

A. Apparel Manufacturers Survey

The following questions have been asked of the participants:

1. *If manufacturers and retailers are to work together on dealing with product returns, in your opinion, what is the ultimate goal in dealing with product returns (such as selling to second markets, destroying, making the return process better, etc.)?*
2. *What are your company's reasons for accepting product returns? A list of return reason codes with a brief explanation for each code would be very helpful.*
3. *What is your company's return rate?*
4. *What are your company's disposition practices for the returned products? Again, a list of disposition codes with a brief explanation for each code would be very helpful.*
5. *What are your company's main reasons for disallowing or disputing chargebacks?*
6. *If your customers (retailers) already capture the reasons for product returns at the point of return, are those reasons important or even relevant to your company? (Leave blank if not applicable.)*

not important important very important
not relevant relevant very relevant
7. *Besides return reasons, what other information (coming from your customers) about product returns would be helpful to your company?*
8. *Would you like to see this information captured/sent by your customers (retailers)?*

yes

no

B. Survey Methodology

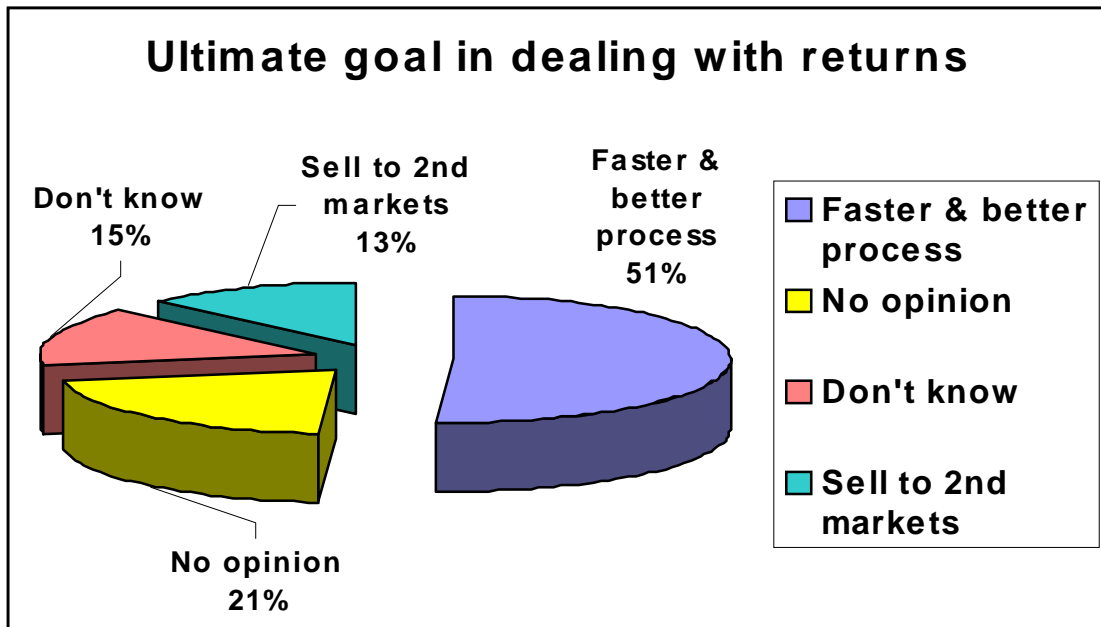
The survey was started on 5/10/99 and was finished on 6/14/99, taking 4 weeks to complete. Below is a breakdown of all of the responses received.

| Category | Number |
|--------------------------|--------|
| Completed surveys | 45 |
| Not interested/No answer | 15 |
| Left messages | 8 |

Survey response rate was 66.17%. The incorrect phone numbers and companies not contacted or for whom messages have been left were not used to calculate the response rate.

C. Survey Results

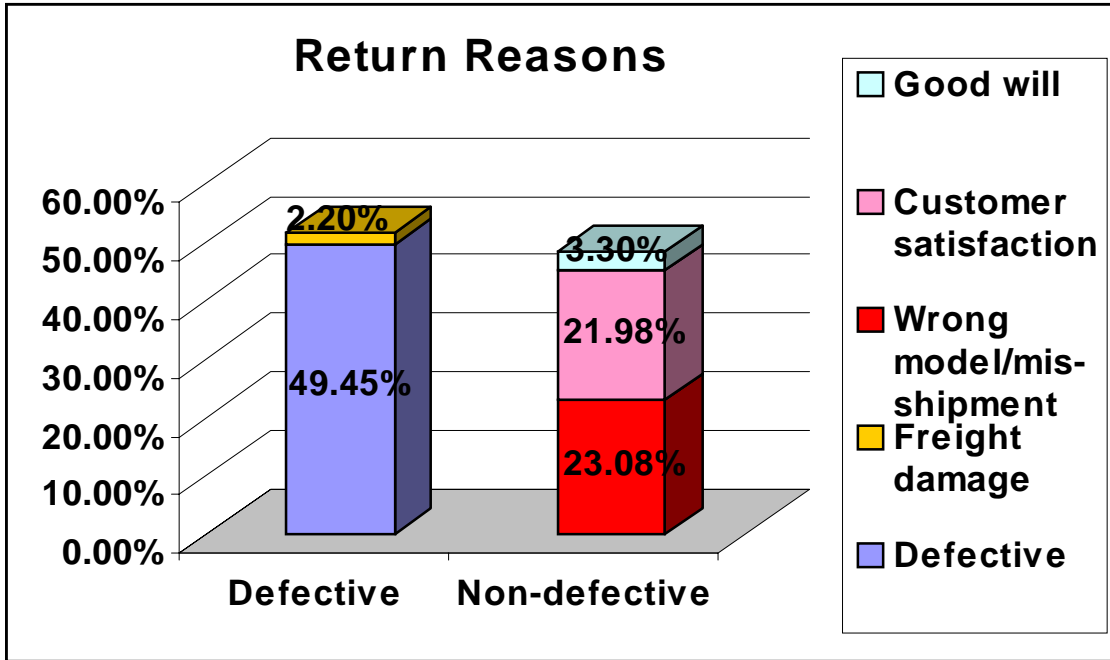
1. Question 1: Ultimate goal in dealing with product returns



2. Question 2: Return Reasons

The participants declared that 51.65% of the returned merchandise is taken back because it is defective or it has been damaged in shipment, while 48.35% of the returned merchandise is taken back even though it is not defective, for such reasons as

- Initial shipment of the wrong model/size, etc.
- Wanting to maintain the companies' customer satisfaction and loyalty
- Creating good will.



3. Question 3: Return Rates

For the apparel manufacturers surveyed, below is a summary of the return rates statistics:

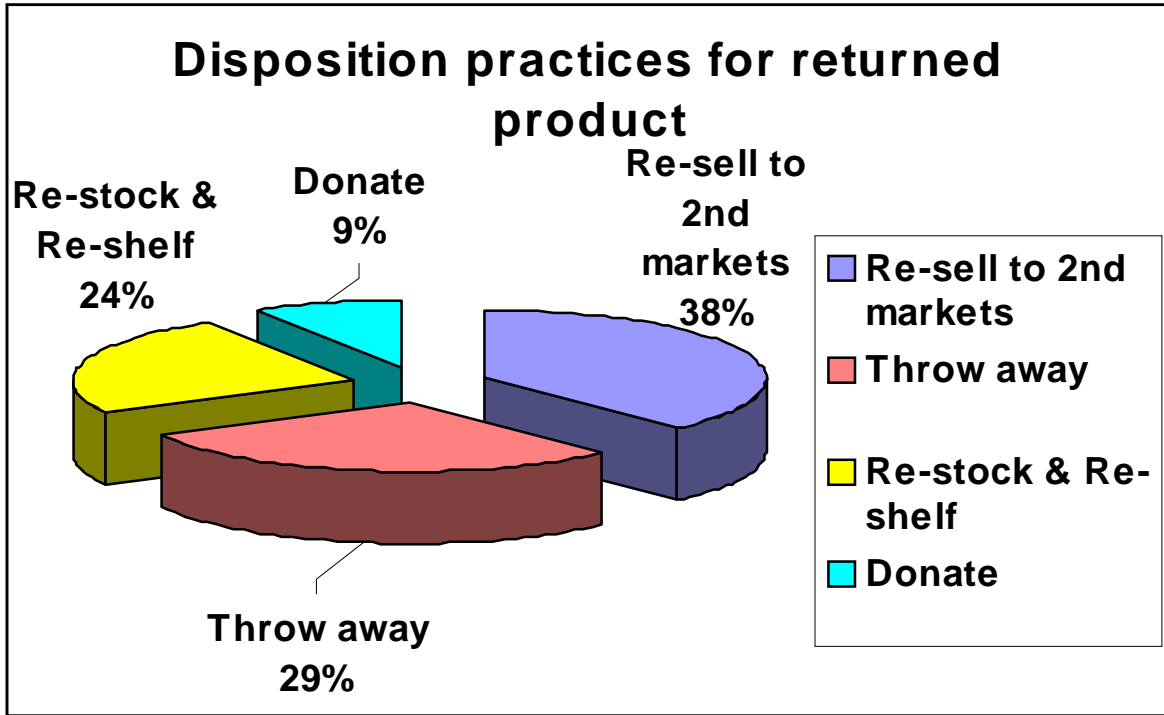
| | |
|---------------------|--------|
| Average return rate | 19.44% |
| Median | 18.00% |
| Mode | 16.00% |
| Minimum | 8.00% |
| Maximum | 34.00% |
| Standard Deviation | 5.523 |

In addition, 8 firms responded that they did not know their return rates, and 16 answered that this information is of proprietary nature.

4. Question 4: Returned product disposition practices

Of the companies surveyed, the statistics and graph below define the breakdown of various disposition practices:

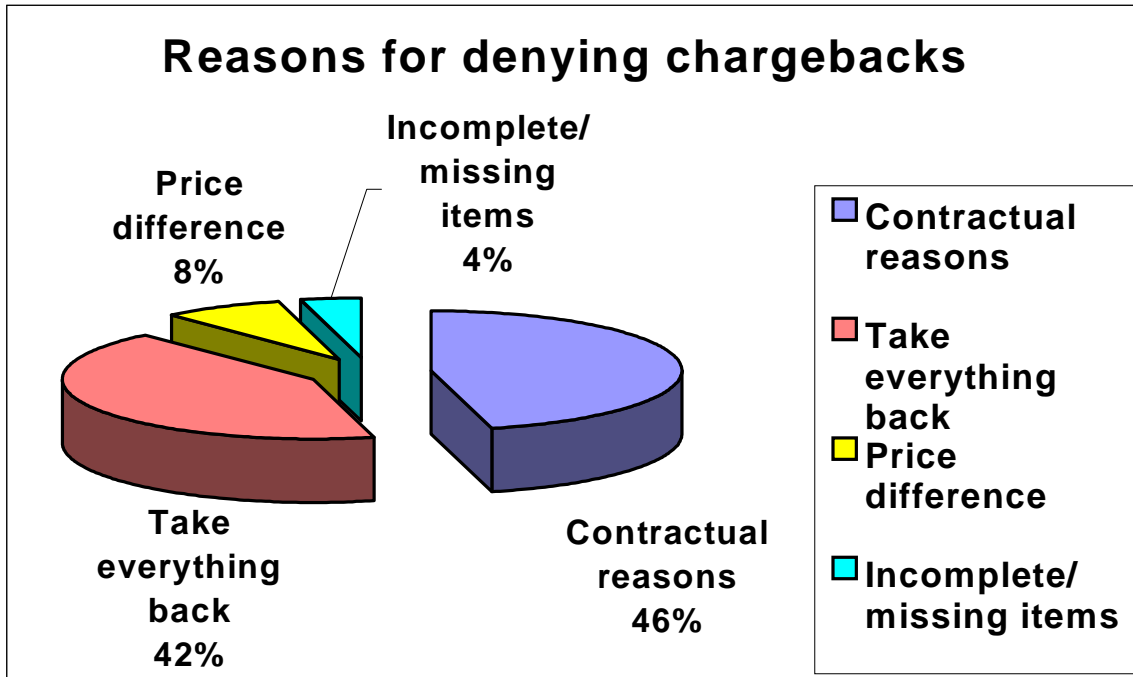
| Category | Percentage |
|--|------------|
| Re-sell to 2 nd markets, outlet malls | 37.93% |
| Throw away, destroy | 29.31% |
| Re-stock and re-shelf | 24.14% |
| Donate | 8.62% |



5. Question 5: Reasons for denying or disputing chargebacks

The following chart and graph demonstrate the reasons for which companies dispute chargebacks:

| Category | Percentage |
|--------------------------|------------|
| Contractual reasons | 46.15% |
| Take everything back | 42.31% |
| Price discrepancy | 7.69% |
| Incomplete/missing items | 3.85% |



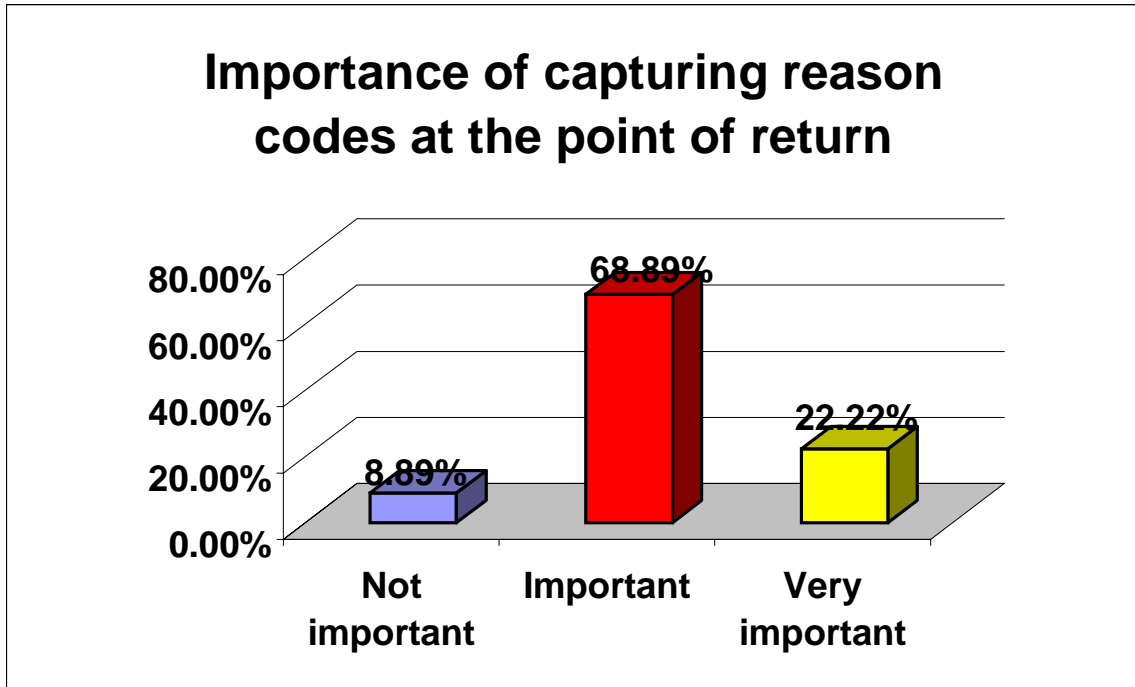
The “contractual reasons” category includes reasons such as:

- The returned merchandise being under a certain dollar amount
- The contract specifying that the merchandise should be destroyed or dispositioned in another way by the retailer.

6. Question 6: Are return reasons captured by retailer important or relevant?

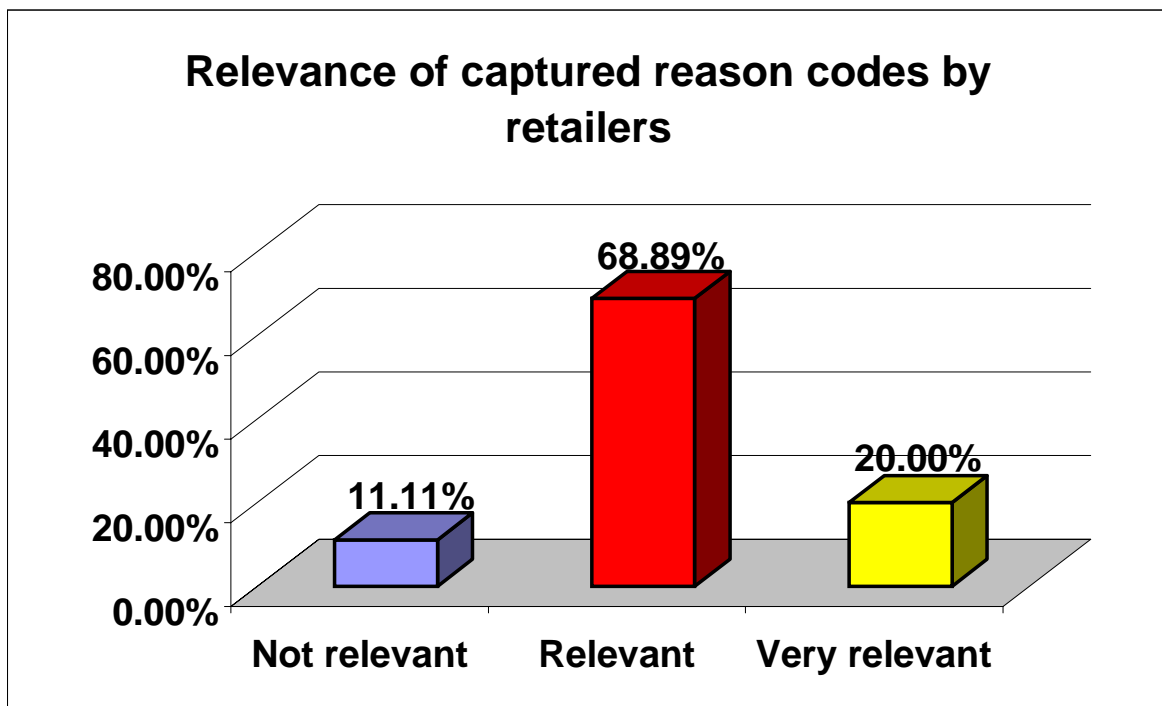
The participants reported the following with regards to the importance of capturing reason codes at the point of return:

| Category | Percentage |
|----------------|------------|
| Important | 68.89% |
| Very important | 28.89% |
| Not important | 8.89% |



Participants reported the following with regards to the relevance to their operations of capturing these reason codes by retailers:

| Category | Percentage |
|---------------|------------|
| Relevant | 68.89% |
| Very relevant | 20.00% |
| Not relevant | 11.11% |



7. Question 7: Useful information regarding product return and/or chargebacks

Surveyed companies reported that they would find the following information helpful (a breakdown in descending order by priority):

- Return reason—defective versus non-defective
- Returned products style, model, size, color
- Number of items returned
- All relevant paperwork
- Estimated shipping and delivery time (when and how will the items be returned)
- No other information (than the one already captured).

8. Question 8: Would you like to see this information captured/sent by retailers?

Of the participants, 68.88% answered that they would like to see the above information either captured or sent by the retailers along with the returned products, while the rest 31.12% reported that they are satisfied with the information they currently get from their retailers systems and would like to receive no other information.

Appendix I. List of Survey Participant Companies

Angelica Corp.
Apparel Ventures Inc.
Ashworth Inc.
Bebe Stores Inc.
Big Dog Holdings
Biscayne Apparel Inc.
Cintas Corporation
Columbia Sportswear Corporation
Dan Rivers Inc.
Danskin
Delia S Inc.
Designer Holdings Ltd.
Donna Karan International Inc.
DonnKenny Inc.
G III Apparel Group
Garan Inc.
GFSI Holdings Inc.
Hampton Industries
Happy Kids Inc.
Hartmarx Corporation
Ithaca Industries, Inc.
Jalate Ltd.
Jones Apparel Group, Inc.
Kasper ASL Ltd.
Kellwood Corporation
Kimberly Clark Corporation
Leslie Fay Corporation Inc.
Liz Clairborne Inc.
McNaughton Apparel Group Inc.
Nautica Enterprises Inc.
North Face Inc.
Oneita Industries Inc.
Oshkosh B Gosh Inc.
Oxford Industries Inc.
Pluma Inc.
Quicksilver Inc.
Salant Corporation
Savanah Inc.
Starter Corporation
Superior Uniform Group Inc.
Supreme International Corporation
Tarrant Apparel Group
Tropical Sportswear International Inc.
V F Corporation
Warnaco Group Inc.