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*We have grown from a 2 people company to 500+ with offices in Mumbai, China & Pakistan*

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**Mr. Avi Sonpal, M.D, 4004 Incorporated** in an exclusive conversation with **Mr. D. Dutta**, Analyst, Textile Excellence about the company's growth, operation, vendor compliance, tariff and host of other issues.

## **We have grown from a 2 people company to 500+ with offices in Mumbai, China & Pakistan**

### **Can you give a brief description and nature of operations "4004 Incorporated" carries worldwide and in India?**

4004 Incorporated India is a global procurement hub and a strategic affiliate for Steve and Barry's university sportswear brand. 4004 Incorporated is responsible for all procuring all sellable (t-shirts, jeans, shorts, khakis, etc..) and non-sellable {metallic, plastic & wooden fixtures; stationary; store fittings, etc..} merchandise for the retail chain in the US. The company currently procures from 25 countries around the world, and is set to increase this base by 30% by December 2006.

### **The nature of operations for 4004 Inc include Vendors Development, Research & Relations:**

4004 Inc identifies vendors across the globe for business opportunity, who will match our price and quality standards. We are an extremely vendor friendly company and a lot of vendors have been with us since we started our operations here in India. We currently work with close to 25 vendors in different countries

**Design:** The design team in Mumbai supports the design team in the US.

**Merchandising & Sourcing:** Negotiating prices and providing specs for the merchandise

**Quality Assurance:** All quality assurance checks are done in Mumbai. We have a team of close to 60 people dedicated to one of our most important responsibilities

**Logistics:** To ensure all merchandise is shipped to the US in the right manner at the right time.

**Support Functions:** 4004 Incorporated also has teams whose responsibilities include Information Technology, Human Resources & Accounting & Finance. The company has an in-house IT Team of 60 who have recently created our own proprietary SCM software.

**What are the future plans for "Steve and Barry University Sportswear"?**

Steve and Barry's is growing at an impressive rate. The company plans to be a 300 store chain by the end of 2007 from the current count of 120 stores. The future plans aim to evolve our retail chain into a chain of complete department stores.

**What kind of growth has the company experienced since its inception?**

4004 Incorporated India and Steve and Barry's have seen approximately 80% growth year on year since 2001.

- We started our operations in September 2001 with 2 people and currently stand at 500+ employee strength across our head-office in Mumbai, and our network sourcing offices in our sourcing hubs like China & Pakistan.
- Our global buying capacities have increased by 60-80% year on year, where in 2004 we sourced 2 million pieces from India which grew to procure 20 million pcs in 2005.
- In 2001 SnB had close to 7-8 stores and, since the opening of 4004 Incorporated in 2001, the company is expected to be a 300 store retail chain by December 2007.

**What is the volume or value of garments the company supplies annually? What is the future demand you foresee?**

Since 4004 Inc India is a privately held company we do not reveal any figures. However, we procure close to 20 million pieces annually from India alone. With stores almost doubling in the U.S. every year, 4004 Incorporated translates this growth into increased buying capacities. In addition to sourcing & procuring 50-70% more of the categories we currently source (apparel, accessories, footwear and non-sellable items), we plan on increasing our procurement portfolio by adding on 8 new categories including winter wear, sunglasses and electronic items within the next 12 months.

**What are the criteria and compatibility issues while selecting vendors and suppliers?**

**Vendors are selected based on the following parameters:**

- Price
- Quality
- Factory Standards (machines)
- Compliance Standards

**What has been your logistic and procurement strategy model? Can you explain your concept of "Tariff Engineering"?**

4004 Incorporated employ a large team of Vendor Development and Research specialists who are our radars wrt TDAs pertaining to the United States.

Tariff Engineering (TE) is a scientific term used to master various tariff & duty arrangements between countries. Exclusive inter-country trade agreements are identified, after which our Vendor Development teams travel to the respective countries where the United States has signed a free or a low duty agreement for imports. An example of this could be the Central America Free Trade Agreement (CAFTA), where certain merchandise can be shipped into the US without any import duties. By taking TE into account before product development takes place, companies can realize significant cost savings. This is exactly the art that Steve & Barry's has mastered with great success.

Interestingly, the secret of being able to sell cheap is the ability of 4004 Incorporated to buy cheap from the global market, without compromising on the quality standards. Considering nothing in a Steve & Barry's store is sold over USD 9.98, 4004 Incorporated faces on-going challenges to source and procure merchandise at extremely competitive prices. In addition to TE, the company also works closely with vendors to coach them on best practices learnt from other vendors from all parts of the world. For any given merchandise, a piece gets divided into smaller components (eg. for a shirt, the components would be buttons, sleeves & colors, labels, etc.), and an indicative costing is arrived at. Providing a vendor has trouble meeting our prices, we as a company introduce them to various suppliers from across the world for these components which will help the manufacturer in meeting prices

#### **What is the present product portfolio? Any plans to extend the same?**

The current procurement portfolio of 4004 Incorporated includes knits and woven apparel, for clothing like jeans, jackets, cargos, shorts, t-shirts, sweatshirts etc. In addition to these, the company is also responsible for sourcing footwear & accessories like bags, scarves and belts etc. In 2006, 4004 incorporated showed a substantial number of additions in their procurement portfolio moving from apparel into footwear and other accessories. Over the next 2 years, the global procurement hub for one of the leading brands in the US, plans to add eight (8) new categories to our procurement portfolio. Some of these include cold weather accessories, lifestyle products, electronic gadgets, decorative products, cosmetics, watches and sunglasses.

#### **Abridged Profile**

**Avi's** vast experience spanning over a decade in the business of garments, textile and retail across the globe, underpins his position as the Managing Director of 4004 Incorporated India, a global creative procurement hub and strategic affiliate of America's fastest growing retail chain, Steve and Barry's University Sportswear.

Coming from a family of 'garmentos', Avi is an innovative leader and an entrepreneur personified who understands the pulse of garment manufacturing, textile & international trade. After returning from New York, where he went to pursue his degree at the world renowned Fashion Institute of Technology, Avi took charge of the reins at 4004 Inc India. Since then, this visionary has led the transformation of 4004 Incorporated from a one man office in Mumbai to a 500 people strong multinational powerhouse, providing Global Sourcing & Retail Solutions to the retail chain giant in the US. Avi has achieved significant success in building 4004 Incorporated from a vision to an actual reality in just 4.5yrs. Under the able leadership of Avi, 4004 Incorporated India office in Mumbai stands today as a Nerve Center for the Procurement Solutions & Strategy Operations for Steve & Barry's U.S.A. The company operates several offices worldwide including India, Pakistan and China, to support procurement and Supply Chain activities. He envisions India as the next global destination for creative procurement and with 4004 Incorporated having ignited a spark of retail revolution in the country, he thinks the day is not far away.

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