International Business Management

Brand: Mehta Solutions
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Short Description

International Business Management

case study

Description

3. CASE II

ARROW AND THE APPAREL INDUSTRY

Ten years ago, Arvind Clothing Ltd., a subsidery of Arvind Brands Ltd., a member of the Ahmedabad based Lalbhai Group, signed up with the 150-year old Arrow Company, a division of Cutlet Peabody & Co. Inc., US, for licensed manufacture of Arrow shirts in India. What this brought to India was not just another premium dress shirt brand but new manufacturing philosophy to its garment industry which combined high productivity, stringent in-line quality control, and a conducive factory ambience.

Arrow's first plant, with a 55,000 sq. ft. area and capacity to make 3,000 to 4,000 shirts a day, was established at Bangalore in 1993 with an investment of Rs. 18 crore. The conditions inside – with good lighting on the workbenches, high ceilings, ample elbow room for each worker, and

plenty of ventilation, were a decided contrast to the poky, crowded, and confined sweatshops characterizing the usual Indian apparel factory in those days. It employed a computer system for translating the designed shirt's dimensions to automatically mark the master pattern for initial cutting of the fabric layers. This was installed, not to save labour but to ensure cutting accuracy and low wastage of cloth.

The over two-dozen quality checkpoints during the conversion of fabric to finished shirt was unique to the industry. It is among the very few plants in the world that makes shirts with 2 ply 140s and 3 ply 100s cotton fabrics using 16 to 18 stitches per inch. In March 2003, the Bangalore plant could produce stain-repellant shirts based on nanotechnology.

The reputation of this plant has spread far and wide and now it is loaded mostly with export orders from renowed global brands such as GAR, Next, Espiri, and the like. Recently the plant was identified by Tommy Hilfiger to make its brand of shirts for the Indian market. As a result, Arvind Brands has had to take over four other factories in Bangalore on wet lease to make the Arrow brand of garments for the domestic market.

In fact, the demand pressure from global brands which want to out outscore from Arvind Brands, is so great that the company has had to set up another large for export jobs on the outskirts of Bangalore. The new unit of 75,000 sq. ft. has cost Rs. 16 crore and can turn out 8,000 to 9,000 shirts per day. The technical collaborates are the renowned C&F Italia of Italy.

Among the cutting edge technologies deployed here are a Gerber make CNC fabric cutting machine, automatic collar and cuff stitching machines, pneumatic holding for tasks like shoulder joining, threat trimming and bottom hemming, a special machine to attach and edge stitch the back yoke, foam finishers which use air and steam to remove creases in the finished garment, and many others. The stitching machines in this plant can deliver up to 25 stitches per inch. A continuous monitoring of the production process in the entire factory is done through a computerized apparel production management system, which is hooked to every machine. Because of the use of such technology, this plant will need only 800 persons for a capacity which is three that of the first plant which employs 580

persons.

Exports of garments made for global brands fetched Arvind Brands over Rs. 60 crore in 2002, and this can double in the next few years, when the new factory goes on full stream. In fact, with the lifting of the country-wise quota regime in 2005, there will be a surge in demand for high quality garments from India and Arvind is already considering setting up two more such high tech export-oriented factories.

It is not just in the area of manufacture but also retailing that the arrow brand brought a wind of change on the Indian scene. Prior to its coming, the usual Indian shirt shop used to be a clutter of racks with little by way of display. What Arvind Brands did was to set up exclusive showrooms for Arrow shirts in which the functional was combined with the aesthetic. Stuffed racks and clutter were eschewed. The products were displayed in such a manner that the customer could spot their qualities from a distance. Of course, today this has become standard practice with many other brands in the country, but Arrow showed the way. Arrow today has the largest network of 64 exclusive outlets across India. It is also present in 30 retail chains. It branched into multi-brand outlets in 2001, and is present in over 200 select outlets.

From just formal dress shirts in the beginning, the product range of Arvind Brands has expanded in the last ten years to include casual shirts, T-shirts, and trousers. In the pipeline are light jackets and jeans engineered for the middle age paunch. Arrow also tied up with the renowed Italian designer, Renato Grande, who has worked with names like Versace and Marlboro, to design its Spring / Summer Collection 2003. The company has also announced its intention to license the Arrow brand for other lifestyle accessories like footwear, watches, undergarments, fragrances, and leather goods. According to Darshan Mehta, President, Arvind Brands Ltd., the current turnover at retail price of the Arrow brand in India is about Rs. 85 crore. He expects the turnover to cross Rs. 100 crore in the next few years, of which about 15 per cent will be from the licensed non-clothing products.

In 2005, Arvind Brands launched a major retail initiative fir all its brands. Arvind Brands licensed brands (Arrow, Lee and Wrangler) had

grown at a healthy 35 per cent rate in 2004 and the company planned to sustain the growth by increasing their retail presence. Arvind Brands also widened the geographical presence of its home-grown brands, such as Newport and Ruf-n-Tuf, targeting small towns across India. The company planned to increase the number of outlets where its domestic brands would be available, and draw in new customers for readymades. To improve its presence in the high – end market, the firm started negotiating with an international brand and is likely to launch the brand.

The company has plans to expand its retail presence of Newport Jeans, from 1200 outlets across 480 towns to 3000 outlets covering 800 towns.

For a company ranked as one of the world's largest manufacturers of denim cloth and owners of world famous brands, the future looks bright certain for Arvind Brands Ltd.

Company Profile

Name of the Company	**:**	**Arvind Mills**
Year of Establishments	**:**	**1931**
Promoters	**:**	**Three brothers – Katurbhai, Narottam Bhai and Chimnabhai**
Divisions	**:**	**Arvind Mills was spilt in 1993 into three units – textiles, telecom and garments. Arvind Brands Ltd. (textile unit) is 100 per cent subsidiary of Arvind Mills.**
Growth Strategy	**:**	**Arvind Mills has grown through buying – up of sick units, going global and acquisition of Germanand US brand names.**

Questions

1. **Why did Arvind Mills choose globalization as major route to achieve growth when domestic market was huge?**
2. **Hoe does lifting of Country-wise quota regime' help Arvind Mills?**
3. **What lessons can other Indain business learn from the experience of**

Arvind Mills?

Details
1. Case study solved answers

2. pdf/word

3. Fully Solved with answers