

MAKING THE CASE FOR LOCALISM:

Case Studies of Successful Localist Businesses

By Michael Shuman

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TS Designs



TS Designs

Overview

Sectors: Design, Manufacturing
Year Founded: 1977
Founder: Tom Sineath
Annual Revenue: \$1.7 Million
Annual Profits: Breakeven in 2013, projected profits in 2014
Location: Burlington, NC

Community Benefits

Direct Jobs: 17 full time, 1 part time
Living Wage Jobs: 82%
Local Ownership: 100%
Local Sourcing (T-shirts): 30% Cotton of the Carolinas; 80% USA

Short Take

TS Designs, named after founder Tom Sineath, is a full-package, wholesale, custom printed apparel company, selling primarily T-shirts. It created a competitive niche in the United States through a patented, eco-friendly printing process called REHANCE, and sourcing North Carolina cotton directly from local farmers. They've also been instrumental in inspiring the production of the first certified organic cotton in the state.

TS Designs models the BALLE principle that "Place Matters." The company has woven together a North Carolina-based value chain called Cotton of the Carolinas, under the slogan "Dirt to Shirt in 600 Miles." The program impacts 500 jobs in the state in a completely transparent supply chain. The key to success, says the president Eric Henry, is "to keep the soul of the business intact."

TS Designs

The Background Story

TS Designs was founded in the early 1970s by Tom Sineath. Using his product design degree, he decided to help his older brother Jim fulfill large printing contracts for sweatshirts for nearby major textile companies like Wrangler. During this same period, Eric Henry was running his own T-shirt design and sales company Creative Screen Designs to support himself while he was in college. By the time he was a junior, Eric had five people working for him. Orders were going through the roof, and Eric contracted with Jim for help. Eric started working with Tom after being introduced by Jim.

For several years, Tom and Eric operated two separate companies that collaborated closely. Tom did screen printing, while Eric sold and managed his own accounts. In the summer of his senior year, Eric decided to focus on his business and dropped out of college. He threw in with Tom, whose business had “more brick and mortar.” “My parents weren’t too happy with me,” Eric recalls with characteristic understatement.

Tom and Eric formally incorporated TS Designs in November 1980. Tom became CEO, and Eric became President.

The company grew dramatically in the 1980s and early 1990s, and moved three times with the workforce expanding to over 100. They moved from the small niche market of printed restaurant menu strips and small local printed T-shirt jobs to high-volume contract screen printing. They became a major screenprint provider for companies like Nike, the Gap, Adidas, and William Carter.

This business, or at least the conventional approach to it, all but ended with the passage of the North American Free Trade Agreement (NAFTA). Eric and Tom quickly understood that their volume-dependent business would now move to Mexico to chase much cheaper labor cost. In fact, the apparel industry already had a long history of moving around to low-wage regions – from Europe, to New England, and now to Mexico (and more recently to Central America, China, Cambodia, and Africa).

The only way to save the company was to deploy a different business model. As Eric tells it, the BMWs and country-club memberships did not mean quite as much as they used to, and he started to think



Tom Sineath and Eric Henry



TS Designs’ social responsibility initiative, Cotton of the Carolinas, pursues a “truly local” T-shirt, created within 600 miles of total travel

TS Designs

about how to reinvent the company to focus on community. They changed their mission statement: “We want to create a better company – one that looks after people, planet, and profit.”

Competitive Strategy

In the post-NAFTA world, Tom and Eric concluded that competing against low-cost labor abroad strictly on price was impossible. Even with very efficient production, their T-shirts would wholesale for \$4 more than those made with low-cost labor in, say, Vietnam (\$8 vs. \$12). Rising transportation costs in the future might reduce some of the comparative advantage of foreign production, but T-shirts are light, easy items to transport long distances by cargo ship cost-effectively. Tom and Eric decided they had to differentiate their product through quality – through exceptional materials, excellent production standards, and community relationships.

One of the first things they did was develop and patent a print/dye technology called REHANCE. Working with Sam Moore of Burlington Chemical Company they invested nearly \$300,000 into this new technology, which eliminated the toxic PVCs and phthalates that are still utilized for most T-shirt printing today. They secured three patents on the process. The technology gave TS Designs the ability to connect with the growing number of customers who insisted that their clothing not foul the environment while demanding a high quality print process. As of this writing, TS Designs will do custom wholesale runs for customers who contact the company for as few as 72 shirts.

Tom and Eric started working with American Apparel in Los Angeles on domestically made T-shirts using organic cotton. TS Designs began shifting their T-shirt manufacturing about eight years ago to Mortex in Wendell, NC. Organic cotton now comprises over 50% of their T-shirt volume.

To spread public awareness of the company’s sustainability and community work (described below), the company produces brochures, videos, and advertisements that are educating consumers about the “TS Designs difference.” Most T-shirt producers, the materials argue, are not playing by rules Americans would regard as fair. For instance, is it really worth savings a few bucks on your T-shirt if you wind up exploiting low-wage workers in the global South and poisoning their water systems?

TS Designs has positioned itself to provide the most sustainable T-shirts along with the most sustainable printing options. Clients include advocacy groups like Greenpeace, socially responsible businesses like the Weaver Street Marketplace Co-op, and Organic Valley, and outdoor companies like Great Outdoor Provisions Company. While this constituency is eager to have an ecologically friendly T-shirt, Eric also sees these clients as the most vulnerable part of his business. As some competitors start to pick up on these cleaner methods and undercut TS Designs’ prices, TS Designs will continue to innovate.

TS Designs is rebuilding after many tough years. In 2014 they are seeing a growth in sales and an increase in employment, and are restoring a positive bottom line as more and more people understand their value position of supply chain transparency and local sourcing.

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Exemplary Living Economy Principle - Place Matters

Perhaps the most innovative part of TS Designs' social responsibility initiatives has been to create a truly local T-shirt, branded under the name "Cotton of the Carolinas." This is the part of the company that Eric believes has the greatest potential for growth – and also demonstrates the power of place in building brand loyalty for a small business.

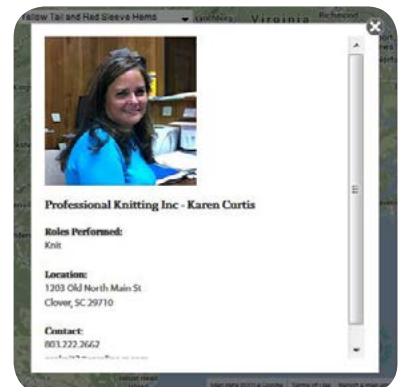
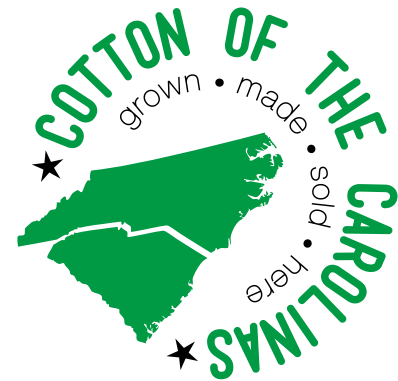
Eric notes that historically the value chain producing T-shirts was local, but NAFTA shattered these relationships. The typical T-shirt now travels an astonishing 16,000 miles before it reaches a consumer's hands. The goal of Cotton of the Carolinas is for T-shirts to travel "dirt to shirt" in about 600 miles.

"When I was reaching out to people in the supply chain and talking to them about my dream," Eric explains, "there were people who were interested in participating but a lot of them said it couldn't be done."

Now the impossible exists: Ronnie Burleson grows the cotton in New London, NC. Wes Morgan, his cousin, gins it (removes the seeds) at Rolling Hills Gin. Mark Leonard, of Hill Spinning, spins the fiber into yarn. Ron Roach, at Contempora Fabrics, knits the fabric; Stacey Bridges at Carolina Cotton Works finishes the fabric; Jack Marsh at Hemingway Apparel and Mike Jones at Granite Knitwear cut and sew the shirts (men's and ladies', respectively), who then sends the white T-shirts to Tom and Eric for printing and garment dyeing.

Cotton of the Carolinas built supply chain transparency into their website. Each shirt has a color thread inside the hem of the sleeves and tail of the shirt - the combination of colors indicates where that shirt was made. At the site (<http://cottonofthecarolinas.com/trackyourshirt.html>) a selection from a drop down menu of color combinations leads to a Google map showing the shirt's manufacturing stops. Manufacturer profile images, phone numbers, email and a physical addresses are provided with a mouse click. Thus Cotton of the Carolinas connects the consumer to the farmer!

The next step was to create certified, North Carolina organic cotton. "That supply chain," says Eric, "started when farmers heard what we were doing, heard there was an interest in organic, and said



The Cotton of the Carolinas "track your shirt" interface

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they wanted to step up and give it a shot.” Now this cotton is being incorporated into polo and golf shirts, denim material, and ladies’ dresses.

It’s not just about having a lower carbon footprint or being U.S. made. It’s also about building community wealth. A study done by Cotton of the Carolinas estimates that its value chain supports 600 jobs in central North Carolina. An equivalent level of production conventionally would support only about 60 domestic jobs. Eric believes that a key to North Carolina’s future is retaining its own cotton and rebuilding value-adding industries around it. “Clothes and cotton are going to be a good long-term investment.” The state is the fourth largest cotton grower in the country, yet more than half is then shipped overseas for production at \$2 per hour or less.

Tom and Eric are hopeful that as the Cotton of the Carolinas brand receives more public recognition, all the participating companies will prosper and more in the region will be drawn to it. Moreover, they envision the circle of involved businesses beginning to create finance strategies that can attract local investment.

TS Designs is moving into both retail and online sales, thereby making the Cotton of the Carolinas brand directly accessible to consumers. Because retail markup in the clothing business is substantial, this could be a very lucrative new niche – and another way of building loyalty among customers embracing sustainable and community-supportive clothing manufacturers.

Other Living Economy Principles

- **Ownership** – Tom founded the company in 1977, and Tom and Eric split ownership of the company in half when they incorporated in 1980. Their shared ownership remains today. Both live close to the current office/factory site, making TS Designs a 100% locally owned business.
- **Opportunity** – Tom and Eric regard their 17 employees as “our biggest asset.” They have always paid above minimum wage, but are frustrated that they can only afford to cover half their employees’ health care benefits. They also encourage staff participation in decision-making. As the founders get older, they are looking for options to continue their vision and ways to sell the company by



Touring different stages of the Cotton of the Carolinas supply chain

TS Designs

bringing in other investors, including employees that want to continue their mission.

- **Nature** – TS Designs has become ground zero for innovation in its otherwise deep-red conservative hometown. It put in the first tracking solar array in Alamance County and their roof is home to one of the largest solar arrays in the county. There’s a biodiesel pump on the company’s site and they’ve been making biodiesel for over 11 years at their facility. Their 4 acre campus follows a Permaculture plan they developed over 10 years ago. Employees can connect to local food through gardens and chickens on the plant grounds, and employees are encouraged to spend up to 30 minutes (per week) of paid time working on these food projects.
- **Measurement** – By preparing a study showing the relative benefits of a local versus a nonlocal T-shirt – again, 600 jobs instead of 60 – Eric was able to show Cotton of the Carolinas customers the statewide benefits of the brand.
- **Relationships** – Eric has more community-building interests than he can keep track of; for example, he along with Sam Moore and Charlie Sydnor (a regular BALLE attendee) led the establishment of a grocery store in their downtown called Company Shops Marketplace Coop, which opened in June 2011 and already has over 2,800 consumer owners with an estimated over \$3 million in sales this year. He started Burlington Downtown Farmers Market and is now exploring a co-op brewery in his downtown. He also speaks regularly at businesses and universities about TS Designs’ journey and the importance of a company based on a triple bottom line. He is starting a new statewide organization called New NC to connect businesses and individuals who are interested in building a sustainable and resilient future for North Carolina. And to top it all off, he’s a regular participant in BALLE national gatherings.



Produce from the garden at TS Designs



The North Carolina Hops and Roots Festival celebrates local music, food, beer, farms and goods. TS Designs is a regular participant

