Responsive and Profitable Apparel Business

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A Different Scale

It is a fact that, even with over US$ 6 billion (around Rs. 30,000 crores) of exports and around US$ 8 billion (more than Rs. 40,000 crores) of domestic market volumes, the ready-to-wear apparel industry in India is dominated by small-scale companies. Due to various policies, business environment and various other factors, Indian industry has grown up as a fragmented industry.

This has resulted a vast difference in the size of the Indian companies and the size of the international companies they serve – a difference that means that an average international customer buying from India is 50-times the size of their average Indian supplier. And the picture is obviously even more stark at the higher end of the scale – although there are no authentic or verifiable figures due to the private ownership of Indian export companies, if we assume that the largest Indian garment exporter has a turnover of around Rs. 500 crores, its largest potential customer (Wal-Mart) is 2,500 times larger than the largest Indian supplier!
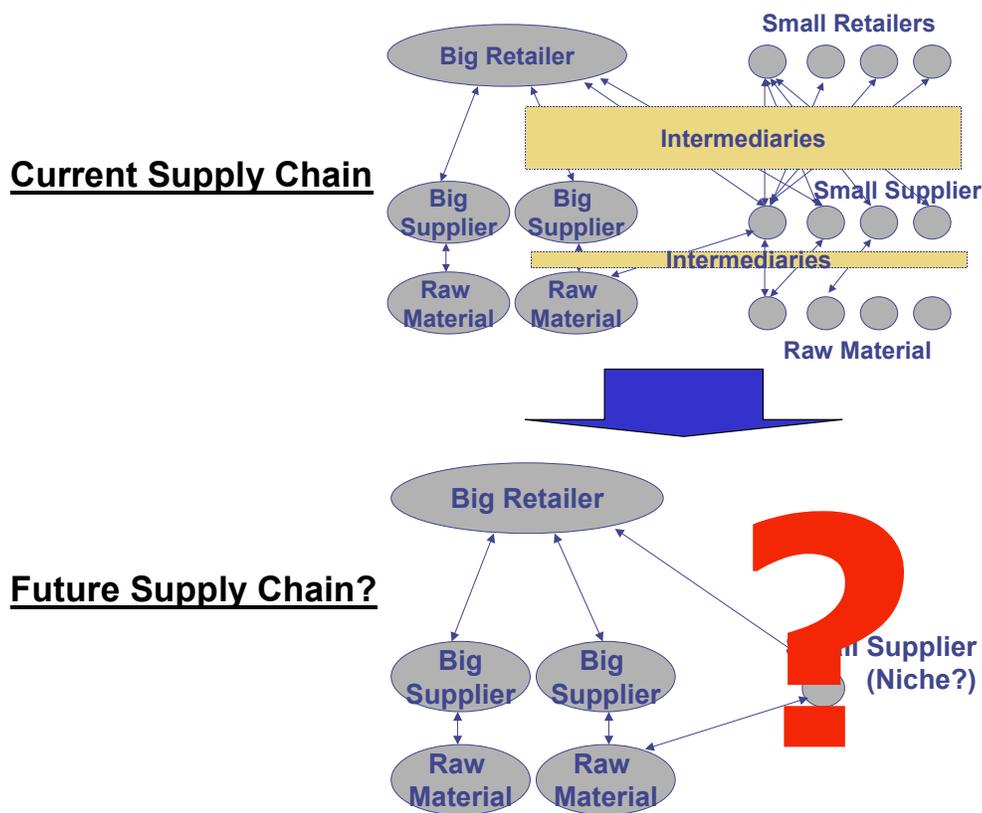
Figure 1: Fundamental Supply Chain Change?

Thus, there is obviously a vast difference in the level of capability that an Indian exporter can have in comparison to their customer, purely on the basis of the size and the money they can spend. And in their small size they are seen at a competitive disadvantage globally. Industry watchers have been projecting that buying agents and small companies will either die out or evolve into niche players, as the nature of the global supply chain changes (see Figure 1). If that is the only possibility then surely the Indian industry is doomed since it is almost entirely small scale?

Business Opportunities Exist

I believe that the reality is different. If we watch the trends in the international markets, certainly there is **consolidation** with big companies becoming bigger – they are not just growing, but also buying over other companies or merging with them.

However, I also perceive another opposite **fragmentation** trend, in parallel. These big companies are going into regions and countries that are new for them. In these markets, the products that they need are different from their usual needs. Also, within their existing markets, customer segments are breaking down into newer, more specialised segments which need not just more of the regular product but specialised collections. This need for differentiation and fragmentation is an opportunity for smaller companies, including Indian companies, to exploit.

But in a fragmented business the business processes must be held together even better because you have shorter lead times, and smaller production runs. Processes and information must be streamlined from Day 1. Imagine the very real scenario of the fabric supplier in Salem (South India), the dye house near New Delhi, the sewing unit in Noida, the buying office in Hong Kong, the importer's office in New York and the retailer somewhere else in the USA. If an order has to be processed in 60 days or less, with all these parties working together in their diverse locations, the information stream and working processes must be tied together also. Information Technology (IT), especially e-enablement has a very large part to play in this.

Major Business Issues

If we look at the difficulties traditionally faced in tying up the information in the fashion business, four basic issues come up: Processes are complex, the interdependent business partners are in different locations, they have diverse information platforms, and people and existing working systems are a barrier.
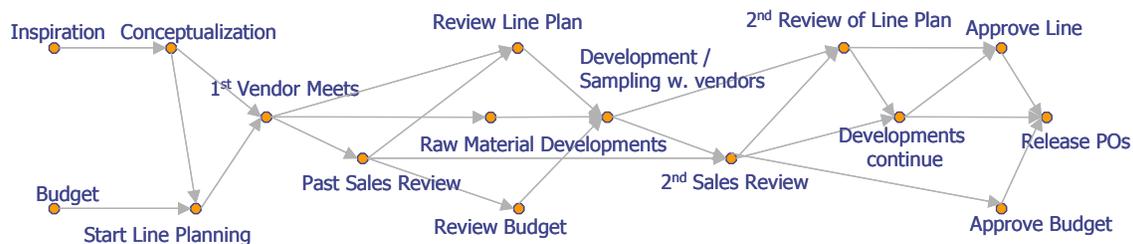
Figure 2: Simplified View of A Retailer's Seasonal Calendar

Complexity is bound to occur: there are so many interdependent activities in any single style, and in a season a company handles several styles (sometimes hundreds). What's more, when a season's activities are being done, it is very likely that some activities of a previous season as well as some of the next season would also be happening side-by-side. These overlaps and interdependence obviously create complexity, often beyond what is humanly possible to plan and do. No wonder, there are problems of information gaps, incorrect planning, poor decisions, delays and losses.

At the same time People and Work Systems can differ also, including the following problems:

- People can have different work objectives – for example, retail merchandisers may look for best moving product, while their sourcing colleagues may look for lowest cost, or Marketing may be more concerned about having the product on the shelves at the specified time, while Production may be mainly concerned with achieving the most efficiency.
- People can have conflicting work objectives – such as price negotiation between buyer and supplier, or the typical relationship mould between them which is difficult to change to true "partnership"

Changing these is a must but is not easy, because of perceptions of certain information being related to power or status. There may also be the question that one might have "always done the same thing – and it works, so why change it".

E-Enablement Provides a Solution

Internet-based technologies are providing a way around many of these problems. Since the underlying standards are widespread and inexpensive to use, they bring powerful solutions into the reach of even smaller companies. Web-based systems are typically accessible anywhere in the world, thus truly providing connectivity to globally-spread business partners.

However, if we look at software alone solving our problems, we are doomed to failure. While e-enabling our businesses we must look at the underlying difficulties and tackle them simultaneously. The problems above fall into three broad areas, as I identified in an earlier article: People, then Processes, and finally Technology. It is important that these three areas be identified and tackled in that order – most companies fail with technology as well as with process improvements because they start in the reverse order and tackle people issues last.

The business benefits include more time and effort spent on productive activities rather than chasing after information, shorter lead times, more sales and lower management and financial costs, all of which lead to better profits. And higher profit, of course, is something that all apparel businesses could use in these difficult times!
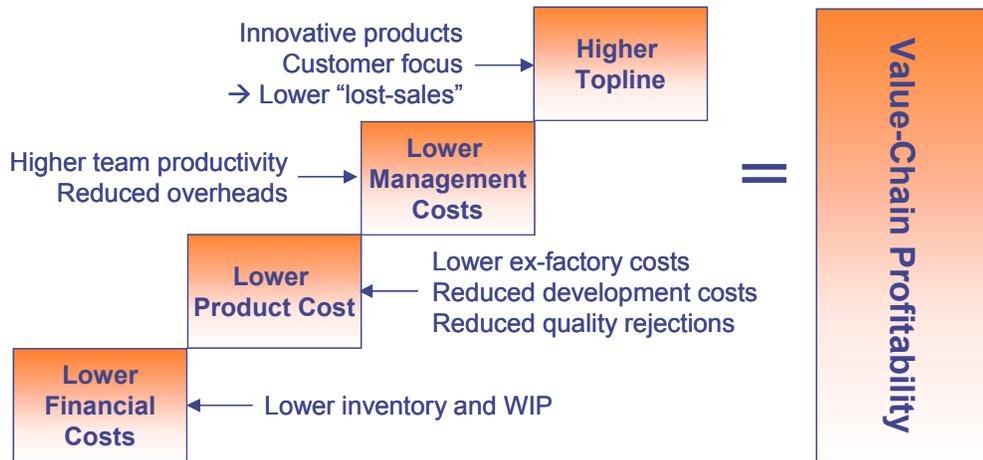
Figure 3: Benefits from E-Enablement

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