



Enabling
Competitiveness in
Apparel Sector

Aug 2019

Near stagnation in apparel sales in mature markets

Deflationary price levels with partial compensation through units sold

Relatively low apparel sales growth is driven by ...



... slowly growing sales prices ...



... which are partially compensated by volume growth



Apparel industry has undergone tremendous change

Trend

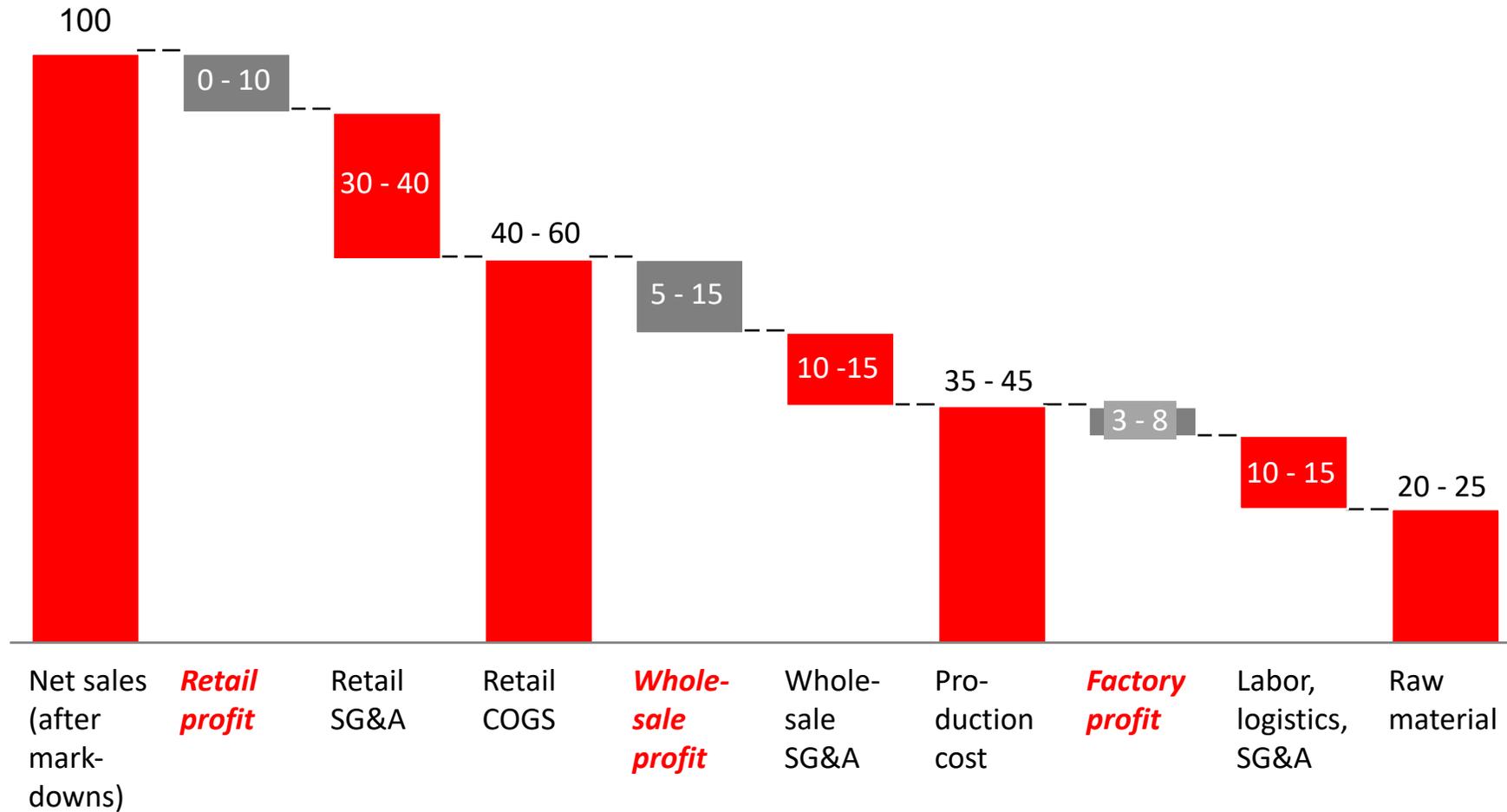
- **Fast fashion** – Shorter lead times and an increased number of calendars; monthly intakes becoming standard
- **Mass consumption** of cheap clothes for one season – Leading to higher apparel consumption per capita

Impact

- **Globally outsourced manufacturing** – Loss of control and complicated enforcement of company-specific standards. Collections sourced from multiple suppliers requiring high flexibility and quick response times from suppliers
- **Transactional relationships** with a continuously changing supplier base – Obtaining flexibility for retailers and allowing for exerting pressure on suppliers to reduce costs

Apparel retailers skim the margin

Manufacturing remains in the commodity end



A photograph of a clothing store interior. The room is filled with various garments hanging on metal racks. In the foreground on the right, a white long-sleeved top with intricate floral embroidery is prominently displayed. To the left, several white shirts and blouses are hanging. In the background, a table covered with a white cloth holds various items, including a bright yellow top. The ceiling features a grid of recessed lighting. The overall atmosphere is clean and organized.

Apparel Manufacturing Imperatives

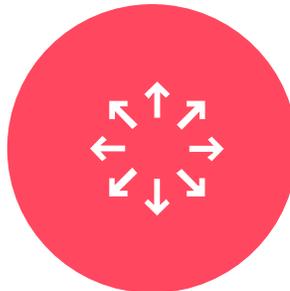
Manufacturing needs to revisit its operating paradigm



Operational
excellence



Technology
and business
infrastructure



Low cost
capacity



People
management

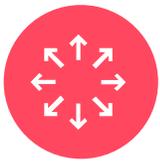


Operational excellence

A key agenda that needs perseverance to stay on course

- Superior supply chain management
- World class manufacturing
 - ❖ Optimum utilization of available workstation
 - ❖ Re-engineering layout, with optimal material handling
 - ❖ Modern techniques
 - ❖ De-skilling
 - ❖ Automation
 - ❖ Attacking non value addition
 - ❖ Training and talent development
- Efficient logistics management



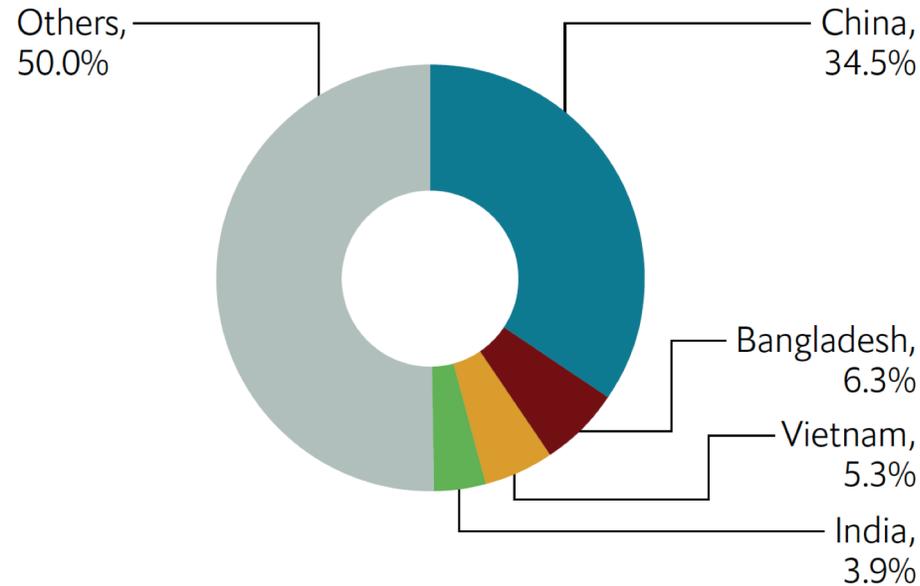


Low cost centres for manufacturing

The sourcing caravan keeps travelling in search of cost competitiveness

Top clothing exporting countries, 2016

(% of global share)



Sources: World Trade Statistical Review; World Trade Organisation.

- Cost is a major factor influencing location decision
 - ❖ Availability and cost of raw materials
 - ❖ Labour costs
 - ❖ Trade agreements
 - ❖ Exchange rates
 - ❖ Compliance costs
 - ❖ Transport costs
- Proximity sourcing continues in a fast fashion world to address agility and speed
- India has several advantageous locations that need exploring
 - ❖ Developing a robust middle management in LCC is key



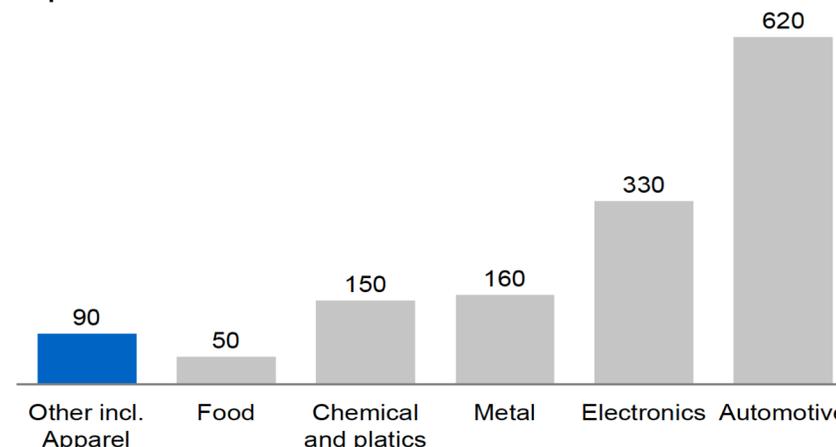
Business infrastructure needs to keep pace

Data driven and technology led

- Data rich manufacturing environment
 - ❖ Powerful insights to enable order traceability, wastage analysis, customer analysis, inventory management, lead time compression
- Integration with customer systems for smooth data flow and error free management
- Energy and environment friendly factories
- Demand for flexible on-demand production will require new production and delivery models
- Automation juggernaut will eventually arrive
 - ❖ What is holding - LCC, tech development to handle soft material at right price, fragmented supplier base



Operational Stock of Industrial Robots 2015, '000





Empowered people to power the business

- Business is anchored by the workforce
Empowering people to lead a superior life is key
- Employee safety and ergonomics
- Right environment, support and training
- Supervisor training and development
 - ❖ People management, technical and IE concepts



India has its share of challenges

Several small to medium operators have closed down



Thank you

