



▶ Building resilience during and after the COVID-19 pandemic



COVID-19 guide & action checklist



For garment factories & managers

Finding alternative sources of income

This guide helps factory managers identify new revenue streams to ensure that the factory can survive the COVID-19 pandemic and become more resilient over time.

Getting started



Includes:
action
checklist

In this guide:

- ▶ Why it is useful to identify alternative sources of income during the pandemic
- ▶ How to identify sources of income that is suitable for your factory
- ▶ Recommendations on how to find alternative sources during COVID-19 as well as over time



1. Why new sources of income are important during and after the COVID-19 pandemic

Garment factories are currently suffering income losses as many buyers have cancelled or suspended orders, reduced order volumes and/or extended payment terms. For factories that have completed orders or that have WIP that require them to settle invoices for ordered materials such as fabric, trim or packaging, this situation puts them in a financially challenging position.

➤ Diversifying your factory's sources of income can make it more resilient to future crises.



While your factory previously might have relied primarily on the production of garments for one or a few buyers, a crisis like the COVID-19 pandemic might force you to look for new ways to make an income. Finding alternative source of income or *diversifying* your income sources can help your factory to:

- ▶ Deal with current cash flow issues
- ▶ Become more resilient to future crises
- ▶ Connect with new buyers and new markets
- ▶ Take the time to explore new opportunities for your business.



2. Identifying alternative sources of income

In this guide, you will explore 3 categories of income that might be available for your factory. These include:

- ▶ **Temporary relief or financial support:** Governments, international financial institutions, donor governments, NGOs and other industry stakeholders are making funds available to ease financial pressure on garment factories during COVID-19. Depending on what country your factory is based in, the packages available to you might be different. Government websites, your garment association and banks are good sources of information. Make sure that you are ready to apply for the financial relief packages by having your book-keeping and other documents in order to meet the requirements of the institutions that provide the financial support.
- ▶ **Short-term product markets:** Personal Protective Equipment (PPE) is still in high-demand by many buyers around the world. While this is a



temporary demand, you could consider producing masks or hospital scrubs and other PPE to keep production going for the time being. To find out more information about buyers, you can talk to your garment association. There are also other organizations that have tried to coordinate the production (see more information in the factory checklist).

- ▶ **Long-term diversification:** Being reliant on one source of income exposes your factory to a lot of risk. Factories should employ a strategy that ensures a more stable supply of income from different sources. There are three types of strategies:
 - ▶ *Diversification of buyers:* You may consider selling to more and/or new buyers over time. This can be both positive and negative for your factory. It makes your factory less dependent on your current buyers. However, you could also benefit from working with your current buyers more exclusively to gain from closer collaboration and potential support. However, it is not ideal to work with only a single buyer, as you are more at risk of losing business, should a similar crisis happen in the future.
 - ▶ *Diversification of products:* Is your factory ready to produce more value-added goods to ensure higher profit margins? Consider if there are products similar to the one that you are already producing that you could start manufacturing to increase the scale of your factory operations and to supply a different market. For example, if you are producing mainly woven tops at the moment, consider whether you could also start producing knit fabric tops.
 - ▶ *Diversification of income-bringing activities:* Your factory can make money by performing activities that may not be directly related to the production of garments for your own orders. For example, you could start with investing in an embroidery, printing or a washing unit, either in your premises by more effectively using your space or by renting a viable space. Alternatively, you could also rent out parts of your facilities or machinery to get a passive income every month.



3. Getting ready for action

Now that you've considered available sources of income for your factory, the next section will provide some concrete steps on how to pursue these income sources and identify those most suited for your factory in the short- and in the long-term.



6 ways for factories to find new sources of income

- 01 Identify available emergency relief packages**
To cope with financial distress in the short-term.
- 02 Explore available short-term product markets**
Consider producing PPE which currently is in high demand.
- 03 Prepare to produce small orders – quickly!**
Retailers will need new products quickly once markets open up.
- 04 Collaborate with others**
Engage in the ongoing discussion with industry stakeholders.
- 05 Sell what you already have**
One man's trash is another man's treasure.
- 06 Find new buyers**
Explore various channels to identify new buyers.





Putting the measures in action: Factory checklist

1. Identify available emergency relief packages

Many governments currently support businesses that are in financial distress due to the COVID-19 pandemic. Support could be in the form of favourable business loans, credit etc. While it is not a long-term solution, the support packages can help you cope with the difficult financial situation that your factory currently might be in.

Action	Ease of implementation	Timeline	Check
Talk to your garment association about financial support packages available to garment manufacturers.	✓✓✓	»»» Short-term	<input type="checkbox"/>
Search online for available information. Information might be available on government websites, in local newspapers or industry forums.	✓✓✓	»»» Short-term	<input type="checkbox"/>
Prepare yourself to apply for support. Get your papers in order, including your book-keeping.	✓✓✓	»»» Short-term	<input type="checkbox"/>

2. Explore available short-term product markets

There might be limited opportunities to produce typical garments for your factory at the moment. Due to the pandemic, garment products for personal protection such as face masks or medical gowns are currently in high demand. Switching production to PPE might offer you the opportunity to secure income during the pandemic.

Action	Ease of implementation	Timeline	Check
Check for buyers of PPE on online platforms such as the European Apparel and Textile Federation (EURATEX), which currently is trying to coordinate the sales of PPE.	✓✓✓	»»» Short-term	<input type="checkbox"/>
Reach out to your garment association to explore opportunities to produce PPE for the local market or for export markets.	✓✓✓	»»» Short-term	<input type="checkbox"/>
Team up with other factories to be able to accept larger orders or produce for a larger factory with an exporting license.	✓✓	»»» Short-term	<input type="checkbox"/>

3. Prepare to produce small orders – quickly!

The COVID-19 pandemic has confused seasons for buyers this year. During the outbreak and once it is over these retailers will need new merchandise quickly as they only have items from past seasons.

Action	Ease of implementation	Timeline	Check
Talk to your buyers about producing small orders. Together explore the timelines, size of orders and the necessary lead times. This will help you to prepare your factory for any incoming orders.	✓✓	»»» Short-term	<input type="checkbox"/>
Try to use stock fabrics as much as possible. Make sure you have an inventory of all available textiles and other materials so that information is readily available once you receive new orders.	✓✓✓	»»»» Mid-term	<input type="checkbox"/>
Stay in touch with your suppliers so that you have information about available stock.	✓✓✓	»»»» Mid-term	<input type="checkbox"/>

Make sure that you prepare in advance to be able to provide adequate working conditions for your workers. It should not lead to excessive overtime or lack of consideration of health and safety measures.	✓✓✓	»»»» Mid-term	<input type="checkbox"/>
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4. Collaborate with others

Try to engage in the ongoing discussion with other manufacturers, retailers, employer' organizations and unions. It can help put pressure on buyers to pay for orders produced or under production. This is also a rare moment for the industry to reflect about current conditions and change them for the better.

Action	Ease of implementation	Timeline	Check ✓
Join a garment association. The association represents the sector and can speak on behalf of you and other factories. Make your voice heard and make the association stronger by joining them.	✓✓✓	»» Short-term	<input type="checkbox"/>
Reach out to your buyers. Explain your situation and ask if there are ways for you to collaborate to be able to come out of this crisis together.	✓✓✓	»» Short-term	<input type="checkbox"/>
Talk to other factories. If they receive large orders, it might be that they need to subcontract parts of the orders if lead times are short (which they are likely to be).	✓✓✓	»» Short-term	<input type="checkbox"/>

5. Sell what you already have

You might have various items in your factory that you could sell to get extra cash in the short-term. Remember, one man's trash is another man's treasure.

Action	Ease of implementation	Timeline	Check ✓
Check your storage. In these times, other factories might want to buy some of your textiles in case their suppliers cannot deliver in time or are short in terms of the amount of fabric required.	✓✓✓	»» Short-term	<input type="checkbox"/>
Sell some of your machines. In factories, there are often machines that are no longer being used. Consider if there is a second hand market for the machines you do not use. Other factories might be interested in them for spare parts, or to replace broken equipment.	✓✓✓	»» Short-term	<input type="checkbox"/>
Do you have extra space available? Consider renting it out in the shorter or longer term to get some extra income every month.	✓✓	»» Short-term	<input type="checkbox"/>

6. Find new buyers

If your existing buyers do not want to buy from you at the moment, you should consider finding others that would like you to produce garments for them. There are various channels that can help you do this.

Action	Ease of implementation	Timeline	Check ✓
Move your business online. Try to find customers online on various sourcing platforms. Useful tip: Check out the 'Establishing an online presence' guide to help you get started with this.	✓✓	»» Mid-term	<input type="checkbox"/>
Talk to your network. While a lot of factories are looking for opportunities at the moment, you might be able to pick up tips and ideas from others on how to find new buyers.	✓✓	»» Mid-term	<input type="checkbox"/>
If it is difficult to sell to export-oriented factories or buyers at the moment, focus on the domestic or at least regional market. It could be easier to find buyers willing to send you orders as supply chains are less disrupted.	✓✓	»» Mid-term	<input type="checkbox"/>



This guide was developed by the ILO Enterprises department for the **Decent Work in the Garment Sector Supply Chains in Asia** project, funded by the Government of Sweden.



For more guides and resources to help you navigate the global COVID-19 pandemic, visit:

▶ ilo.org/covid19

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A better world starts here.