



15,000
employees

35%

of business is
from Europe

\$1.5bn
annual turnover

Sky's the limit: Dishang's new 24-storey headquarters is a one-stop shop for its customers

WEIHAI AND MIGHTY

Drapers visits high street supplier Dishang Group's new high-tech headquarters in eastern China

Words by **EMILY SUTHERLAND**

Zhu Lihua is a perfectionist. Very little gets past the founder and chairman of the Dishang Group, who picks up every detail, whether it is policing unkempt desks or lunchtime dishes not meeting his exacting standards at its new headquarters. This laser-like focus has helped make the business a powerhouse of Chinese manufacturing. Founded in 1993, Dishang is one of China's largest clothing export manufacturers. With an annual turnover of \$1.5bn, it pumps out 73 million garments a year and counts Zara, Matalan and Adidas among its customers.

China has long been seen as the king of clothing manufacturing, but its position at the top is not as concrete as it once was. Although the global superpower leads on expertise and efficiency, labour costs have risen. This has led the sourcing map to change as retailers turn to lower-cost producers in Cambodia, Bangladesh, Vietnam and Myanmar.

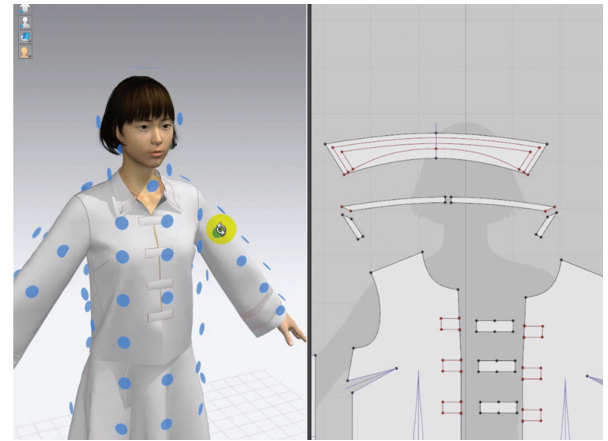
This shift could put pressure on the Chinese manufacturing industry, but Zhu has refused to scale back, and Dishang opened its shiny new 24-storey headquarters last month. Based in Weihai, on China's east coast in Shandong, the ▶



SUPPLIERS



Nerve centre: Dishang's retailer customers can choose from a database of 50,000 fabrics, and 3D-modelling (right) can scan fit models so adjustments can be made digitally



which we're working to improve. We're also exploring domestic production in western China. There, we can still use Chinese workers and local materials, which is more efficient and shortens lead times. The local government also gives benefits such as tax breaks. It's a relatively undeveloped region and we're looking to open more factories."

73 million
garments produced
each year

skyscraper replaces the company's old base in the city and has been designed as one-stop shop for Dishang's customers.

Unable to compete solely on price, Chinese manufacturers are now focusing on technical know-how. Dishang's new base is home to some impressive kit. Customers can browse an extensive digital database of 50,000 fabrics without having to physically trawl through trade shows. If they spot a particular pattern they like, they can upload a picture into an internal system and be shown similar styles.

The supplier aims to give customers a technical advantage by enabling them to create new products and receive samples in as little as four to five days. Fabric testing is also carried out on site.

A 3D-modelling system can scan fit models to create an on-screen sample, which can then be

digitally altered to reflect changes to the fit, colour or pattern. Without having to repeatedly tweak and reproduce physical samples, the production process can be accelerated to match fast fashion's ever-quickening pace.

"The business has been going for 25 years but we didn't put a lot of money into our office in the early years - it went into research and development," Zhu tells Drapers over tea on the building's top floor. "By opening this new site, we're showing customers the strength of the business. That's important."

RECOGNISING THE POTENTIALLY stormy waters ahead for production within China, Dishang has also accelerated its offshore arm over the past five years. It opened two factories in Cambodia in 2015 and one in Bangladesh the following year. Two further factories are due to open in Bangladesh later this year and in early 2018. And in Myanmar, it opened one factory in 2016 and another this year. Although African countries such as Morocco are emerging as new sourcing hubs, Dishang has so far steered clear because of the geographical distance.

Back at home, Zhu opened two factories in western China this year: "We saw the labour costs in China increasing over the decades and have opened the offshore factories to remain competitive at a price level," he says. "One of the challenges of the offshore bases is efficiency,

Better transport links have opened up a previously untapped stream of production in the region, he adds: "China is a very large country and getting from here in the Shandong province to the western side can take up to four hours by plane. We haven't opened factories there before because of the adverse transportation - there were no direct flights or trains. Now, because of faster trains, we can be there in two hours."

Focusing on design is another way Chinese manufacturers such as Dishang are staying on top of changes in the global sourcing market.

"We've moved from being a pure manufacturing business to doing more of the design and creative work," explains Phil Roebuck, a director at Dishang's UK office in Harrogate. "Of course, we still do the manufacturing but that's the minimum you have to do now. Customers want more design work, because they need new styles all the time."

The UK's relationship with China outside the European Union is yet to be decided. Chancellor Philip Hammond has described Britain as a "natural" partner in the west for China. British Retail Consortium research has predicted the cost of importing dresses could fall by 12% and leather handbags by up to 3% if the UK can secure new deals with countries such as China.

Zhu is similarly positive: "I'm not worried about Brexit. I even think it could be quite a good opportunity if the UK can later have a free trade agreement with the Chinese government. There are also opportunities for exporters in the UK - China is a huge market and we love a lot of British brands. There are mutual benefits to a free trade agreement if it's something that can be set up."

He is determined that not only Dishang, but the sector as a whole, continues to evolve: "The challenge Chinese manufacturing faces is to be perfect. That means putting a huge focus on design, improving the management of our factories, working more efficiently, making more profitable product. We have to be good companies and good manufacturers."

Industrial relations: Chinese premier Li Keqiang (left) has visited Zhu at Dishang's new headquarters

