



Strategic Sourcing of Fashion Accessories: The China plus-one plan for a pureplay fashion retailer

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Introduction

Ravi Sen, on his way to the office was going through the newspapers where a report elaborately discussed the "Vocal for Local" campaign and another one where a local politician sought a ban on Chinese goods. Mr. Sen for a while did wonder whether it was even possible for anyone to boycott China or for that matter any other nation that leads in manufacturing by nothing less than a lion's share? Was it possible to boycott Chinese manufacturers without compromising either on price or on quality or on both? It left him wondering about the future of sourcing his lifestyle accessories brand "Abot", which was predominantly manufactured in China. The decision to manufacture in China had not been taken in a hurry, he remembered. China excels not only in the final product but also in the raw material and parts supply ecosystem. Hence, shifting a significant sourcing volume to India or that to any other nation, he surmised, was as difficult as transplanting a full-grown tree, if not more. He will be discussing this with his sourcing team today.

Onshoring Handbag Manufacturing: A Background

India could well become a global sourcing hub for PU leather goods and accessories. The availability of skilled craftsmen, adept at working with leather could pave the way for enhancing the country's share in the global leather goods and accessories segment. India is the fifth largest exporter of leather goods and accessories in the world. Its share in the global leather goods and accessories segment is between 5% to 6%. India is the second largest exporter of leather

garments, 2nd largest exporter of Saddlery & Harness and 5th largest exporter of Leather Goods in the world. The annual availability of leather in India is about 3 billion sq. ft. The major markets for Indian Leather & Leather Products are USA with an approximate share of 23.77%, Germany 11.00%, UK 9.37%, Italy 5.91%, France 5.72%, Netherlands 4.45%, Spain 4.36%, China 2.80%, Poland 1.69%, Belgium 2.37%, UAE 2.16% and Hong Kong 1.40% (Council of Leather Exports, 2022). Most of the manufacturing units for leather goods are located around cities like Kolkata, Chennai, Mumbai, Kanpur, Bangalore and Puducherry in India.

Despite the potential that India holds in manufacturing leather bags, it suffers a significant downside in polyurethane handbags. A major percentage of PU handbags are being imported from China. The reasons are not difficult to understand. Indian brands appreciate the speed at which Chinese PU bag manufacturers translate designs to prototypes to final shipment. Apart from the professionalism, China has an advantage of the economies of scale, a scale which is unthinkable in the Indian market conditions. China also leads the way in PU bags due to new and improved technological innovation which has reduced cost of manufacturing PU leather. In addition, the upstream supply linkages further combine the synergies expected of this potent concoction that makes an indomitable supplier base.

India is a country with a huge young working age population. This necessitates creation of gainful employment for its youth. Hence, given the strong

conservative pull towards reshoring, Indian businesses have been compelled to diversify their supply base. Most of the companies are busy developing a regional strategy of producing a substantial proportion of key goods within the region

Exhibit 1: News coverage on consumer sentiments and the Indian industry's dependence on imports from China

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58% Indians cut 'Make in China' purchases across products in 2022: Survey

About 58 per cent of Indians have reduced their 'Make in China' purchases due to the geo-political situation while 26 per cent said they found Indian alternatives to be better in price and quality

News > ECHEMI Focus > China has become the world's largest production base of polyurethane raw materials and products

China has become the world's largest production base of polyurethane raw materials and products

ECHEMI 2021-08-04

Indian government sent 448 notices to ecommerce companies for violations

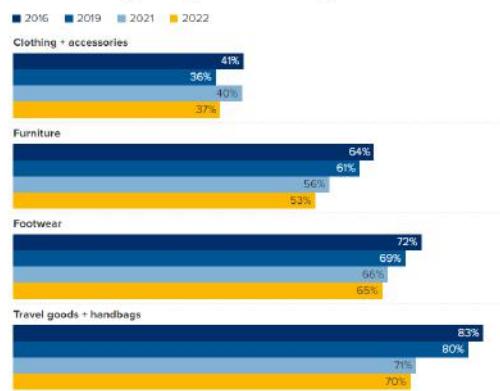
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Shanghai setback leaves Ludhiana's apparel industry staring at losses

Repeated supply shocks have brought the Rs 20,000-cr textile hub to its knees

China's share of global exports of consumer goods has fallen since 2016



Besides, many Indian brands are considering reshoring their operations to India given the focus on Government of India's make-in-India campaign and Production Linked Incentive (PLI) schemes. With such initiatives, the overall manufacturing eco-system in India is undergoing a massive change.

Research literature also supports this stance on the Government of India. Palit, Hora & Ghosh (2022) recognise that one of the critical challenges of technology management for a firm is managing technological knowledge. They focus on available technological knowledge in a firm's global supplier network and examine factors that accrue innovation benefits from such knowledge for a buyer firm. The findings confirm the negative association between technological distance and innovation performance and the positive association between technological breadth and innovation performance. Contrary to expectations, technological distance plays a negative moderating role in the relationship between technological breadth and innovation performance. (Jung, 2020) assesses the onshore and offshore supply bases for buyers facing competition and supply and

where they are consumed (Shih, 2020). This also helps them eliminate the need for custom duties on imports of handbags. Overall consumer sentiment in India is to buy locally produced goods and it is only getting stronger.

demand uncertainty. The results show that risk pooling is an essential driver in supplier selection in that the need for dual sourcing cannot be eliminated by other influential factors (e.g., responsiveness and competition effect). However, firms may suffer from a dual-sourcing option under competition. This contrasts with the conventional wisdom that dual sourcing benefits firms in the presence of supply uncertainty. Regarding order allocation, market responsiveness is not necessarily an order winner since it does not lead to a larger order to an onshore supplier if demand is guaranteed above a certain level. (Berry & Kaul, 2015) have put forward a theoretical account of firm global sourcing decisions, distinguishing the antecedents of offshore integration from those of offshore outsourcing. Although traditional theories of global sourcing focus on lowering costs, they argue that as high-performing firms seek to develop new capabilities by tapping into foreign knowledge, they will increasingly turn to offshore integration to reap colocation benefits and overcome expropriation challenges. By contrast, offshore outsourcing will be preferred by less

profitable firms seeking to tap into low-cost inputs, especially as investments in information technology lower monitoring costs.

Considering the above, Indian companies find some value in onshoring of their operations to capitalise on the unceasing Made-in-India sentiment as well as to realise benefits accrued from the synergy between technological innovation, market responsiveness and technology management.

Background: Company and Product

Mr. Ravi Sen's company RAPL started its operations in 1984 and established its reputation as a trustworthy name in the world of fashion apparel and accessories in India for men, women and kids. It is one of the leading pure-play fashion retailers with a retail space of around 10 million sq. feet and a turnover of around 11,000 Cr. The company has a strong network of more than 2000 brand stores across the country. It is present across around 30,000 multi-brand outlets in India. Besides it has exclusive partnerships with some leading international brands and strategic partnerships with several leading design houses. The company boasts a bouquet of 11 private labels that have now become a household name across the country.

RAPL's portfolio includes over 25-year-old brands such as Abot, Margerie, AS, etc. Although these brands are most famous for their clothing lines, they also manufacture accessories and footwear. They have recently been performing very well in the handbag segment and are known for making stylish PU handbags. Being a vegan brand, they avoid using actual leather and instead use faux leather or PU leather.

These women's handbags supplement the brand's power clothing approach. The offerings include 2-in-1 reversible bags with distinct colours on each side and a detachable interior pouch, convertible bags with an extra changeable flap, and brand monogram totes, satchels, and wallets. The starting price range for bags starts at Rs. 1499, with prices ranging from Rs. 1499 to Rs. 3499. Usually, every woman prefers to carry all essentials with her throughout the day, whether at the office lunch or on a night out. "These bags are the ideal combination of form and function for fashion bags for 'every woman - every time'. Each bag is carefully crafted to complement the sharp aesthetics of the

women's collection, whether it's fusion formals, day casuals, fusion, or evening collections."

Presently, only two brands under RAPL namely, Abot and Margerie are offering fashion accessories like women's handbags. This category has performed extremely well with around 5 per cent CAGR in the last three years. Within the handbag's product profile, both brands include shoulder bags, tote bags, hobo bags, handheld bags, sling bags and satchels. The brands sell shoulder bags and hand-held bags followed by satchels and sling bags.

The pricing for the handbag segment in both brands is similar. The difference in prices within the same product type could be observed based on size (larger size has higher prices), style (formal or casual) and additional functionality in the design. Overall, the price range for Abot for handbags is observed at Rs.1,399-3,799 and for Margerie, it is observed to be Rs.1,299-3,999.

Exhibit 2: Product Pricing

Product Type	Abot	Margerie
Shoulder Bag	Rs. 1,399-3,799	Rs. 1,999-3,999
Handheld Bag	Rs. 1,399-3,799	Rs. 1,799-3,599
Sling Bag	Rs. 1,799-2,899	Rs. 1,299-2,599
Satchel	Rs. 1,799-3699	Rs. 1,999-3,599
Hobo Bag	Rs. 2,299-2,899	Rs. 2,299-3,599
Tote Bag	Rs. 2,599-3,499	Rs. 2,299-3,599

(Authors work)

The material used for these handbags is usually Polyurethane Leather (PU Leather), with very few instances of other kinds of synthetic leather, fabric and polyester. The handbags for both brands could be generally noticed to be firmly structured, the various shapes involved are regular firm solid structured baguette handbags, bucket handbags, half-moon shaped, slouched structures (hobo bags), basket-shaped bags, etc. Their surface manipulation spans from solid colours to various textures and detailing. The numerous kinds of textured surfaces could be distinguished as animal textures like croc, snakeskin, geometric textures; checked textures; striped textures; Saffiano textures; basket weave textures, etc. Other contemporary surface experiments include cut and work detailing, applique detailing, embellishment detailing, thread-work detailing and quilted and

embroidered details. Prints on the handbag surface are those of geometrical and floral patterns. Alongside solid colours, tie and dye effects, colour blocking, printed (floral, typography, graphic, abstract etc.), glossy finish, etc. are also widely used in the products. The handbags are made in a wide variety of colours. They can be made in any colour, be it staple classic colours like brown, burgundy, black, white, off-white, beige, tan, navy blue, mustard, grey, etc. or other more vibrant colours like red, pink, purple, coral, mauve, lavender, yellow, teal, turquoise blue, olive green, sea green, mint green, rust, peach, maroon, chocolate brown, taupe, nude, khaki, silver, etc.

There are various types of closures for instance zip closure (most common), magnetic button closure, buckle closure (at times having detailing on the buckles), push lock closure, tuck-in flap closure, drawstring closure and twist closure. The additional elements that can be noticed are tasselled details, fringed details, and many more. Various other details like detachable straps, both double and single handles handbags and metal handles whereas some functionalities attached were key hooks, detachable zip pouches, multiple pockets, card holders, pen organiser, mobile pouches, tablet and laptop sleeves (up to 12 and 16 inches) and padded laptop compartment. All of the closures and metal accessories are sourced from China.

All in all, the handbags are a segment that RAPL would like to not only stay invested in but aggressively pursue, considering the 5 to 7 per cent CAGR that the category promises.

Raw Material as Kingpin: The curious case of PU leather

In 1963, Dupont created PU synthetic leather (brand name Corfam), which has a comparable appearance and feel to natural leather (Lu et al., 2021). PU leather has a similar feel and appearance to leather but does not require the use of animals. 100% PU leather is a synthetic material that is made without the use of animals. The most typical method for making PU leather is to put a plastic polyurethane cover or a polyurethane coating on a fibre substrate (generally polyester or rayon). The PU leather can be blended with genuine leather to create "bi-cast" leather. A basis of divided actual leather can be used in the "bi-cast"

Exhibit 3: Synthetic leather market growth (Technavio, 2022)

leather, which is then covered with a PVC or PU layer. It has the same texture as animal skin (genuine leather), but it is usually lighter. That's why artificial leather is also known as bi-cast leather, split leather, reconstituted leather, bonded leather, etc.

PU leather is less durable than real leather, and it tears readily. On the positive side, it is more UV resistant, which is why it's commonly used to cover automobile seats and faux leather furniture. PU leather, unlike genuine leather, is not as breathable. It is, nevertheless, more breathable than other synthetic leathers like PVC.

The APAC(Asia-Pacific) region can be seen as a growing base for the synthetic leather industry. The major producers are from China, Japan, Korea, Taiwan, India, and Italy. Other than them, Indonesia, Bangladesh and many other countries produce synthetic leather (Innovision Consulting, 2020).

Factors such as augmented demand in the automotive and footwear industries, increasing penetration of PU synthetic leather materials, and increasing investments by foreign players in the footwear industry will offer immense growth opportunities in the synthetic leather market in India. However, factors such as the harmful effects of PU and PVC on humans may threaten the growth of the market. The polyurethane artificial leather market in India is characterized by the presence of small- and medium-scale manufacturers. A growing interest in PU leather has been evident in the Indian Polyol and Polyurethane manufacturing industry since 2017 (Business Standard, 2017). Many new ventures, including joint ventures between international companies, have set up manufacturing capacities in India looking at the synthetic leather trend in India (Business Standard, 2022). Research suggests that in 4-5 years, 100 per cent of the growth in the synthetic leather market will be accounted for by India (Exhibit 3)

Footwear emerged as the largest application segment and accounted for over 34% of the total market revenue. The price of PU leather footwear is three times cheaper than footwear made from animal hide, which enables large-volume purchases, particularly from middle-income groups.



Topline Commodities Pvt. Ltd., a Kolkata-based company set up a unit of PU leather in Dahej in the state of Gujarat about two years ago with an initial production capacity of 10 million metres annually. Final findings in the anti-dumping investigation concerning imports of "Polyurethane Leather which includes any kind of textile coated one-sided or both sided with Polyurethane" originating in or exported from China PR, according to an anti-dumping investigation initiated by the Directorate General of Trade Remedies under the Ministry of Commerce and Industry, dated 21st February 2022 has highlighted the gaps in the industry, besides other things. The applicant M/s Topline Commodities Private Limited alleged the dumping of Polyurethane defined as "Polyurethane Leather which includes any kind of textile coated one sided or both sided with Polyurethane" by China. The DGTR in their findings, *inter alia*, has observed, "The major cost of production of the petitioner (*Indian Manufacturer*) constitutes raw materials as minimal value addition is required for coating i.e., the manufacturing process performed by the domestic industry. It cannot be in the public interest for the Authority to impose an anti-dumping duty to protect a domestic industry which performs a minimal process and deals a death knell to the entire downstream industry whose value addition is much higher and which employs a far greater number of people across the diverse industries in which the PUC is used and which consist primarily of MSME's." Chinese manufacturers have been able to reduce PU manufacturing costs by around 25 per cent on account

of a new technology called Dry Process, where they do not need to undertake the coagulation step, goes to show that research in this area can help Indian manufacturers also reduce their raw material costs. It is also clear that the battle for supremacy over PU leather is far from over.

Objective:

To devise a sourcing strategy where at least 80 per cent of the fashion accessories for RAPL are procured from an Indian vendor base. This would entail a thorough investigation of the existing offerings and how the company will need to deviate from them to localize the vendor base while also maintaining its brand identity.

Background: Indian Handbag Market

India's handbag market is highly fragmented and most of the players rely on product innovation to sustain the high competition. There were multiple players in the market including Baggit, Capri Holdings Ltd., Da Milano Leathers Pvt. Ltd., H & M Hennes & Mauritz AB, Hidesign, Kering SA, Lavie, LVMH Moet Hennessy - Louis Vuitton, The House of Tara, VIP Industries Ltd., etc. For the five years 2021-2025, the handbags market in India was expected to grow by \$ 207.51 mn, growing at a CAGR of around 5% in the given duration (Technavio, 2021). In other words, a lot of growth could be seen in the industry in the Indian market. The leading brands made long-term capacity plans and dedicated vendor tie-ups to tap into this lucrative market. The handbag market is divided into leather and non-leather bags, where Abot

and Margerie are competing in the non-leather polyurethane-based product. Where such products are not only more competitive than leather products but also, could reap better margins for the company given the design capabilities of RAPL. China and Myanmar have emerged as the leading sourcing bases for polyurethane bags, especially so with China (Su & Gargya, 2012). Not only did China lead in the production capacities in terms of quality, technology, and finesse, but also it developed an eco-system that synergized the capabilities of each of its constituents to a multi-fold. China was not only the major Polyurethane supplier but the buckles, buttons, and metal parts were also a part of China's manufacturing armour. Hence, the leading Indian brands found it easier to source products from Chinese suppliers vis-a-vis their Indian counterparts. RAPL had been able to secure 80 per cent of apparel sourcing from India, but the non-leather women's handbags were still being sourced from China.

The key issue:

With a significant proportion of Indians being under the age of 35 years, the Indian market was promising and the Indian office-goer was eager to welcome accessories that matched her dapper clothing. Abot and Margerie held a significant share in the Indian fashion retail sector and they specialized in women's handbags. But RAPL was competing against the likes of Lavie, Hidesign, Baggit, Capri Holdings Ltd., Da Milano Leathers Pvt. Ltd., H & M Hennes & Mauritz AB, Kering SA, etc. to name a few.

Many of the competitors were focused on bags, they made only bags. Hence for Abot, to compete in a market where it was competing with niche brands

was easy and difficult. It was easy as RAPL brands and legacy had strong visibility given the reach of the parent company in so far as physical locations were concerned. On the other hand, it was difficult as the customer while browsing products online had the luxury of comparing the RAVISSON APPARELS PVT LTD products with those of niche brands. Thus, the company was competing in an extremely price-sensitive market. But Mr. Ravi Sen knew that sooner or later they would have to reduce their dependence on China and diversify their sourcing base for bags. He had his reasons to do so.

Another concern was that the consumers today would like to know where their product comes from. The "Vocal for Local" campaign has also gained substantial strength in India. But today brands are attempting to mitigate the danger of tariff barriers imposed by the government against China. "Consumers want to know where their products come from, and there's a lot of interest in what is made in India right now," he said (Economic Times, 2022). The "Vocal for Local" campaign has attracted a lot of attention, and people are starting to think about where their products are made before they buy them (Mukherjee & Bailay, 2022).

Deliberations for future strategies

After thorough research, the committee geared up for a detailed presentation for the assignment in question. This research was based on the costing of identified designs of comparable quality received from Indian and Chinese suppliers (Karami, Yaghin, & Mousazadegan, 2020). As the quality of the handbag was a constant, a comparison of costs was drawn as shown in Exhibit 1.

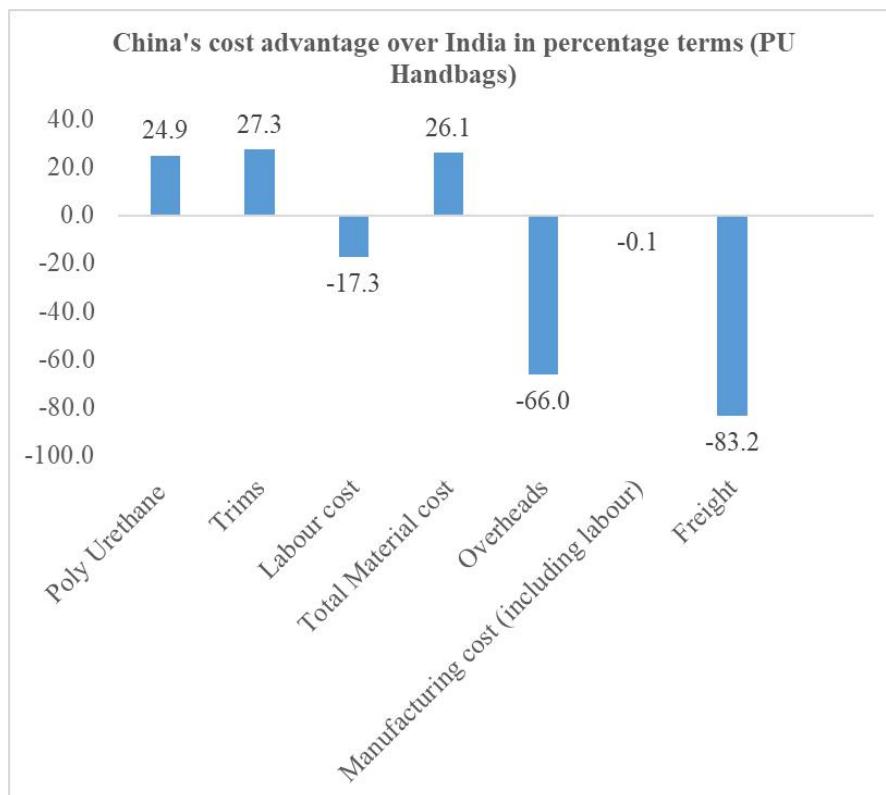
Exhibit 4: Components of cost as a percentage of total cost per bag

	% of total cost in India	% of total cost in China
Material	30.5	22.1
Trims	19.3	13.8
Labour cost	16.7	18.3
Cost of Manufacturing	73.9	67.0
Total Material cost	50.9	36.6
Overheads	2.9	7.7
Freight	1.7	9.3

(Authors work)

When compared to China, India was a cheaper sourcing base in terms of freight and labour costs and it was observed that raw material costs in China came out to be cheaper by around 20 percent. However, India was cheaper by 33 per cent in terms of labour cost. Major savings could be realized from freight charges where the total levy on China made it around 19 times more expensive than India. Other aspects to

Exhibit 5: Competitive advantage of China over India (PU Handbags) (Authors work)



As shown in Exhibit 5, China has enabled the factors of production much more efficiently than India. As can be seen, the raw material (PU) and trims cost is lower in China by around 24 per cent to 27 per cent. The team elaborated that the total cost of manufacturing a bag in China and India was almost the same, as the cost benefits accrued to China in terms of the PU material and trims are offset to a certain degree by its increasing labour cost and higher overheads. The deciding factor thus is the freight charges and the customs duty on PU handbags in India. With an additional 83 per cent tariff on the handbags made in China, the team demonstrated that the levies were a major deterrent to sourcing from Chinese suppliers. This was not all, even the lead time for the PU handbags made in China was at least 33 per cent longer than that taken by their Indian

counterparts for fresh orders, while for replenishment orders it was around 50 per cent longer than Indian suppliers, of which transit was the major component.

The team also evaluated the cost competitiveness of India vis-à-vis China as shown in Exhibit 5. This included the study of various parameters including material and trim cost, labour, overheads, etc.

Review and Future Strategies:

A major turnaround was due to the outcome of research by the sourcing team. In a review meeting attended by department heads and their respective teams, Mr. Ravi Sen stated, "The company can apply

a multi-pronged approach here. Given that the dependence on China is significant and cannot be completely substituted by the Indian suppliers, a plan to phase out the dependence can be made. Introducing a supplier development program to develop a complete product package for the company was a good idea. There is a scope for creating a joint design and development lab for the product in partnership with the key suppliers/fabricators. While it is difficult to match the advantages of the Chinese manufacturing capabilities for Indian suppliers, given the scale of manufacturing that China undertakes, it is important to realize that the infrastructural gaps in the value chain can be plugged by government intervention in common utilities. I am sure our research wing can come up with a white paper for the industry to make our needs clear to the Government. A handful of players in the Asia Pacific are primarily dominating the PU and artificial leather market. The company can get into strategic knowledge-sharing agreements with the leading companies and involve them in the design and development of products for India. In all the company will need to devise a framework for the development of a streamlined value chain for PU goods in India. Partnerships with key suppliers in India and others in the Asia Pacific will remain the mainstay. Besides, the investment made in developing such a value chain will pay off multi-fold as it will support multiple products made of artificial leather. Government support in this sector can be assumed as it will be eco-friendly and will cater to multiple industries like fashion, automotive, travel accessories, etc. With this, I conclude this meeting". Ravi Sen pondered over the future challenges and opportunities for the company, as he proceeded for his next meeting scheduled with a leading Indian vendor of PU handbags.

Note: The name of the main organization, protagonist and related key figures have been masked to maintain confidentiality.

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Strategic Sourcing of Fashion Accessories: The China plus-one plan for a pureplay fashion retailer

Teaching Note

Abstract – Ravisson Apparels Pvt Ltd (name masked) is a leading pure-play fashion retailer in the Indian fashion retail landscape. Ravisson Apparels Pvt Ltd (RAPL) sells a range of products including apparel and lifestyle accessories for men, women and kids. RAPL is sourcing most of its vegan leather handbags from China. This case is based on the challenges faced by the company as it contemplates shifting the manufacturing base of its vegan leather handbags to India. Given the supply chain challenges faced by the company due to COVID-19 in addition to the fact that the “Make-in-India” movement has gained strength among Indian citizens in recent years, RAPL would like to shift at least 80 per cent of its handbag sourcing to India. Currently it sources only around 10-15 per cent of its handbags from Indian suppliers. The company conducts a comparative analysis of Indian and Chinese vendors while thoroughly examining the challenges involved. A team of 10 sourcing managers is formed to study the methodology of reshoring the production of PU handbags to India. A report submitted by the team leads the light on the homework to be done before undertaking this massive change in sourcing strategy. The team compares suppliers from India and China on several parameters including material and trims cost, labour cost, manufacturing cost, overheads, freight and intangible factors like design language, supplier development, etc. The study shows that the answers to the vexing questions the company faces are not so straight forward and many externalities are involved.

The team realises that the gap between the aspirations of the Indian consumer, the readiness of the indigenous sourcing networks and the value perception is wide. In this process, the company realizes that significant long-term shifts are required in the existing outsourcing strategy.

Target Learning Group:

This case was used twice with semester VII students studying Global Procurement and Sourcing in the course Bachelor's in Fashion Technology at National Institute of Fashion Technology, Gandhinagar. The students have a theoretical background in operations strategy—especially apparel operations and Indian Fashion Industry. The case was used somewhere in the middle of the course. As the student grapples with Factors of supplier relationship to be considered:

the problem of developing an organic supplier ecosystem in India, they are also faced with the fact that the sourcing imbroglio is not one simple situation, but instead it is a complex combination of multiple problems, beginning from establishing supremacy in developing raw materials, lack of technological advancements in the field, lack of research in developing new alternative processes or new raw materials, lack of financial support to the smaller manufacturers, no last tier supplier visibility, compliance issues, legal issues and many others issues that need to be addressed before one even considers reshoring.

Students approach to the case:

The consumer of RAPL has also come to expect a certain quality, finesse, styling, etc from RAPL. A sudden decision to onshore the operations to India, will not only affect the price points, but also change the overall appeal of the offerings.

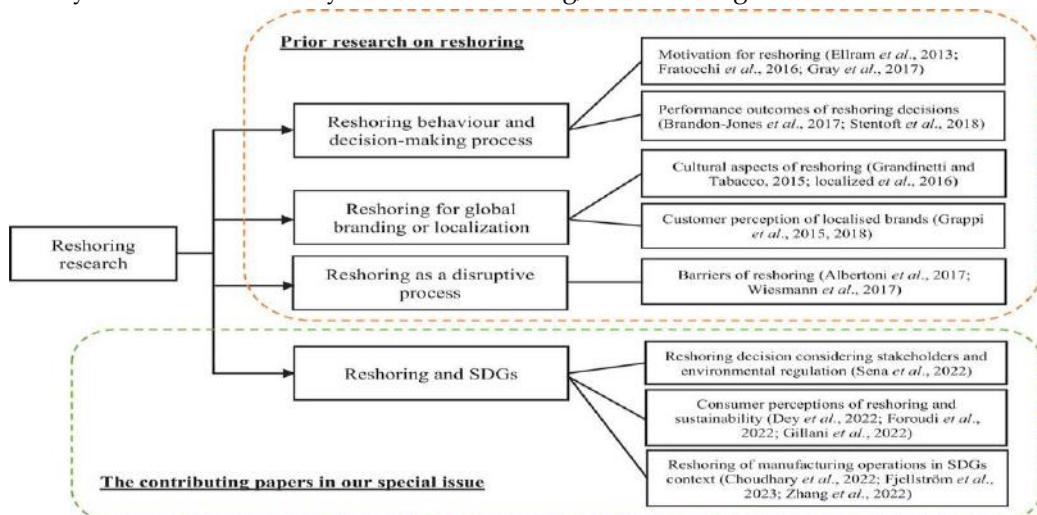
Students who studied this case came out with different solutions and answers to the situation RAPL finds itself in. Students who have studied operations strategy and have a background in fashion studies were essentially perplexed about how Indian manufacturers can be relied upon to help maintain the brand's offerings and the overall brand image. In some of the sessions, they even visited local markets and browsed products on internet to understand the PU bags available from local vendors. Some of the issues reported by the students after primary and secondary research included technical expertise, availability of skilled labour, development of PU in India, logistics cost, supplier relations (SR) and expectation of Indian consumers from RAPL bags and accessories.

It was observed that the Supplier relations are usually not taken into consideration while deciding the factors influencing the supplier evaluation process. Hence, some of these SR factors were noted by Kaplan and Norton in their study and stay relevant to this date as we speak of dedicated supplier partnership, vendor tie-ups, strategic partnerships, etc. (Giannakis, 2007). If a company is to invest in supplier development in India, these factors are even more important than the hygiene factors like technological expertise, quality, etc.

Factor	Points to consider
Trust	Calculated: Actors would only act in a trustworthy manner if it was in their best interests. Cognitive: Arises as a result of shared beliefs among the parties involved. Normative: Characterised by a shared knowledge of the parties' expectations and responsibilities based on industry or society norms (comply with organisational culture, honesty and openness) Trustworthiness is defined as fulfilling promises and having faith in one's relationship.
Power	Responsibility for making choices and issuing instructions is referred to as authority. Control: This stems from the ability to gain access to essential materials that provide context to those who possess them. Influence: An indirect form of power coming from centrality in a network of actors, as opposed to direct power.
Complexity	Complexity: The level of complexity of an SR is referred to as complexity (number and level of individuals involved) Scope: The quantity of resources allocated and the competencies that are transferred between the partners are referred to as the scope. Intensity of interaction: The quantity of information communicated between the parties, the human contact and spatial proximity between the actors, and the early input of suppliers in a customer's projects are all factors that influence the intensity of interaction.
Commitment	Effort: This term refers to the partners' willingness to continue their business partnership. Loyalty: This term encompasses both recurring encounters and attachment to a commercial relationship. SR Length: SR Length: SR Length: SR Le Usually refers to the length of a contract that has been agreed upon.

Table 1: Supplier relation factors to be considered in supplier evaluation process (Giannakis, 2006)

Once we try to look at the literary terrain of reshoring, the following classification comes in handy:



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Students, on reading this case, often wonder if it is too late for the brand to reshore its operations of PU bag manufacturing to India, they even question if it is wise. At this juncture, it is helpful if the go through some additional readings provided hereunder in order to understand that supplier development and supplier relationships go hand in hand. The roots of the supplier development have been highlighted by Kaplan & Norton in the Balanced Scorecard, despite the criticism it faced from professionals and academics in terms of flexibility, financial metrics, the model still remains one of the most valid and significant management tools (Tawse & Tabesh, 2023). Further the new developments on onshoring after President Trump's conservative focus and relevant policies would help understand that geopolitics affects business supply chains in positive and negative ways.

This case needs an understanding of the Indian fashion industry and that of operations strategy. Additional readings provided with the case will help students to develop an overall understanding of reshoring of operations, how the challenges may be addressed using well known Business strategy models like the BSC, what are the dynamics of the Indian Fashion Retail, and how Indian consumers consume fashion products.

The students with whom this case was discussed were adept at planning for production and were well aware of the technological prowess required to manufacturing a niche product like a PU bag.

Learning objectives:

- To understand the role of deep-tier supplier development in a highly fragmented industry
- To understand the nuances of sourcing strategies with retail firms in focus.

Key Issues:

Fashion and lifestyle accessories retailers are faced with a dilemma when consumer sentiment is at odds with their sourcing strategy, of which pricing is a function. The procurement of the right quality inputs and their best possible assembly true to design is what sourcing is all about. In our case, a significant portion

of the handbags are being manufactured in the People's Republic of China. This strategy has worked for the company, but it will work only till it does not. Hence the company must diversify its supply base taking into account the fact that the market for accessories is growing by at least 7 CAGR, and it makes sense to develop a more resilient supply base. With several arguments in favour of reshoring, the company finds it essential to backshore its bag manufacturing operations to India.

Category: Strategic Sourcing, Operations Strategy

Information Source: Field Study

Teaching Plan: The case study will require a minimum of 3-4 hours including the case discussion followed by analysis. In the opening 10-15 minutes, the faculty is supposed to provide the students with a brief introduction to the case. The students may be provided around 30-35 minutes to read the case. The students shall commence the discussion on the predicament facing the company concerning the Indian sentiment on foreign goods. They can discuss technology, suppliers, deep-tier competitiveness in a supply chain, and the overall ecosystem that makes a product globally competitive. The discussion can then devolve to individual insight on how the company can undertake the supplier development program in India. The role of technology transfer, research and development, future strategy on vendor development, the probable financial gains for the company and anticipated support from the Government can be discussed. Students should be encouraged to visit local markets, malls and collect data on the PU bag offerings available in India and their country of origin. Students may also browse internet to find more about PU bag suppliers in India and match their offerings with the PU bags made in China.

Background Reading:

Students may be asked to read the latest news on fashion and lifestyle accessories brands like Allen Solly, Van Heusen, Lavie, Baggit, etc. in order to build a background in fashion studies. It is advised that students make themselves conversant with the offerings of these brands through an online /offline market study. (Khaire, 2019)

Further additional readings for this case

- Operations Management Research published a Special Issue on "Reshoring: A Supply Chain Innovation Perspective" (June, 2016).
Relevance: The issue highlights the issues that firms face in "reshoring" or "Back shoring". The papers cover three main areas of investigation for the reshoring phenomenon: conceptualization, motivation, and implementation. Conceptualization mostly pertains to the definition and characterization of the object of study, also in light of the knowledge accumulated in the extant literature. Motivation refers to the identification and discussion of the drivers of reshoring. Implementation is about "how to put reshoring in practice", e.g., based on the decision-making process, or according to the priorities (Barbieri & Stentoft, 2016)
Relevance: Numerous scholars have highlighted the challenges of reshoring, such as supply chain disruption, labour shortages and sustainability issues, from various perspectives (Gupta, Wang, & Czinkota, 2023). While many authors have suggested that technological advancements will be helpful in addressing these challenges, the authors suggest the new directions where research is still necessary to validate tall claims on how Industry 4.0 will facilitate reshoring.
- Giannakis, Mihalis. (2007). Performance measurement of supplier relationships. *Supply Chain Management: An International Journal*. 12. 400-411. 10.1108/13598540710826335.
- Kaplan, Robert & Norton, DP. (2005). The Balanced Scorecard: measures that drive

Relevance: This article explores the performance measurement systems in supplier relationships, offering insights into how firms can better evaluate and manage their suppliers for improved supply chain efficiency. (Giannakis, 2007) identified the Supplier relation factors to be considered in supplier evaluation process

performance. *Harvard business review*. 83. 172-+.

- Relevance: The **Balanced Scorecard** (BSC) was introduced by **Robert S. Kaplan** and **David P. Norton** as a strategic management tool. Operations strategy as a subset of Business strategy is key to organisational excellence. BSC serves as a backdrop to evaluate, implement any given business strategy.
- Tawse, A., & Tabesh, P. (2023). Thirty years with the balanced scorecard: What we have learned. *Business Horizons*, 66(1), 123-132. <https://doi.org/10.1016/j.bushor.2022.03.005>

Relevance: Provides a thorough critique on the Balanced Score Card and cautions professionals with a central recommendation based on an apparent paradox: While the BSC is a tool for effective strategy implementation, it must itself be effectively implemented to deliver on its potential (Tawse & Tabesh, 2023).

- Khaire, M. (2019). Entrepreneurship by design: the construction of meanings and markets for cultural craft goods. *Innovation: Organisation and Management*. doi:10.1080/14479338.2018.1530566

And

- Khaire, M., & Hall, E. V. (2016). Medium and Message: Globalization and innovation in the production field of Indian fashion. *Organization Studies*, 37(6), 845-865. <https://doi.org/10.1177/0170840615622061>

Relevance: Mukti Khaire has written extensively about the Indian Fashion Industry. The above two papers help students to develop an Indian Fashion Perspective.

- Mangtani, R., Salhan, A., & Rajput, E. (2023). INDIA@100; BUILDING 'ATMANIRBHAR' BHARAT FROM FARM TO FASHION TO FUTURE., (pp. 55-81).

Relevance: The research maps the literature on consumption of luxury products under the 4 major and minor themes viz. (1) Conspicuous Consumption (2) Purchase Behaviour (3) Sustainability (4) Perception and 4 minor themes - (1) Counterfeit (2) Co-creating and Customization (4) Post-Purchase

Behaviour. This systematic Literature Review is based on 67 papers published in the last decade (2012-2023) on consumption of luxury fashion goods in India (Mangtani, Salhan, & Rajput, 2023)

Analysis and Solutions to Assignment Questions:

1. Do you think the strategy of partial phasing out of Chinese suppliers is appropriate? If not, suggest alternative strategies.

In a real-life scenario, sourcing strategies are dynamic. Businesses usually look for long-term commitments. With the current COVID-19 scenario and the sporadic clashes between the two countries on the border, it has become necessary for RAPL to develop a supplier base in India. Over-exposure to any supplier, or nation is also not a good practice in global sourcing. Hence be it China or any other country, the company should be developing an indigenous base at least for the core products. Supplier development and supplier relations are at the core to a healthy supply chain. Back-shoring of operations also augurs well for the overall industrial ecosystem of India. The only aspect that needs to be addressed, which is also one of the most important aspects is the raw material availability, workmanship, competitive pricing, quality. With quality being the same, pricing reduced and lead times halved, the Indian supplier base may be a game changer for RAPL. But over and above the technical and tacit factors are the factors like developing trust, strategic power equations in order to make the strategic partnership last long and contribute to the development of a whole new ecosystem.

2. What is a Supplier Development program? How will it help RAPL achieve its objectives?

According to Hanh et al., 2010, the definition of a supplier development program is "any systematic organizational effort to generate and maintain a network of competent suppliers."

In a strict sense, it entails the establishment of new sources of supply when existing suppliers are insufficient to meet the firm's needs. In a broader sense, it also includes initiatives aimed at improving the skills of existing suppliers to satisfy changing competitive demands considered in a broader context, however, the program becomes more proactive and emphasizes continual improvements in suppliers'

capabilities for both parties' long-term mutual advantage.

An SDP can be tailored to suit the organization's needs after evaluating suppliers on quality of products, price, labour cost, managerial personnel availability, infrastructure, ease in coordination, delivery performance, organizational maturity, flexibility of the organization, transportation mode, lead times, logistics cost, level of technology, set up costs, product costs, level of customer satisfaction, level of innovation, competitive advantage, rules and regulations, Govt. incentives, taxes, etc. Supplier development and supplier relationship is to be discussed with the important issues faced in reshoring or backshoring.

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The identity of the main company and key figures have been masked.

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