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Global retail brands have designs on India

MUMBAI: International retail brands like Wal-Mart, GAP, JC Penney and Target have doubled their sourcing operations from India. Since quotas were dismantled early last year, new entrants like Steve & Barry's are cashing in on the cost advantage and setting up their entire operations in India.

Put together, Wal-Mart, JC Penney, GAP and Target account for 50% of the apparel outsourced from India in '05. While Target, the US-based value retail chain is looking to triple its business from India to \$300m from \$120m in '03, GAP is looking to touch about \$650m, from \$500m last year.

Wal-Mart already outsources over \$1bn worth of supplies from India. These companies are now rationalising their vendor bases and limiting their sourcing from fewer countries like India and China. India is specialising in value-added products unlike China which produces larger volumes.

"There is definitely a shift towards these two countries. Right now, companies would still be in the process of shortlisting potential suppliers. By '07-08, the sector could see economies of scale," said Subramanian Ganapathy, director, TNS India.

According to an official from Target, about 65% of its business comes from the home furnishing segment. They have reduced their vendor base by almost 70% and are also looking to do more business out of India and China. Target currently has 40 global sourcing offices. GAP sources garments worth \$1.2bn from the Indian sub-continent of which India accounts for 50%.

These retail chains are now setting up their own liaison offices, rather than opting for third-party buyers. American retail chain Steve & Barry's University Sportswear has made India its procurement hub since '01 through its affiliate company 4004 Incorporated. Avi Sonpal, MD, 4004 said, "We supply about 20m units annually to the company, and are able to cut costs by 40-60%."

Thirty per cent of Steve & Barry's merchandise comes from India and 4004 manages the entire back-end operations including setting up of stores. "We have a team which looks specifically at the tariffs in different countries and procure accordingly. A number of start-up companies are looking at making countries like India their

procurement base as it is much more cost effective," he said.

Other brands are also increasing their India operations. Mast Industries, which procures for the \$2bn Limited Brands which includes Victoria's Secret, The Limited, Express and Bath & Body Works among others, does \$40m worth of business from India. It is looking to double its business in the next year.

French Connection, UK (FCUK) is also sourcing \$30m worth of apparel from India, which accounts for 35% of its business. A number of these retail chains are already eyeing the Indian market, and once they are allowed it would help them to further increase their sourcing from India. India's current share in exports is just about 4%, with \$16bn worth of exports.

Source: The Economic Times