

PURCHASING & SOURCING MANAGEMENT IN APPAREL INDUSTRY

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SUPPLY CHAIN MANAGEMENT IN APPAREL INDUSTRY:

A supply chain is actually a complex and dynamic supply and demand network. Main purpose of supply chain is to satisfy customer needs and generate business profits. Supply chain management is the integration of key business processes from end user to original suppliers that provides products, services, and information that add value for customers and other stakeholders. In apparel supply chain every organization starting from initial raw materials supplier to apparel manufacturer to customer to consumer purchasing apparel products for final consumption.

The apparel industry stands out as one of the most globalized industries in the world and it is a supply driven commodity chain led by a combination of retailers, contractors, subcontractors, buyers, Manufacturer, merchandisers,

subcontractors, buyers, Manufacturer, merchandisers, and suppliers; each plays an important role in a network of supply chains that spans from fibers to yarn, yarn to fabrics, garments accessories, trims, packaging materials and finally made finish garments, to trading, and to marketing.

Moreover, in today's competitive environment, markets are becoming more global, dynamic, and customer driven, where customers are demanding more variety, better quality, and service, including reliability and faster delivery. Therefore, to ensure growth, it has become mandatory for the apparel industry to be more participative and adaptive. Traditional, supply chains are viewed as a flow line, where input enters at one end and transforms to output at the other end. This is quite static and is applicable for products that are changing less frequently.

SOURCING MANAGEMENT:

Sourcing is an activity that used at both tactical and strategic levels. It is concerned with what needs to be purchased, why, when and where. The concept is created to help supply chain managers and practitioners to improve, develop and implement strategic sourcing strategies.

Strategic supply chain management aims to improve quality and service while reducing the total cost of purchased materials, products, and services. In other words, strategic supply management is the process of making private contracts with suppliers to achieve corporate goals as a result of the assessments in order to streamline cost and productivity.

The first step in the strategic supply process is to identify clear expectations for material, products, and services. In this step, analysis of expenses for raw materials, finished products as well as all items to be purchased such as yarns, fabrics, apparel accessories, trims, packaging materials, office maintenance, security items, and distribution is

the same careful planning as the piece goods. As soon as the fabric is in the stores, then only the sourcing of the threads start because the color of the thread must match the buyer's requirements. The ordering of the threads must be complete by the time fabric is cut ready to be fed to the sewing lines. Sourcing section of supply chain department along with apparel merchandiser plays the vital role to execute and shipment of export order successfully. Merchandiser must make sure that all approvals related to fabrics, trims, accessories and packaging materials should be coordinated with the sourcing department in given timeframe. Fabric sourcing section of supply chain is basically engaged in determining how and where its merchandise i.e. fabric will be obtained within the scheduled time and cost. A sourcing manager must have knowledge about all varieties of fabrics and trims in order to execute their functions effectively. The different parameters in sourcing i.e. lead time, process of fabric and trim approvals, cost of logistics and incoterms need to keep in mind while deciding the sourcing tactics for particular export order.

“ *TO SUSTAIN THE GROWTH, APPAREL INDUSTRY MUST ESTABLISH THE SUPPLY CHAIN MANAGEMENT PROCESS ACROSS THE INDUSTRIES AS PER THE STANDARD SUPPLY CHAIN TOOLS AND TECHNIQUES* ”

performed. Then, a detailed comparison of current and prospective suppliers is made and the suppliers providing the lowest total cost while meeting all other expectations are selected. In the last stage, a structure for continuous improvement is developed by designing processes that ensure regular monitoring of the performance of suppliers.

Sourcing is basically determining the most cost efficient supplier of materials, production, or finished goods at the specified quality and service level. It is closely associated and an important part of apparel merchandiser and supply chain responsibility. Materials basically include piece goods that will be cut and converted into the garments. Not only does the fabric have to be appropriate and suited to the garment design and end use but it must also be made available at the precise time when it is needed. Thus, lead times play an important role in the sourcing and placing orders for the materials required for the production. Lead times required giving form merchandiser to supply chain and execute from sourcing section of supply chain department. Trims are all the materials other than the piece goods that are required to make up a garment. Findings require

Our approach, beginning with sourcing and procurement goes far beyond negotiating price with suppliers. Our methodology, which has proven successful time and time again, is used on strategic supply projects worldwide, helps our clients reduce total purchasing expenses and ensures high-quality service from suppliers within market pace.

SOURCING TYPES

There are three type of sourcing in apparel supply chain.

- ◆ In house sourcing
- ◆ Out house sourcing
- ◆ Global sourcing

In house sourcing

In-house sourcing refers to conducting an activity or operation within a company, instead of relying on outsourcing. One of the primary advantages of insourcing is control. If you keep a process, project or facility in house, you and your staff have complete control over it. If you outsource,

you pass some of this control to the supplier. These strategies are used for sourcing of yarn, fabric, trims, accessories are available in your company and to meet the demand.

Out house sourcing and Global sourcing

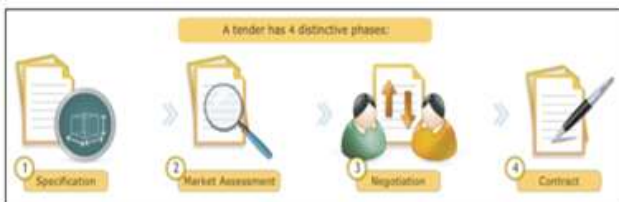
There are many reasons why an apparel company may choose to outsource certain business functions. Some of the most common reasons include are reducing and controlling operating costs, sharing risks with a partner company. If cost of manufacturing is higher or adequate infrastructure is not available then out sourcing or global sourcing is the popular practices for an apparel industry.

SOURCING PROCESS:

A sourcing process is used to select the best product or service for a certain category of expenditure.

Unfortunately, lots of these processes are not run well, resulting in loss of large saving opportunities, delivery of poor quality products, or less favorable terms.

When selecting suppliers through a sourcing process, the buyer works in collaboration with internal customers or budget holders. Internal customers are buyer's colleagues working in other departments, such as merchandiser and marketing department, finance department or production and manufacturing. They are the ones who originally raised the need for the purchase and who will be actually transacting with the selected supplier. Internal customer involvement is usually highest (around 70%) at the specification stage and then drops to around 30% in subsequent stages.



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1. Specification development

What are the needs of your internal customer i.e. the person who requires the product or service to be purchased? As a buyer, your challenge and translate these

needs in specifications that suppliers can understand.

The objective of buyers at the specification stage is twofold:

- ◆ Reduce total costs
- ◆ Safeguard a competitive market at the

upcoming negotiation stage

Developing specifications in its turn is a 4 step process:

- ◆ Assess Customer needs
- ◆ Assess what the market has to offer
- ◆ Develop specifications
- ◆ Define winning criteria

2. Market Assessment

Once you have a clear picture of the business requirements, your next step is to formally invite suppliers to quote for your business.

You formally approach the market via:

Request For Information

- ◆ This is used to pre-qualify suppliers to whom you would send the RFQ.
- ◆ An RFI is usually a simple and short questionnaire for the supplier, which enables the buyer to judge if the supplier is promising and has a good chance to win the business.
- ◆ An RFI is optional. If you know the market relatively well, there is no need for an RFI.

A Request for Quotation

- ◆ This is a formal request to the supply market to quote for your business.
- ◆ The RFQ is a more complex document with a company presentation, bidding instructions for suppliers and detailed information about the project and requirements.

3. Negotiation

At the negotiation stage, you analyze the offers and select the most promising suppliers to negotiate with. Only then you prepare for negotiation.

During the meeting, your goal is to clarify the terms of the offer and get additional value beyond what has been offered, this might range from a lower price, a better quality product, improved payment terms etc. At the end of this process, you conclude the deal with the best supplier. Most suppliers build in a price concession in their first offer. In order to obtain this concession, you must:

- ◆ Build competition – To get the best results at the negotiation stage, you should have two or more credible alternatives.
- ◆ Carefully analyze all quotations to get a feel for a stretching but credible target.

4. Contract discussion

You prepare a formal contract with the supplier and you limit your companies' exposure.

PURCHASING MANAGEMENT:

The purchasing management in an apparel industry is similar to the sourcing management but the main difference is that the sourcing management works for sourcing the yarn, fabrics, trims and accessories while the purchasing management works for sourcing items procure from suppliers, product quality and conform right time delivery, suppliers payment and more relevant activities.

Purchasing management is one such form of management, where goods and services are acquired from a different



organization or company. Purchasing management is known to help an organization to save much of the money spent when purchasing goods and services from outside. Procurement involves the process of planning, selecting suppliers, establishing payment terms, strategic vetting, and selection, the negotiation of contracts services and actual purchasing of goods. Thus, procurement is an umbrella term under which purchasing is just a component. Since procurement is an umbrella term and includes all the core business activities, it should be considered an important corporate activity.

FUNCTIONING OF THE DEPARTMENT AND PROCUREMENT PROCESS

Merchandising and Marketing Department give the tech pack and the BOM (Bill Of Materials) for a particular style to the cost management department and purchasing department and the concerned person will start the further process and for costing purposes the in-house price is given like, the cost involved in the production and also the price involved for a unit involved with respect to the

etc., will be given by the merchandiser to the purchasing department in the form of a sheet which is generally followed in the industry for all the orders irrespective of the buyer.

Finally the purchasing department receives this purchase requisition from merchandiser, then source the right supplier for right product for right time then purchasing department. I would like to discussed hear, sometimes some suppliers has nominated from buyers for selected items. There have no need additional sourcing. We source locally and globally only non-nominated supplier's item such as yarn, fabrics, accessories, packaging materials and trims. We conform right supplier and raised the PO and sent to the concerned suppliers for yarn, fabrics, accessories and trims as we needed. Once the first shot of the raw materials as a sample is sent by the supplier then the lab dips are done and are approved by the buyer.

As per PO supplier give PI (Proforma Invoice) to purchasing department. Purchasing department and accounts and finance department approved PI and finished all related

“ BANGLADESH SUPPLY CHAIN MANAGEMENT SOCIETY (BSCMS) IS THE PROFESSIONAL SUPPLY CHAIN BODY IN BANGLADESH WHO ARE CONSTANTLY DEVELOPING THE SUPPLY CHAIN RESOURCES FOR THESE INDUSTRIES ”

complete procedure involved for its production. In the process of doing the in-house price, suppose the cost of 1000 pieces of Care Label is \$ 30 then a Taxes of 2% + 14% of exercise duty + 10% of per unit price is added as the transportation charges and this all together makes the in-house price (a hidden margin of 5% is also taken into consideration).

This breakup is given to the merchandiser by the purchasing department for the costing purpose, the cost sheet is made by the merchandisers and the order is confirmed by the buyer based on the cost sheet given by the merchandiser.

After the order is being confirmed by the buyer the merchandiser will sit with the other concerned departments and then the exact quantity required and the breakup of the trims and accessories with respect to color, size, M OQ,

work. Purchasing department approved PI and necessary paper give to the commercial department for LC (Letter of Credit) or TT (Telegraphic transfer) opening. After open LC or TT commercial department inform to purchasing department. Purchasing department inform to supplier for their LC or TT. They collect their LC or TT form their advising bank. Supplier delivery the goods to the store department right inventory and right time. After receiving the goods from the supplier they a rechecked for the quantity and also checked according to the inspection criteria specified by the buyer and replaced if any of them are not meeting this criterion. This department also keeps track of all the quantities received in-house timely. Suppliers submit their document for payment to the purchasing department. The purchasing department conform their payment finished internal process. Supplier collect approve document from purchasing department and submit to the conforming bank and they get payment. The goods are generally received in



breakups as suggested by the merchandiser according to the requirements stated by the planning and the production department and this breakup will have specified date and quantity and if this breakup is not being mentioned then the order is being placed with the supplier several times for small quantities and PO's have to be sent all the time so, in order to overcome this a breakups are being is given.

Then the purchasing department has to follow up with the supplier for deliveries as and when the merchandiser asks for the new set of the materials for that particular style and then the department also has to maintain the receipts and also they have to maintain the documents of the inspections that are being carried out for those materials.

The increasing use of sourcing, purchasing and procurement strategic practices dramatically changes the way of products develop, manufacturing and distribution. These changes scenario makes the industry more efficient to fulfil

customer demands in a defined cycle time, and at comparative costs. The strategy of sourcing the raw material for garment manufacturing is depends upon parameters like lead time, cost and quality. The international laws of tariffs and trade affects these strategies strongly. Apart from these conditions, sourcing decisions are made based on domestic market condition, cost benefits, international market situation, relation between the respective countries and political stability of the country. Well-managed procurement ensures that supplies of the required quality are available at the right time, right place and right price. Reduce waste by selecting right supplier sourcing that generate less waste and also lower costs manage demand, for example, through just-in-time supply.

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