



Kyle Vucko may need to look further afield

## The experts weigh in...

**Dickson Hall,**  
PRESIDENT, DICKSON HALL & ASSOCIATES  
Hall thinks Vucko and Gani need to shed their idealism about relationship-building and draft up some agreements. "It's becoming harder for foreigners to operate on an informal basis, especially in cities such as Shanghai," he says. As inventory from suppliers grows, the company will need to prepay tailors, and that will require written contracts.

**Lloyd Bernhardt,**  
PRESIDENT, ETHICAL BEAN COFFEE CO.  
If Indochino is serious about its corporate responsibility, Bernhardt recommends that it use a code of conduct like that drafted by the Workers Rights Consortium, and then employ a third party to verify that its standards are followed. Verifying that their code of conduct is being honoured will bring peace of mind to Vucko and Gani. But more than that, it will show the marketplace—including their supply chain and customers—that Indochino is a responsible company to do business with.

**Murray King,**  
MANAGING DIRECTOR, APCCO WORLDWIDE'S SHANGHAI OFFICE  
To safeguard product quality, King suggests that Indochino get some help from a firm that specializes in overseas quality control, such as Vancouver-based Quality Control Services. He also recommends that Vucko and Gani consider sourcing tailors from outside Shanghai—say, from the neighbouring provinces of Jiangsu and Zhejiang—because inflation in the city is compounding the problems associated with the appreciation of the renminbi.

# Into the fray

*Indochino has stitched together a supply chain in China on cash deals and handshakes. Business is booming, but is it destined to unravel?*

### THE BRIEF

**FOUNDED**  
2007, Victoria and Shanghai  
**OWNERS**  
Kyle Vucko, 22; Heikal Gani, 26  
**BUSINESS PLAN**  
Affordable custom suits, sewn by independent tailors in Shanghai and sold over the Internet  
**CLIENTELE**  
200 suits sold every month to consumers in North America, Europe and Australia  
**EMPLOYEES**  
Eight, plus an expanding network of tailors and fabric suppliers, as well as accessories, packaging, printing and courier-service providers

For cash-strapped, socially conscious consumers, it sounds like a dream come true: a designer knock-off suit, crafted in sweatshop-free conditions by indie tailors in China, costing \$200 to \$450, including shipping and alterations. That is the marketing pitch from Indochino, a company launched last year by two University of Victoria students to sell cheap, custom-made suits (most are wool, cotton or blends) through the Internet. Customers are sent a measuring tape and textile samples, and within two weeks of their selecting a style and supplying measurements, a handcrafted suit arrives on their doorstep, direct from Shanghai.

Founded by CEO Kyle Vucko, 22, and his best friend, 26-year-old Heikal Gani, Indochino has benefited from favourable media attention, and has already surpassed sales targets by 25%. Now, with a couple of hundred suits shipping each month, a second round of financing in hand from Burda Digital Ventures and demand growing, Vucko and Gani want to scale up production. This isn't so easy, however, when your supply chain comprises multiple tailors and textile suppliers whose working arrangement with you is based on personal relations, not firm contracts. "Most companies go to China to mass-produce," says Vucko. "They go to a factory, and it gets easier as they get bigger, because they're looking at economies of scale. But with us, we're growing out this network of individual tailors, and nobody's done what we've done."

Each of the 40 tailors in Indochino's network is paid a set fee for every suit they make. The fabric is sourced in small amounts from resellers with close ties to large factories. "We have no documented agreement with these guys—it is all done with long-term relationships," says Vucko. "Everything is done with cash and handshaking, or word-of-mouth IOUs."

The two entrepreneurs are determined not to compromise their business model as they ramp up production and add to their product line. But if they can't find a way to keep a handle on quality control—and keep their ever-growing number of Chinese partners happy—Indochino is at risk of coming apart at the seams.

—JESSICA WERB