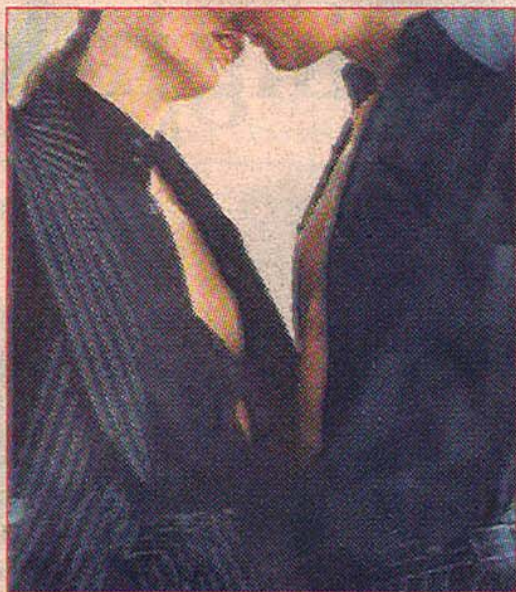


**SINGLE RETAIL SUPPLIES ARE HITTING BIG TIME**

# A garment-making factory, just for me



M Allirajan  
COIMBATORE

prove productivity by 30-40%," explains Mr Avirat Sonpal, MD of 4004 Incorporated India, the strategic affiliate of US sports retailer Steve and Barry's University Sportswear. According to industry players, a few major retailers are now in the process of entering into memoranda of understanding (MoU) with exporters for ensuring steady supply of garments.

4004 Incorporated India is inking such MoUs with a few knitwear exporters in Tirupur. As per the agreement, the exporter would have to dedicate an entire factory and production facilities exclusively for making garments for the retailer over a specified period. In return, retailers assure continuous supply for the period. Industry players affirm that more retailers would take to this new model in the coming days.

"The trend started after the phasing out of quotas. Now, it is increasingly becoming common. The relationship helps us plan production in a better manner, which is crucial at a time when margins are extremely thin," states Mr Anuj Goenka, director of Texport Syndicate, a leading garment exporter.

Texport, which has a production capacity of 1.5 million pieces per month, has placed a few of its factories exclusively for clients such as Wal-Mart, Steve and Barry's and Target. Typically, the "vendor relationship" is for a 1-3 year period.

► Better return on investment seen: P3

# Better return on investments seen

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Opinions are coming in thick and fast about the new trend of supply-conscious global retailers and margin-hit exporters joining hands to usher in single retail supplies. "The arrangement is mutually beneficial. While there is a good reduction in production costs for the retailer due to high volumes, exporters can save on expenses needed to market their products," Mr Sonpal points out.

"Export business has a lot of seasonality attached to it and once exporters enter into a partnership with us, we assure good orders throughout the year," he adds. "The long term commitment and guaranteed orders ensure better return on investments. We would also be able to

secure loans from banks easily based on the order position," points out Mr Anand Kumarasamy, MD of Wagon Wheel Knitworks, an export house, which is planning to sign a MoU shortly.

On an average, exporters are willing to commit up to 50% of their production under this new partnership mode. For instance, 4004 Incorporated, a global procurement hub for Steve and Barry's, which increased its sourcing out of Tirupur from 7 lakh pieces last year to 1 million pieces per month, hopes to bring about 4 lakh pieces under the MoU route. While the volumes are quite high, the average realisation per garment is low.

But, exporters say they will be able to achieve better profitability because of quicker turnaround and cost reduction.