

# **Source ASEAN Full Service Alliance Transition Plan**

Presented by

**The VALUE Project**

For consideration by

**The ASEAN Federation of Textile Industries**

February 2012

## **I. Background**

On October 29, 2009, the VALUE Project (known as “ACE” at the time) signed a Memorandum of Understanding (MOU) with AFTEX for the “Joint Implementation of an Action program to Upgrade ASEAN Textiles and Apparel Supply Chains.” The MOU signified the parties intention to work together to implement annual work plans to further integrate and enhance the competitiveness of the ASEAN textile and apparel sector. The validity of the MOU was for 3 years.

The strategy to achieve integration was to form “virtual vertical factories” or “VVF”s that would partner fabric mills with garment factories to create a single, vertically integrated entity that could supply a garment to a buyer faster and at lower cost. The VVFs would then join an industry alliance called the “Source ASEAN Full Service Alliance” or “SAFSA.” The goal of SAFSA is to promote Southeast Asia as a competitive source for “full service” apparel; clothing produced by factories which offer buyers a deeper range of services than simple production. To compliment the VVF approach, SAFSA also invites global brands and retailers that source apparel in Southeast Asia and have a stake in the regions competitiveness to join. Together, these buyers and their suppliers conduct business through SAFSA and the VVF mechanism and pursue other competitiveness-related issues in the region.

VALUE serves as the de facto Secretariat for the SAFSA program. Specifically, VALUE project staff are responsible for program management and recruitment of members, as well as organizing technical assistance to members and providing limited funding for SAFSA activities such as conferences, marketing materials or other expenses related to managing the initiative. However, the SAFSA program is under the authority of AFTEX and will be wholly absorbed by AFTEX following the completion of the VALUE project scheduled in February 2013.

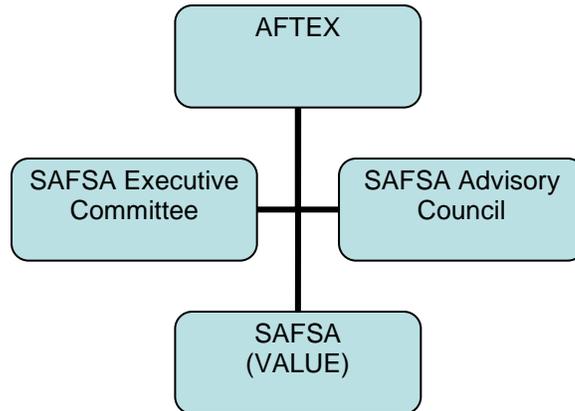
To ensure a smooth transition of management of the SAFSA program between the VALUE project and AFTEX, this document identifies key activities to be undertaken by each party before December 31, 2012.

## **II. SAFSA Operational framework post-VALUE**

### **a. Proposed Structure and Support**

The current structure for the management and implementation of SAFSA is illustrated in Figure 1.

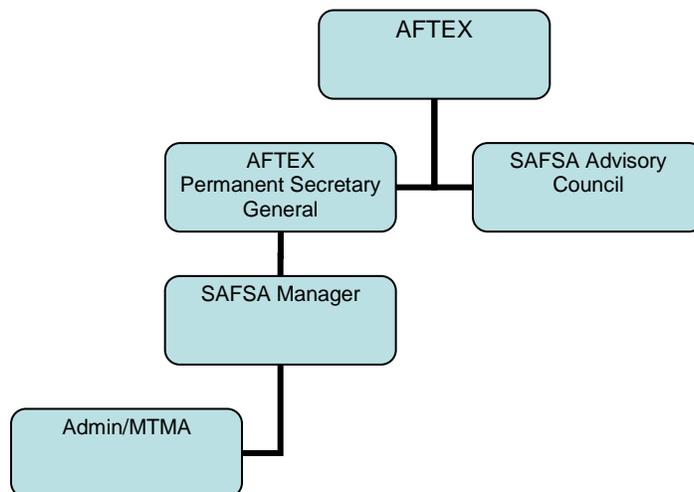
**Figure 1.** SAFSA-AFTEX Organizational Structure (Current)



The VALUE project currently serves as a “secretariat” of SAFSA managing the day-to-day operational and management functions (Figure 1). The VALUE project receives guidance from an “Advisory council” which includes high-ranking AFTEX members, including the Permanent Secretary General (PSG) and an “Executive Committee” which is composed of SAFSA member representatives (and the AFTEX Chairman as a fifth member) and confirms decisions taken by the Advisory Council.

Once SAFSA is handed over to AFTEX, the Secretariat function will be carried out directly through AFTEX resources (Figure 2). The proposed structure is to have the AFTEX PSG provide overall guidance in a similar capacity as an Executive Director would, but the primary operational functions currently handled by VALUE project staff will be executed by a “SAFSA Manager.” The SAFSA Manager would receive administrative support from an outsourced entity, in this case proposed to be the Malaysian Textile and Apparel association (MTMA), where the AFTEX PSG currently holds a physical office. Location of the SAFSA Secretariat is anticipated to be in Kuala Lumpur where the PSG also resides.

**Figure 2.** Proposed SAFSA-AFTEX Organizational Structure



#### b. Operating Guidelines

Operating Guidelines for SAFSA do not currently exist. It is envisioned that prior to the commencement of the transition, the VALUE Project will draft guidelines for AFTEX approval. The Guidelines should establish the operations and rights and privileges of membership in SAFSA.

#### c. Factory Member Recruitment and Support

Factory membership recruitment is arguably the most important and costly activity of SAFSA. The VALUE Project has one full time dedicated staff that focuses on factory recruitment. Over time, this full time staff has also been supported by the VALUE Project Director as well as short term consultants from the region and abroad. For the purposes of the transition, the VALUE Project will continue to lead recruitment efforts through the 2012 Global Forum (envisioned for September/October 2012), with a possibility of directly (through project staff) or indirectly (through direct funding) supporting AFTEX to take on this role afterwards. During the transition phase, the VALUE project will work together with AFTEX to identify the best possible scenarios for recruitment.

In addition to personnel, the VALUE project will continue to produce SAFSA marketing materials which can be utilized after the program is complete.

#### d. Customer Recruitment and Support

Customer recruitment is also costly but not as much so as factory recruitment. Approximately 10% of the current SAFSA Customer members resulted from inquiries to the [www.sourceasean.com](http://www.sourceasean.com) website. The current strategy for recruitment, again, undertaken by the VALUE Project, has been threefold: direct marketing to known target customers (there is an existing list of approximately 50 global companies), privately held seminars in the U.S and Hong Kong, and indirect advertising via media or partner resources, such as advertorials or member updates in organizations such as USA-ITA, of which AFTEX is a member.

Customer recruitment is anticipated to be led by the VALUE Project up to the 2012 Global Forum. Support will include marketing trips to Hong Kong and the U.S. and possibly Japan (depending on clear opportunity). Following the Global Forum, VALUE's efforts in Customer recruitment will be limited and as necessary agreed by AFTEX/VALUE.

#### e. Promotion

In support of the transition most of the current promotion activities will continue to be funded by the VALUE project through 2012. Specific activities include:

- Updating of sourceasean.com website;
- Sending press releases to local and regional media;
- Attendance and speaking engagements at regional industry events;
- Sending of monthly email newsletter; and
- Alternative low-cost promotion opportunities as agreed with AFTEX.

VALUE project intends to prepare all promotional materials and tools for handover to AFTEX in January 2013.

### **III. Human resources**

#### **a. Staffing Plan**

AFTEX envisions hiring a full time SAFSA Manager to handle most operational and administrative duties related to running SAFSA. The AFTEX PSG will also serve in a senior level capacity, providing guidance and representing SAFSA in some cases. During the transition, VALUE will provide support to this effort in the following ways:

- i. Develop a Job Description for the SAFSA Manager;
- ii. Fund the advertisement for the SAFSA Manager position;
- iii. Participate in the interview process;
- iv. Fund and conduct on site and virtual training of the SAFSA manager; and,
- v. Consider some level of funding to defray the costs of the position during the transition period.

The goal of the transition plan is to fill the position by August 31, 2012. This will ensure 4 months training and to participate in key events including the SAFSA Global Forum envisioned for September 2012.

### **IV. Revenue Stream**

AFTEX has created a SAFSA operational budget for 2013 [(in Appendix A)]. As noted above, most operating expenses of SAFSA will be covered by the VALUE Project in 2012 with some additional transition-related expenses also to be covered.

During the transition phase and beyond, SAFSA will be fully funded through membership dues. Currently only factory members pay dues, however during the transition phase VALUE and AFTEX will jointly undertake efforts to develop alternative revenue streams.