Title: Online-Interview with Mr. Kihak Sung, President of ITMF
Date: June 27, 2020

Schindler: Hello, everyone. We are sitting here in two different places – in Zurich, Switzerland and in Seoul, Korea – in a virtual meeting with the purpose of conducting an online interview. This is the first time that ITMF is using technology outside its in-person meetings and conferences to engage with its members. I’m very glad that Mr. Kihak Sung, President of ITMF, has joined me for this interview in the new series of interviews and panel discussions called “ITMF Virtual Discussion Forum.”

Hello, Chairman Sung.

Chairman: Hello. How are you, Christian?

Schindler: Thank you. Good to have you with us. Let us get started with the first question. What is the idea and purpose of making use of technology to interact with ITMF members?

Chairman: Well, last time when we had the board meeting about a month back, I was impressed with how we could use this new technology very well. So, it was a good experience for me. After that, I have been continuously sitting in front of my video cameras to do interviews, webinars and all kind of things. And this became my essential daily life these days. But in the meantime, my company, Youngone Corporation, has been using video conference system since early 1990s. We were already using video conferencing system for nearly 30 years. And we were spending lots of money on telephone lines. But these days technology caught us up. It is so easy and so nice to get together over this web meeting because of new technical achievements we have. Now, this is time that we need to make use of this technology as much as possible so that we still stay connected. Although we miss you to meet in person and dine together but this is wonderful means of communication together.

Schindler: Thank you, Chairman. I fully share your assessment, and I am very glad to ask you questions and we can share with our members. About the state of the industry and outlook going forward, When did you actually realize the real impact this pandemic has for our industry?

Chairman: I think this was like early February and toward mid-February when we realized that this is going to be a big issue. But we never realized that it will be this damaging this kind of global pandemic. I think everybody will agree with me that this kind of experience is unprecedented. Toward the mid-February, over some video conferences with some of my clients, they were warning shipping may be managed but if there is consumption-side failure that it will become a bigger problem. So, I had been trying to communicate that message to all my colleagues so that people are more prepared about the difficult situation coming forward. I think this was mid-February. To prepare for better supply in the middle of shortages of fabrics from China than I went to Bangladesh and spent two weeks there. And another two weeks in Vietnam to prepare for better and uninterrupted production but when we came back to Korea in late March, I realized that big catastrophe had started in the consumption world. I had to spend several months to cope with this kind of new situation. Now this is somewhat stable, but our struggle is going on.
Chairman : Actually, what ITMF did communicating with all the members and colleagues around the world. We were able to get specific knowledge of each country situation over video conferences and very good survey on business outlook 4th time already. This was even very helpful for me as well as everybody else. I encourage everybody to subscribe to this kind of information with ITMF web there.

Schindler : Thank you. That brings me to the question of the impact the crisis had. The ITMF Corona-Survey revealed that on average around 40% of orders were cancelled and postponed due to the pandemic. Furthermore, the survey also revealed that companies are expecting that turnover in 2020 will be around 30% lower compared to 2019. Do these results come as a surprise to you?

Chairman : I think statistics from Korea and Taiwan where I had a very specific information, so far, we had about 20 to 25 percent reduction and I believe this will continue toward the end of the year. But I’m more worried about next spring business(Jan-Mar.) where our shipment for spring & summer business will start. Because most of the stores in Europe as well as in U.S. and Japan they will not be able to sell merchandises due to closures of stores and traffic reduction. This is what I am most worried about. Still, I don’t think that truly difficult time has not come yet. Although we’ll be more prepared by that time how to handle the situation because with every passing month, we have new technology and capabilities arriving here to be able to go through these difficulties. In the meantime, there are lots of new opportunities like PPEs and masks, which is becoming a big industry now. Of course, not everybody has same opportunity to participate there but textile industry in general has some ability to benefit out of this new industry as well as those indoor sports like yoga or outdoor sports like biking these industries at this moment are doing very well. So, we have to learn in the meantime how to deal with present situation how to deal with cash flow problem as well as mismatching supply chain issues but on the other hand how we can take advantage of rising industries where we can also participate in. So, everybody must be keep alerting themselves how we can manage our situation now and what will replace our future businesses. I personally believe that traditional industries may lose 20~40% for many years to come. I hope it doesn’t work like that. But I’m truly worried about that. So, we have to really find out what we can do to really handle our future better and communicate with each other better so that we are learning how to do and what to do in the future.

Schindler: Thank you, Chairman. Before looking into the future, may be short look back into the very recent past. How did you manage your company the last three months? What were the priorities for you to weather the storm?

Chairman : Mainly I was trying to, over video conferencing system, communicate with my colleagues around the world not to panic. This was very important. Virtually every day I had video conferences with them. I explained to them how it is important not to panic in this situation and to take care of each other. Also, to be able to support these communities in and around which is usually poorly equipped and educated there. So, this was tough job to do. And also, to really focus our resources on making protective equipment for the country especially in Bangladesh. That was what we were doing. On the other hand, dealing with clients not able to keep original payment schemes, we had to negotiate with them and try to accommodate their difficulties while try to minimize our exposure in this occasion. It was a lot of work. I was with my colleagues more or less every day about how to finance, improve our cash flow, how to support our client’s finance, and how to support and improve our employees’ daily lives. I had some busy months. I must tell you that for the first time ever in my career since 1975, I stayed in Korea for 3 months in a row. I do exercise more though so
that I can improve my immunity level just in case I caught the virus. I should have better chance of surviving and stay healthy.

Schindler: I’m glad to hear that you are keeping your personal fitness on a higher level than before. That’s excellent news. We still hope that you’ll be able to travel soon so that we can also meet. The ITMF Corona-Survey revealed that 24% of companies are expecting business to be back on pre-crisis level in the 1st quarter of 2021. Another 21% are expecting business to be back on pre-crisis level in the 2nd quarter of 2021. 20% are expecting the business to be back on pre-crisis level in the 4th Quarter of this year. What is your view on the future of the industry and why?

Chairman: I’m afraid that I’m more on the pessimistic side. If we are going to recover, I think maybe it’s going to be 1st quarter of 2022. It may be very difficult to go back to our old world. Returning to those good old days would be our hope. Each individual company has different situation. Based on our endeavour from now on, we may be able to improve it, but we have to be prepared that we will have at least two years of difficulties. I think we have about two years to adjust ourselves. Till then we should prepare ourselves to finance and not panic and make sure that next measures we are taking is more realistic and make our companies healthier than ever. So that if similar things come back and we are able to function as corporation and community.

Schindler: What are your main take-away lessons from this crisis in the last 4-5 months that you would like to share with us?

Chairman: Well, we should first learn how not to panic. Secondly, it’s always good to be on the conservative side in terms of financing and cash flow management. So we can buy time to adapt to new situation without panic, bankruptcies and troubling others too much. I think that’s the most important thing. In the meantime, we should also learn how to help each other. Those in the supply chain along with our friends. We should also contribute in keeping our community and society healthy so that by the time we recover our community and society is there. Communicating with each other is important and ITMF should take the lead and play a strong role in these circumstances.

Schindler: In the wake of Covid-19, order cancellations by major buyers and its negative impact on suppliers and factory workers in Asian countries and around the world has become a huge issue. What is your view on this matter including payment terms & conditions between buyers and suppliers and what do you think should be done in the future?

Chairman: I have been thinking about this subject for a while, many years ago we have been doing Letter of Credit(LC) business, which you have certain protection there, but still that was not enough protection. When customers fail, LCs will not be honored one way or the other. On the other hand, we have to really consider our financial viability more seriously. As a supplier, rather than complain about the cancellations, you have to select your buyers carefully and you always have to calculate your exposure. First, you need to select responsible buyers. And you have to limit your exposure and you have to strengthen your financial stability within your own company. So rather than making too much investment here and there you should run your company in a more conservative way. So that you can adapt to new situations better. Irresponsible buyers canceling orders unilaterally are hurting the supply chain.

Schindler: At the beginning we have talked about more online interaction between members. Many members are certainly wondering whether the ITMF Annual Conference 2020 in Seoul will take place in October or not. What is the situation and when will be decided if and how the conference will take place?
Chairman: I think as we discussed before, we should decide by the end of July. At that time, we should discuss again, how we will proceed. Whether we cancel the meeting and replace it with web-meeting or smaller size meeting somewhere there could be many different options. We should be seeking our options very diligently. We should be communicating with our members so that they are not surprised. I hope this conference can be held as scheduled. In the meantime, I hope we can have monthly web-meeting not very official more casual on our industry, how we can support each other like that.

Schindler: Thank you very much. As you said, we shouldn’t panic. We should analyze very carefully. I think that’s the right way forward. I’m sure our members will be patient and be curious about what we come up with. We will involve them in the process as you said. With that, I would like to thank you very much indeed for taking the time out of your busy schedule for sharing your views and expectations about our industry and the future of our industry and hope to see you again very soon either digitally like today or in-person meeting at the one of our events in the near future. Thank you very much, Chairman Sung.

Chairman: Thank you very much, Christian. This was good to talk to each other over a long period of time. Thank you.