under the environmental management system ISO14001 standards for the purchase of raw materials, knitting yarns in the country. The company will consider the upstream sources of raw materials, mainly from Australia and America, which are upstream raw materials and be accepted internationally.

Regarding raw materials for knitting and ready-made garments that mostly are natural fibers, which passed the selection process of supplier that has been certified through the Oeko-Tex Standard 100. This is a careful selection of chemical dye to avoid using formaldehyde and carcinogens, so the products are safe for consumers. In addition, the packaging materials are mostly recyclable.

#### **Ratio of raw materials purchasing both domestic and international**

In 2019, the company bought core materials and auxiliary materials for production from trading partners both domestic and international counted 85 percent from local sources and 15 percent from overseas. The company currently has suppliers both domestic and international more than 199 suppliers. The company applied criteria of suppliers' evaluation as ISO: 9001 standard in classifying partners to reach the international standard.

In addition, the company also acquires substitute raw materials of compatible quality from local and overseas sources in order to be environmentally friendly in accordance with ISO: 14001 standards and to remain consistent with the company's policies on sustainable business operation.