

CREATE NICHE PRODUCTS THROUGH TECHNOLOGICALLY UPGRADED FACILITIES



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US based Steve & Barry's University Sportswear Company, has grown extensively over the last few years and owns several stores throughout the US in the campuses of some of the most prestigious universities and shopping malls as well. Along with specialising in licensed merchandise, the company has now ventured into the casual wear segment as well and is building it's own brand. In 2001, Steve and Barry's opened its sourcing office in Mumbai to explore Indian options.

Apparel Product Sourcing is a 'Complex Art', that is dependent on various volatile factors such as yarn prices, trade policies, currency fluctuations and quota premiums. Talking from the perspective of an American retail organisation we have several contending forces to deal with on a daily basis in order to source products at competitive prices and maintain consistency in the supply chain.

The elimination of quotas and China's accession to the World Trade Organisation is about to bring dramatic changes to the global sourcing scenario, most affected will be India, Pakistan and Bangladesh in terms of national revenue from apparel and textile exports.

Being born and raised in a family of 'Garmentos' I have seen the Indian Apparel industry go through massive changes in the past ten years and having lived in New York's Garment District I have been able to see both sides of the story to come up with unbiased opinions.

The typical Indian garment exporter has anywhere from 3-10 customers and between Rs.5-15 crore of annual sales

volume. This probably makes up close to 50 per cent of the exporters in the country. The basis for survival for most of these companies has been personal relationships with the foreign buyers and quota holdings in specific marketable categories built on past performance. What is virtually absent in most companies is ERP solutions and CAD/CAM systems for pattern and marker making. Technology has somehow never been the prime focus of most apparel exporters and although many companies have started opening up to the idea the decision for purchase, implementation is something that most people try to put off as much as possible. This attitude can be seen at every level from the office to the factories. A typical example would be to purchase a sewing machine with automatic thread cutting feature but give the garment for traditional Dhaga Cutting, process. What is perceived as a high capital expenditure and not justified due to the low labour costs could in turn have affected productivity and increased delivery lead times compared to other modern factories which are able to give a faster turnaround on goods.

If we need to delve into technology aspects, I can probably write a book but I do not think that it is doing justice to only comment on these aspects.

From the view point of an importer, I have seen price deflation at every level in most product components as well as the end garment price not taking into consideration seasonal fluctuations of raw material prices. This is definitely a trend that can intensify over the next few years as garment factories will lose their Trump Cards for being able to bag an order.

As a country that laid the foundation for the growth of the apparel industry on the legendary 'Madras Plaid', it has come a long way, since then however there are several factors that need to be immediately available on disappearance of the quota regime in order for the industry to thrive. We have a dearth of competitively priced fabric mills that offer hi-tech fabrics, nylons, polyesters, polar fleeces, micro fibers and yarn dyed cottons in high density constructions. Typically most of these fabrics are being imported from China which is

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increasing delivery times, reducing effective controls and to a great degree adding to the price, if freight and customs clearance issues are taken into consideration, unless they are done in high volumes. Apart from labels most trims prices like zippers, snaps, toggles etc. have found to be anywhere from 25-50 per cent higher than if we were to import them. There are also very few organised players in the trims sector and garment factories are typically chasing for deliveries.

The African Growth and Opportunity Act (AGOA) allows us to import several products duty free. Typical duties that range from 18-28 per cent is interesting for a customer because if he is able to train his factory in Africa to make his key 'basic' products round the year at a reasonably low price, it gives the option of moving production for low priced basic items to Africa and developing a long term supply chain and not having to worry about quota and also avail of the duty benefit.

There are other factors that are not helping, like we have a handful of good printing mills that can do complex prints and hassle free deliveries. Garment washing facilities do not have adequate dedicated resources to research and development.

My viewpoint based on all of this is that the majority of the companies that have built successful businesses in India are

based historically on products that were not available in other countries, personal relationships with overseas buyers and quota holdings, factors that will no longer hold ground for them to get a fair chance going ahead in the future. My strategy as an exporter would be to create a niche for products, technologically upgrade and provide value added products compared to basic commodities. Value addition is the only way a mid-sized company can score points by offering a product line at a competitive price at which not many companies offer or for that matter would like to do the effort to produce. What might be seen as a huge investment for a small or mid-sized company might in turn reap huge benefits for the future.

Having sourced products from China, Vietnam, Africa and the Indian sub continent this has been my honest post mortem of what the Industry looks like in India. As a garmento I know how hard it is for someone who has been in the Industry to move onto another one. The garment business is something that dies hard, but I would like to tell the Indian garment export community that there is a challenge ahead. There is a change coming about. People must open their minds and broaden their horizons. It is time to change strategies and the only Mantra for doing it is to upgrade what you have to offer to get your costs down and add value to the customers table.