

Made in the USA: inside one company's all-American supply chain

American Giant makes all its clothing in the US. Could its success be a model?

Rana Foroohar in North Carolina YESTERDAY

Bayard C Winthrop III is angry. “Washington DC is just completely full of shit,” he tells me, recalling a meeting he had last year in the US capital with a group of senior politicians who wanted to understand how they could bring manufacturing back to America’s heartland.

Winthrop, the CEO and founder of American Giant, an upscale sports clothing company that produces its entire line in the US, is the sort of person who gets pulled into these conversations regularly. His company was launched in 2012 with a single product, a [high-quality cotton hoodie](#), and has since become a poster child for the artisanal manufacturing now beloved of both politicians and millennial consumers.

Winthrop had hoped to have a deep policy discussion — about worker education and skills training, tax credits for investment and infrastructure — of the kind that could help him connect the dots in the parts of rural North Carolina where he does most of his sourcing.

Instead, it was a shallow interaction punctuated by backslapping between senators and advisers who “were all vacationing together in the Hamptons”, he says. “They wanted me to start a vocational training programme for the workers in my area, and I said, ‘Sure, that’s a great idea, but what are you going to do to help?’”

It’s a question that encapsulates much of the economic and political tension in America in recent years. Manufacturing has shifted dramatically over the past few decades, thanks to globalization and rapid technological disruption. The [North American Free Trade Agreement](#), which created a free-trading bloc between the US, Mexico and Canada in 1994, sent jobs in many industries, including apparel, to Mexico.



'The reality is that there is a huge section of this country that feels like DC is filled with a bunch of self-serving careerists who've never built anything in their lives.' Bayard Winthrop, CEO of American Giant, in North Carolina's cotton fields © Jeff Rich

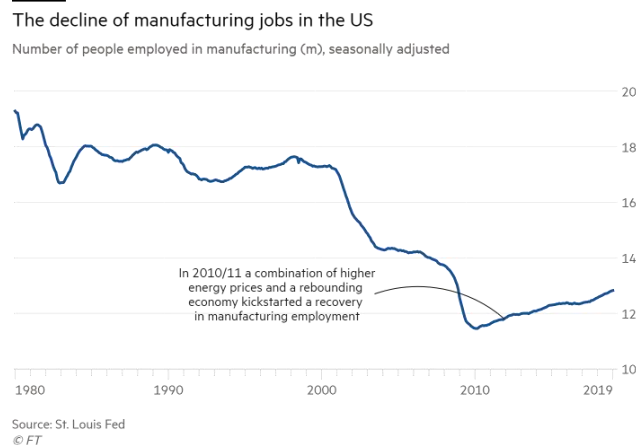
In 2001, the entry of China into the World Trade Organization resulted in significant job losses in the Midwest and South as supply chains moved overseas, particularly in lower-margin industries such as clothing. More recently, technology has made manufacturing both more productive and less job-intensive.

Things still get made in America. But as anyone who has spent any time in factories knows, it takes fewer people to make them than it used to.

Yet the appeal of manufacturing jobs remains outsized. Every dollar spent in manufacturing adds \$1.89 to local communities, according to the National Association for Manufacturers.

For workers, skilled factory jobs can still represent a path to maintaining middle-class employment in a race-to-the-bottom global economy, as evidenced by the success of rich country exporters such as Germany.

Manufacturing is emotionally and politically charged. The campaign that brought Donald Trump to the White House capitalised on **Rust Belt disenchantment** with globalisation and promised to bring back jobs as a way to “**make America great again**”. Since then, the president has done little to enact his slogan in any real way at home, instead focusing most of his effort on ramping up a trade war with China.



The desire to “make things” is what fires up Winthrop, a 49-year-old serial entrepreneur who has the look and energy of someone 20 years younger. Now rarely seen in anything but jeans and one of his own hoodies, the former investment banker remembers “sitting in these meetings where people were all talking about interest and capital markets and I just thought, ‘I’m not at all inspired by this. I’m not in the right place.’ I wanted to do something tactile, to interface every day with people who are actually creating real products in the real world.”

He has invited me to do exactly that on a road trip through American Giant’s entire supply chain, all of it located in the US. The hope is that I can better understand where the country’s manufacturing sector is, what it represents, and where it should be going.

It’s not hard to understand the romance of making real-world products from scratch when you spend time in the cotton fields of America’s South. In the autumn harvest season, it’s a lush country with verdant fields full of white blossoms waiting to be plucked.

Thankfully, that back-breaking task is now done not by the hands of slaves or poorly paid sharecroppers, but by reasonably well-compensated drivers who sit in the air-conditioned comfort of \$500,000 John Deere mechanised cotton pickers. Just one of these can manage an entire field in harvest season.

The first stop on our road trip is Enfield, North Carolina, where, on a sunny day in late October, I watch a huge Deere picker roll through rows of cotton. Walking through the fields with us is owner Jerry Hamill, a 74-year-old, fourth-generation farmer who is worried that his daughters — both of whom have advanced degrees and work in other industries — won’t want ever to come back to such a tough, low-margin business.



'It's harder to get young farmers into the business. That changed in the 1990s when all the apparel suppliers left.' Jerry Hamill, cotton farmer
© Jeff Rich

Hamill exports much of his crop and he admits that Trump's **trade war** has hit profits. Indeed, he's brought the issue down to dollars and cents. "Right now, cotton is around 78 cents a pound. If we went up maybe 10 cents, that would be OK. But if we go to two dollars, everyone will switch to using polyester." In fact, over the past few months, cotton prices have fallen (they are now about 70 cents a pound) in part because China, the second-largest buyer of US cotton, has introduced retaliatory tariffs of 25 per cent and is buying less from the US.

Still, Hamill says he's willing to take some pain if it will bring more manufacturers back to the area. "Growing it is no problem. I want people to wear it," he says. "It's harder to get young farmers into the business. That changed in the 1990s when all the apparel suppliers left, and the entire business went elsewhere."

Today's contentious global trade issues aren't so much about low-value commodities such as cotton and soyabeans, which may be the targets of specific tariffs, but the higher-value industries that they supply. When countries argue about steel, for example, they are really arguing about industrial power and security.

Apparel isn't a sensitive or strategic area but, in a more nationalistic world, the idea of being able to ringfence food, fuel and consumer demand at home — preferably for locally made products — has increasing appeal for politicians on both sides.



Cotton gin, Enfield, North Carolina © Jeff Rich

This is an idea being pushed not just by advisers with an aggressive attitude towards China, but by those who believe that a large, diverse economy like the US can't be made up entirely of high-end software developers and low-end gig economy workers.

“Comparative advantage only works completely for an economy like Singapore,” says Sree Ramaswamy, a partner at the McKinsey Global Institute who studies manufacturing, noting that you need to be fairly exceptional — a very rich, small island nation, for example — in order to focus on only one or two key industries. “It makes sense for countries like the US, China or India to keep more economic diversity.”

More diversity could mean more security, the thinking goes. If companies such as American Giant can help revive economically beleaguered areas, then perhaps other economies of scale might grow. And if people in communities like this start to have more opportunities, perhaps the national conversation could be less polarised.

I want confidence that we aren't going to revert back to the 1990s, that government is going to be pro labour and pro small business

Bayard Winthrop, American Giant

Winthrop is used to being asked about the lessons that can be learnt from American Giant's journey. One of them is that, in a rich country like the US, making higher labour costs work by raising productivity is both crucial and tricky. He decided to base much of the company's supply chain in North Carolina in part because it's a “right to work” state, in which unions have little power, and has very competitive labour rates.

To compete with China, suppliers in the US need workers who are more productive than those overseas; even in areas of the US where labour is cheap, pay per garment is still roughly three times what it would be in China, if not more.

Those prepared to work for this pay tend to come from immigrant communities. Winthrop and I have driven on, to Middlesex, North Carolina, the home of Eagle Sportswear, a company recently bought out by American Giant.

At the factory, I walk the assembly line with plant manager William Lucas. A 54-year-old local who started working there straight out of high school, he shows me the mainly Latina sewers who multitask in teams rather than doing more traditional batch sewing in which one worker does a single task again and again.

In team sewing, each group has a target, and faster, more skilled workers can help slower ones along. A monitor shows how far above or below the target each team is (the one for the team we are watching reads 110 per cent, which means a bonus if the women can keep up the pace). Together, the workers dynamically speed up or slow down the flow of the line as necessary.



A monitor shows how far above target a sewing team's output is at Eagle Sportswear, Middlesex, NC © Jeff Rich

“Team sewing makes these workers more valuable because they can learn different skills instead of performing the same thing over and over,” says Lucas.

In every industry, but particularly in low-value ones such as apparel, the goal is to increase productivity and skill levels to grab more margin. A more skilled labour pool could, in turn, bring higher-value industries to the region. “These ladies have a lot of skill,” Lucas says. “I could see them do, say, boots or fabric or leather upholstery.”

According to Ramaswamy at the McKinsey Institute, the real knock-on benefits of manufacturing come from creating high-value ecosystems. Ideally, you create the sort of hub of talent and capital that produces not only higher-value goods, but also services. **Columbus, Ohio**, is one of the gold standards for this.

While the Rust Belt city was hit hard after the 2008 financial crisis, it managed to create public-private partnerships that helped plug funding gaps, retrain workers and establish connections between educators and job creators. In the past few years, it has gone from being an also-ran city to the source of most of Ohio’s new job creation.

But Columbus has a diverse, upscale industrial base as well as research and service sectors that support it. This area of North Carolina has few such resources. American Giant has had to bus workers between their homes and factories due to the lack of decent public transport. Minimal state spending on education means there are clearly limits to how far upskilling can go. When I try to interview some of the Latina workers, their English skills are so poor that it’s difficult to communicate.

Why are there so few English speakers here willing to work such jobs, even if, as shown by Lucas’s own personal journey, they could lead to something better? It depends on whom you ask; and I ask everyone we meet in the Carolinas. Some give the standard-issue conservative answer: “Some people don’t want to work.” Others say that those who can tend to leave the area in search of higher pay.



A worker inspects a garment at Eagle Sportswear. Sewers here multitask in teams rather than doing more traditional batch sewing © Jeff Rich

There are big companies that have launched their own training programmes for workers. But for a smaller company such as American Giant, that’s tough without major tax credits or subsidies. “What do I want from Washington? I want help with my capital investment,” says Winthrop. That could be more tax credits for investment in research and development, but also for human capital and worker training. Currently, companies can depreciate money spent on machines, but not labour.

“But mostly,” says Winthrop, “I want confidence that no matter which administration comes in next, we aren’t going to revert back to the 1990s. And that our government is going to be pro labour and pro start-ups and small business.”

I hear a similar refrain throughout my journey, typically from those who have been on the sharp end of globalisation. At one low-tech cotton gin in Enfield, Kathy Sparks, a middle-aged woman who manages the facility, stands alongside four Latino men, all throwing raw cotton into large metal bins by hand, while machinery drones so loudly that it's hard to speak.



Kathy Sparks, manager of an Enfield cotton gin © Jeff Rich

As the cotton is ginned, compressed and weighed, Sparks uses a hand-held calculator to measure its value to the cent. “That’s \$402.11,” she says, pointing to a 3ft x 4ft chunk that represents what seems to me quite a substantial effort for that money. Winthrop chats with her about the operation, and then insists she send size information for everyone in the factory so he can send them free apparel. She nods but, as he walks away and I catch her eye, she smiles and says, “He knows I won’t do it.”

This attitude of quiet pride is something those who craft trade policy are often not in touch with. The people who work in these industries may or may not like Trump personally, but they like the idea that someone is finally challenging the notion that globalisation is an unfettered good. They know better, because they live in places where it hasn’t been.

“If you ask me what President Trump has done on trade, I say I love it,” says Brian Ashby, 51, who, with his brother Hunter, 48, and father Page, 75, runs Carolina Cotton Works, an apparel-finishing company in Gaffney, South Carolina. It employs 188 people who dye and finish the cloth for American Giant’s T-shirts and flannel lines.

“It’s about time that we start putting everyone on an even playing field,” adds Page. “For years, the textile industry has been a pawn item for China, or Vietnam or Africa — ‘If you let us sell Coke, we’ll let you ship clothes over here duty free,’” he says, pithily parodying the bet that US policymakers placed long ago. This seemed to make sense at a time when everyone thought China would get freer as it got richer, and that there would be enough high-paying service jobs for all Americans. “They [the Trump administration] get the hypocrisy of that.”



The Ashby family, who manage Carolina Cotton Works © Jeff Rich

Despite his previous history of working on Wall Street and in Silicon Valley dotcoms, Winthrop has plenty of sympathy for this position. Though he lives in a townhouse in San Francisco with his jewellery designer wife and three children, he too feels the anger that powers America's polarized politics.

"The reality is that there is a huge section of this country that feels like DC is filled with a bunch of self-serving careerists who've never built anything in their lives, and that Wall Street is filled with people making ungodly amounts of money, and Silicon Valley is just totally disconnected from everyone, and all of them are trying to tell me how to live my life," he says.

"If you put aside all the stupid, offensive shit that Trump does and says, the fact is that he is posing some big, important questions about how we are thinking about our labour pool, our trade agreements, Nato and our international relationships."

Winthrop's views reflect his own upbringing, which cut across the blue-red divide in the US. The patrician name comes from his father, a Connecticut financier who divorced Bayard's working-class Maine mother and paid for his son's high-end education but nothing else. As the family struggled financially, the juxtaposition between prep school and hardscrabble home life left Winthrop with a keen awareness of the hypocrisy rife among America's elites.

"There's this bizarre combination of incredible wealth and total moral clarity. If they spent any time in one of our factories," he says, "they'd understand just how much grey there is."

The Ashbys represent some of that grey. Like the cotton farmer Jerry Hamill, they have been hurt by President Trump's tariffs, which have increased input costs for things such as dyes, fibres and yarns from China and India. Yet they remain supportive of him, focusing on the administration's overall message around trade. They say they are glad that the proposed [Trans-Pacific Partnership](#) was pulled by Trump, because increased competition from markets such as Vietnam would have flooded the market with even more low-priced Asian competition.

Proponents of the deal say that this is irrelevant, because the US should no longer be concentrating on low-end industries like clothing. They also say TPP would have helped give the US a leg-up in the high-end service industries of the future. But that doesn't change the fact that things have been tough for apparel-makers in the US over the past few decades.

In 1991, US-made products represented more than half of all clothing bought in the country; today it is about 3 per cent, according to the American Apparel and Footwear Association. CCW has survived by

diversifying and picking up business from weaker players, but also by selling the idea that staying closer to its end customers can improve quality and efficiency.



Repairing a gin stand at Enfield © Jeff Rich

That means intense problem-solving with customers, which include not just American Giant but also other US brands such as Major League Baseball and the fast-food chain Chick-fil-A, in a way that remote suppliers in China or Vietnam are less able to. With American Giant, it prototyped rapidly over the course of several months to adjust the variety of cotton and finish to achieve the quality Winthrop desired, at an overall cost that allowed him a comfortable margin. When the cost of shipping back and forth to LA became too expensive, CCW introduced Winthrop to still more local suppliers with whom they already had relationships, and negotiated further economies of scale.

It was an effort that took place in a larger ecosystem, rather than one in which each company was simply looking to its own balance sheet. “I liked that he wasn’t looking to just squeeze a penny, but to make something of quality,” says Page. “We hadn’t heard that before.”

The debate about [shareholder versus stakeholder capitalism](#) is growing in America. While larger, more global companies are under pressure from investors to bolster stock prices with buybacks, private companies can put capital where they will. And since many of their owners tend to live and work near their businesses, they are more likely to invest locally.

Private companies such as American Giant and nearly all its suppliers have more leeway to invest locally in things such as factory upgrades or R&D, which are crucial to keeping costs down and productivity up. Research shows that private companies invest more than twice as much in such things as public companies of similar size operating in the same sector.



Dye machine, Carolina Cotton Works © Jeff Rich

There are, however, certain larger business and economic trends driving interest in localisation even for public firms. After the 2008 crisis, for example, US manufacturing jobs fell off a cliff, but they later rebounded somewhat because of a complex arbitrage between labour costs (which were getting more expensive in countries such as China relative to productivity), higher energy costs that made transport from outsourcing hubs in Asia more expensive, perceptions of increased political risk in areas such as the South China Sea, and rising demand in Mexico and eastern Europe.

With the exception of energy costs, which have fallen recently, those factors are still in play. Many multinationals have been creating regional hubs for years now, rather than opting for cheaper but longer global supply chains that are more difficult to monitor. (One oft-cited cautionary tale was the [Rana Plaza tragedy](#), in which a sub-par factory in Bangladesh collapsed and killed more than 1,000 workers who had been subcontracted to make clothes for international brands.)

Carhartt, another private US company that makes work clothing worn by many a union labourer, does most of its sourcing from Asia, but recently launched an experiment to collaborate with American Giant on certain product lines, as a way of better understanding the opportunities and challenges of making things in the US.

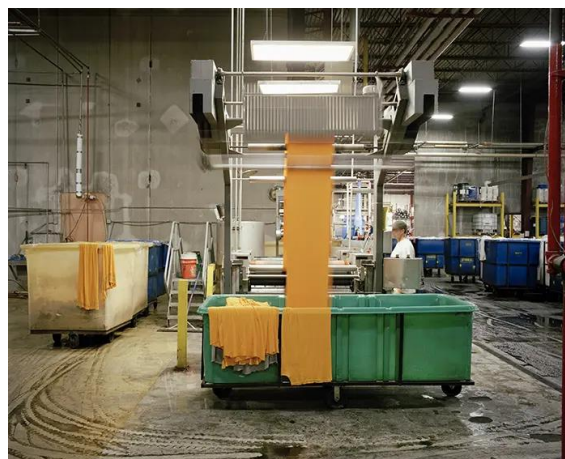
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There is another business argument for keeping supply chains local: to cater for younger consumers, who not only want to see new trends in store every few weeks rather than each season, but are also attracted to goods that are sustainably produced and have an ethical provenance. They are partly why companies such as [Chobani](#), the yoghurt maker that brought jobs back to upstate New York, and Shinola, the watch and leather goods producer that has helped revitalise Detroit, have become so successful.

Winthrop started American Giant with the aim of appealing to this very group. He managed a high-end skateboard/snowboard company called Freebord, as well as a boutique accessories maker called Chrome, and sold an early social-media company, WBS, to Disney before launching his company. “Younger people have lost faith in politics, they’re losing faith in the media and in institutions of all kinds,” he says. “One of the last areas that they have left to really say something about themselves is how they’re spending their money, and what they choose to eat, or drive, or put on their bodies.”

American Giant doesn’t disclose its sales figures, but Winthrop says the company has had compound annual growth of roughly 50 per cent over the past five years, and expects that rate to continue in 2019.



High-tech tubular pad extractor at Carolina Cotton Works, Gaffney, South Carolina © Jeff Rich

This is testament to the fact that at least some of his customers are willing to shell out \$108 for a hoodie made entirely in the US, against less than half that for a similar Gap product. The items, sold almost entirely online, have a cult following among coastal trendsetters who appreciate the superior manufacturing quality that adds a touch of luxe to a typically utilitarian garment (“You’re going to see American Giant?” says my New York City teenager when I tell her about the trip. “Can you bring me back one of their black hoodies?”)

In November, the company expanded its repertoire by launching the first mass line of **jeans made entirely in the US** in more than 100 years. “On a piece basis, it’s of course cheaper to make things in China or Vietnam,” says Winthrop. “But we can now make our garments as cost effectively here, because we’re more productive, we are selling directly to customers online, and we are cutting out currency fluctuations, transportation and the mistakes you have to deal with in a more complex supply chain.”

The “selling directly to customers” part is key. One way to offset higher labour costs is by eschewing bricks-and-mortar retail space for online sales (American Giant has only two stores, one in New York and another in San Francisco, mostly for marketing purposes). Another is to become experts in understanding customer behaviour. One of the fastest-growing parts of Winthrop’s company is the data-analytics department. “We have a very clear understanding of what a customer will do after 30 days, 90 days, 180 days and so on.”

Yet while American Giant’s customers may be loyal, ultimately their numbers will be limited by the \$108 price point. This is partly why Winthrop is experimenting with Carhartt, to explore future economies of scale.



Cotton-spinning frames at Parkdale Mills, Gaffney, South Carolina © Jeff Rich

The most successful manufacturing businesses these days, no matter what size, tend to be the most high-tech. Much of Winthrop’s investment goes into things such as data analytics, software and new machines. And his best suppliers are those with the most cutting-edge equipment. Anderson Warlick, the CEO of Parkdale Mills, a third-generation, family-owned business in Gaffney, South Carolina, which gins cotton and spins yarn for American Giant, says he puts roughly 75 per cent of the company’s profits back into the business. “Almost all of it goes into new technology.”

So much so that there are hardly any human workers at all in his company’s 45,000 sq ft factory. The plant is a model of efficiency, cool and clean, full of the latest German equipment. Rows of tiny red buttons on the machines show when they’ve self-diagnosed that they need maintenance.

“We’re actually launching a project involving autonomous vehicles to move stuff around the plant,” says plant manager Robert Nodine, who’s been with the company for 17 years. “A lot of what we’re getting rid of is stuff that people don’t want to do any more anyway — heavy lifting, the real physical labour.”

This, in a nutshell, is the big challenge for the manufacturing sector. Even if it comes back to America, many traditional jobs will be **done by machines**. There will be roles at the top, developing the software and sensors to connect the burgeoning “internet of things” that will enable plant managers to track the entire life cycles of products in real time. There will be some jobs at the bottom, too — but even there, the skill levels required will be higher as the industry becomes more mechanised.



'Pepper trash', or leftover material from raw cotton, used as cattle feed © Jeff Rich

To succeed as a worker in this new world, it will probably be better to make the equipment that makes a hoodie, rather than the hoodie itself. Either way, bringing manufacturing back to the US will require some things that private business can't do on its own — educational reform, tax reform, smart industrial policy (not picking winners, but building infrastructure, sharing best practice across industries and creating a supportive environment for investment with more than just tax cuts).

What we’re getting rid of is stuff that people don’t want to do any more anyway — heavy lifting, the real physical labour

Robert Nodine, Parkdale plant manager

That is perhaps the biggest lesson from my road trip. While Winthrop has made his own business work, there’s only so much any one company, or industry, can do. The public sector has to play a role. Yet, for the past 40 years, we’ve lived in a world in which business has become global, while politics has remained local.

Business complains that government fails to train a 21st-century workforce or support industries of the future, even as it lobbies for tax cuts that make it harder to do those things. Multinationals can fly 35,000 feet above

local concerns, putting capital and jobs where it is cheapest to do so. But eventually that becomes a zero-sum game, as the political climate not only in the US, but in much of the world, makes quite clear.

Business leaders and politicians alike realise that they must do something to buffer the communities hardest hit by globalisation. Not everyone can be a coastal knowledge worker. People in the Carolinas scoff at ideas like universal basic income; as numerous studies on unemployment show, work matters. And even in a globalised world, place still matters too.

That's what drives people such as Winthrop and the companies he works with to keep going in the face of the obstacles. "We've given the world a lot of materialistic things," says cotton farmer Jerry Hamill, referring to the throwaway consumer culture of recent times. "But some good things have gone away."

Rana Foroohar is the FT's global business columnist and an associate editor

The FT Solutions Network: What do you think developed economies should still be manufacturing – and what are the best ways for them to encourage a healthy manufacturing industry? Share your thoughts and ideas in the comments below. We may publish the best in a follow-up piece.