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Article

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Due Diligence To Suit Yourself

By L. Burke Files, FEE Inc (01/09/2012)

I have some amazing clients. What makes them amazing - is that I can help them make well-informed choices and they educate me in minutia of their respected industries. One client is a retailer of high-end designer men’s and women’s ware and a wholesale of lesser items. Helen buys the clothes from all sorts of odd locations, liquidations, damaged or refused containers, and from other wholesalers that end up with garments they know she likes.

What was interesting as I am tracking down the origin and history of seven small containers she is rifling through crates of men’s suits and jackets and throwing the goods in to three piles as fast as she can. I continue to trace the containers and provide her with some origin information. The containers I am looking at are containers from Vancouver Canada that were not picked up at their ports of destination. The containers have been declared abandoned and sold off at auction. The buyer of the containers, opened them, noticed there were designer suits and called her to what she would pay for the contents of the seven containers.

All seven containers originated in Victoria, B.C. Canada and five were shipped to Florida and two were shipped to Boston. Just from the origin and destination she thought something was fishy - Vancouver B.C. Canada is not a big origin destination for Italian designer suits. However, Vancouver B.C. Canada has a very large population of Chinese that do work very closely with family members and their business operations in China. With the origin of the containers and what she was seeing in the containers information - she cursed loudly and began digging into the second container. Again sorting the contents - some time by boxes and sometime individuals all being sorted into three piles.

I had to ask - what are the three piles? She explained to me that the containers contained a mixture of suits. The three categories of suits were a) 80 per cent finished shells, b) authentically labeled suits, but appeared to be 2nd hand, and c) “subway suits” (one only sold in the dark dank subways).

The 80 per cent finished shells are all machine made and while some of them are very nice and very well made suits, they are still machine made. These shells were destined for a shop in one or more location that will pawn them off as all handmade suits and who will sell the finished suits at retail for from US\$1,500 to US\$2,500. She said the shells cost about US\$100 to US\$150 each and again are nice, but they are not a handmade suit and do not have the artisanal quality that a wholly handmade suit possesses. Again - she said they are are not bad suits, not bad at all - but are the not the construction of a fully made handmade suit.

The authentically labeled suits for the most part appear to be 2nd hand. These suits were found as the top layer of each of the boxes covering up what might be below and while these were authentic, they were still 2nd hand suits.

The third were some suits she said were already made in China, and appear to have had some “value added” in Canada for tax purposes and have a "Made in Canada" label. Her comments were a wry - “I don’t even think the label was made in Canada”.

So how did she sort the suits at such a furious pace?

Brioni is the most knocked off suit brand. There is even a brand B. Brioni that sells for US\$250 for what would be US\$1,680 genuine Brioni suit. Brioni is a ready-made label



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but the design and construction of the suits is what makes them so special. Every detail in design, selection of materials and construction is paid close attention. You will see in the lining of the jackets, the pants and even in the waistband has "Brioni" with the distinctive B woven into the fabric. Pockets are made by hand, jackets are fully lined and fully canvassed, and all of the buttonholes are sewed by hand.

Others that suffer from knockoffs are Canali, Burberry and Oxxford. If one was to make a quick trip to a high-end retailer to try on these different iconic brands and you will learn the difference between genuine and a knockoff very quickly. If you are too clever, and have too much time on your hands - take a camera with you and photograph the labels, the construction of an upturned jacket collar, and photograph the construction of the pockets, lining, and especially the button holes.

Helen showed me that the button holes on most of the high-end suits are sewed by hand, sewing by hand take time. By having the buttonholed machine sewn it saves a good deal of time and is a way to cut the cost of labour. Cheap suits have button holes sewed by machine and look it. Machine made button holes have the fabric sewn first in a double zig-zag pattern and then the hole is cut for the button usually with a seam ripper or plunge blade leaving a good deal of the raw unfinished textile on the inside of the button hole. Further, most of the cheap suits do not even bother to cut open the button holes on the lapel. A handmade button hole is finished with a button hole stitch and it is sewn after the button hole has been cut so there is no raw textile left shredded on the inside of the button hole.

This is an excellent example of a generalist on due diligence, me, pairing up with a SME (Subject Matter Expert) Helen to dig into the history and veracity of an opportunity. While she specialised in retailing high-end garments, both new and second hand, she had no qualms in offering a price for all seven containers - but a price that reflected the reality of the goods not the contrived reality behind mere labels. She chose to keep those garments she wanted for her stores and to wholesale the rest of the goods to other retailers.

While this was going to be the end of the story, I have to add one more note. I was attending a very sophisticated gathering of people at a stunning home of some 22,000 sq feet, overlooking the Pacific Ocean in Laguna Niguel California. The purpose of the gathering was to raise funds for a children's hospital, network, and of course be seen. The conversation was lively and the company good. A fellow at my table was wearing a sharp looking suit and I had to ask in what make of suit he looked so sharp. "It is a Brioni" he said smiling. A fellow on the other side of me piped up that he too was wearing a Brioni. I looked at both and the one who chimed into the conversation had a nice jacket with all the wrong buttonholes - I was stunned. Me, I was wearing my favorite brand, Mr. Sam - Hong Kong Tailors!

Helen had given me a new tool in spotting fakes. The one wearing the fake Brioni - was a Southern California investment promoter. A fake cloaking a fraud.

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