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Apparel Industry 4.0

Ranjan Mahtani, Executive Chairman of Epic Group, shares his vision for what the future of apparel manufacturing could look like

THE APPAREL INDUSTRY has long been chided for being stuck in the past. A low tech industry driven by cheap labor in developing nations that hasn't really changed in decades.

Now change is coming - and it is being driven by a few visionary leaders who see what the future of apparel manufacturing could look like and are investing in making it happen.

One of those visionaries is Ranjan Mahtani, Executive Chairman of Epic Group, a Hong Kong-based manufacturer with state-of-the-art factories in Bangladesh, Jordan, Ethiopia and a Vietnam factory that will now specialize in knits.

In addition, Epic is building a new 1 million square foot facility in India.

The move into India is a timely one. The confluence of brands wanting to diversify their supply chains and the emergence of India's domestic retail market has taken India from 'overlooked' to 'prioritized'.

An Industry Poised for Change

The industry is finally evolving.

"It's more than simply the development of India. In the next 3-10 years, the apparel industry will be very different from what it is now.

"From automation, innovation and AI to greater sustainability, today you have to be ahead of the curve. Especially in sustainability. If you are not a leader in sustainability then you might not be in business for much longer," said Mr. Mahtani.

Another change he sees on the horizon is for garment manufacturers to move towards



Constructing a world class, 1 mn sq foot facility in India

having a stronger leadership – not just being run by family members.

"Companies need to have succession plans. We have created an executive committee of professionals who are specialists in key areas that are foundational to growing a strong business."

Epic's goal is to grow the business to \$2 billion in five years. He sees the company as growing 15-20% organically with further growth through mergers and acquisitions with businesses that are complementary to Epic's business.

"I've been doing this for 44 years, but to continue to grow I need to surround myself with people who are smarter than me. As the founder, I laid the foundation of the company but it is important to bring in top talent to make the company more resilient," he said.

From Cost Cutting to Optimization

Many consultants suggest that the apparel industry will follow other sectors and become totally automated. However the people who actually run factories don't see robots as the answer.

What's more likely to happen is that the best factories will get better, making it more difficult for those who don't upgrade to compete.

"If you are a vendor who is forward thinking, who has invested in sustainability and is transparent and can handle compliance issues, then you are in a better position to win," said Mr. Mahtani.

"There is more consolidation coming. It is already happening now. You might not get better prices, but you can gain volume. If you

are strategic, you can use the volume to amortize your overhead. You can use it to gain efficiency in the factory.

“The solution is you’re driving a slow but steady improvement in your efficiency and operating overhead, but you are also growing your market share.

“In this industry if you don’t grow you’re dead. You can’t afford to stagnate.”

Laser Tight Inventory Management

Over the years manufacturers have taken over an increasing number of services that brands used to do in-house, and that now includes playing a greater role in inventory management.

“Brands want to be able to react to sales - and they want us to be able to react to sales.

“We’re now able to track the sales of our best customers on an hourly basis - per SKU in each store and DC. By understanding what’s selling, we can determine how much inventory is needed. Also how much we want to keep in the factory versus what we need to keep in a warehouse in the customer’s country,” said Mr. Mahtani.

“This requires a lot of planning and a huge amount of working capital, but you can get it down to a science.”

Epic sends customers a sales report every Monday with the inventory they have and suggestions as to how to adjust it.

This saves customers from having to track and analyze sales data themselves.



“The solution is you’re driving a slow but steady improvement in your efficiency and operating overhead, but you are also growing your market share.”

— Ranjan Mahtani, Executive Chairman, Epic Group, discussing how his company copes with price pressure.

Big Goals, One Step at a Time

Epic has big expansion plans, but unlike other companies, they are not in a rush to get there.

“I have always believed in ‘crawl, walk and run’,” said Mr. Mahtani, who favors steady, incremental growth.

While there is the lure of opening factories in other parts of the world, that comes with a risk.

“We have built a very strong supply chain in Asia. We want to stay focused on that. We like to have everything close by because we want to be in the factory and be able to touch and feel the product.

“You can have the best professionals on your team, but you still need to have your hands on what’s happening on the factory floor so that you don’t lose touch with the business,” he said.

The Future of Staffing

Technology is playing a growing role in making factories faster and more efficient. But people still play a key role.

Epic is investing in bringing on top level talent to continue to elevate the business. However, the company also sees a big opportunity in creating career paths within the company for its workers.

“We see a big opportunity in training our operators to become managers. Especially the women in our factories, many are very capable of growing into these roles. They all have mobile phones so they are becoming familiar with technology. They are adapting to automation very quickly,” said Mr. Mahtani.

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Epic's state-of-the-art facility in Jordan

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“The female workforce has a lot of potential. My goal is that our new leadership has women running our factories.”

Where the Waste Is

Speaking of staffing, it is clear that wages in all of the key sourcing nations are rising faster – and are likely to continue to see sharp gains – either in the official minimum wage or the actual wage that manufacturers need to pay to recruit skilled workers.

“This is a price pressure industry. We’ve got to get leaner, faster. We have to be more efficient,” said Mr. Mahtani.

There are several areas where there’s room to slim down.

“In most companies, the factories are run so that for every one operator they have one extra person. So the ratio of the total number is one to two in any company. The goal is to move 1.5 operators.

tries we are in, material wastage can be improved by 1-3%. This includes rejections.

“In terms of efficiency, there’s 5-10% room for improvement. For inefficient factories, there can be up to 20% room for improvement.

“There’s money to be made in the apparel industry, but it’s not going to come easy. You have to be on it all the time. If you take your

eye off the ball, someone else will grab it,” said Mr. Mahtani.

Epic is not hesitant about adapting to changes in the market or in manufacturing processes. They understand that if you are not ahead, then you are behind - and in a highly competitive industry, that’s not a sustainable position to be in.

EVOLVING INDIA

Like most markets, India has its challenges. However, now the government has gotten serious about developing the potential of its textile industry and that’s playing a foundation role in taking the industry from where it is, to where it can be.

“If you had asked me about going into India a few years ago it would have been very different. Now the government policy has changed. They are very keen on attracting foreign investment and also technical know-how.

“They are supporting this with incentives including tax benefits, utilities subsidies and even worker training, which can last as long as five to seven years.

“I can see that there is a tremendous drive from the top,” Mr. Mahtani said.

“There’s less red tape and Ministries are more accessible, so it’s easier to get things done.”

Epic’s new facility in India is being designed as a place where people want to work. The 1 million square foot, state-of-the-art apparel manufacturing facility is being built to the highest sustainability standards - including 5.8 mega watts of solar energy. It will even have its own hospital on its premises to provide workers with healthcare they might not be able to get elsewhere.

More than simply opening yet another factory in another location, Mr. Mahtani has a sharp vision of how apparel manufacturing needs to evolve in order to meet demands for speed, tighter inventory management and greater sustainability, as well as creating places where people want to work.

“There has to be a vision for a factory. We don’t want to be a traditional appar-

el manufacturing unit. We want to have the highest degree of engineering. So we are bringing in engineers from outside of the apparel industry so that we have fresh eyes that can bring in new ideas and best practices.”

“We’re leveraging what we’ve learned for our operations in Bangladesh to build an outstanding unit in India.”

The nation also has the advantage of having a domestic textile industry, so fabrics are readily available - critical in reducing lead times.

“We are bringing in engineers from outside of the apparel industry so that we have fresh eyes that can bring in new ideas and best practices.”

— Ranjan Mahtani

Still, India has its challenges, including a high level of absenteeism and attrition at factories. Workers need a lot of training - not just training on machines, but also in the company culture. Normally, training is just three to four months, but Epic is training workers for six to nine months before putting them on the job to ensure they have the necessary skills.

“I see there are a lot of opportunities in India, but I don’t want to be overly confident either. Right now there are only a few big players. You might have one manufacturer who is doing close to \$1 billion and another who is only doing about \$200 million. It’s very fragmented.

“However it will change drastically over the next 3 - 5 years. By then India should be a significant part of the supply chain, like Bangladesh and Vietnam.



Technology helps to power productivity

“Changing that is not going to happen overnight. It will take a combination of training, automation, and exposing the top management to the way things work in other parts of the world,” he said.

While some industry watchers are betting that robots will replace workers, that might be a long time in coming.

“Robots are more applicable to warehouses. In apparel factories they are not cost-effective, simple automation is more practical. Automation is changing very quickly so we need to have lighter technology that we can update more frequently, if needed.

Solutions need to have a three year pay back. Also, there’s the issue that developing nations are not yet able to maintain sophisticated equipment,” said Mr. Mahtani.

Another area where manufacturing can get leaner is material wastage.

“Not for us specifically, but for the coun-