



India favorite procurement base

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MUMBAI: The dismantling of quotas early last year has found International brands like Wal-Mart, GAP, JC Penney and Target have doubled their sourcing operations in India and has opened the gates for new entrants like Steve & Barry's to appreciate the cost advantage and set up their entire operations in India.

Wal-Mart, JC Penney, GAP and Target together accounted for 50 percent of the apparel outsourced from India last year. The US-based value retail chain, Target, is hopeful of tripling its business from \$120 million in 2003 to \$300 million. Gap recorded \$500 million last year and is anticipating touching \$650 million this year. Wal-Mart has a supply-outsourcing of about \$1 billion from India.

These companies are downsizing their vendor bases and limiting their outsourcing from fewer countries like India and China, with India specializing in value-added services unlike China which produces larger volume-production. Subramanian Ganapathy, director TNS India said, "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."

Target, which has reduced its vendor base by almost 70 percent, is looking to do more business out of India and China. With 40 global sourcing offices, about 65 percent of its business comes from the home-furnishing segment. GAP has a garment-sourcing worth \$1.2 billion in the Indian sub-continent with India contributing for 50 percent of the accounts.

With these retail chains opting out of third-party buyers and setting up their own liaison offices, Avi Sonpal, MD, 4004 Incorporated, the affiliate company of Steve & Barry said, "We supply about 20m units annually to the company, and are able to cut costs by 40-60%." 4004 manages 30 percent of Steve & Barry's merchandise coming from India, managing the entire back-end operations, including setting up of stores.

Mast Industries which has a \$40 million worth business plans to double it next year. French Connection, UK (FCUK) also sources \$30 million worth apparel from India, accounting for 35 percent of its business. India's current share in exports is about 4 percent with \$16 billion worth of exports.