

Supply Chain Management Practices in a Buying Agency with Special Reference to Apparel Industry



By: A. Kalyani and Dr. GVRK Acharyulu

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1. Introduction

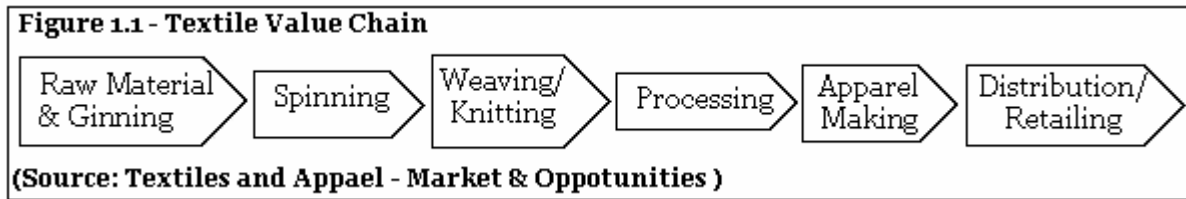
In any industry there exist different kinds of organizations like 100% Integrated Yarn-Garment, 100% Manufacturing, Job- Contracting, Merchant Exporter and Buying Agencies. A Buying agency is one which does not manufacture the products, but it out sources the vendors for the purpose of manufacturing. Table 1.1 shows the different kinds of organizations.

Table 1.1 – Types of Organizations			
Type of Organization	In-House	Out- Source/ Job-contract	Remarks
100% Integrated Yarn-Garment	1.Yarn (knitted) or Fabric (woven) Accessory Procurement 2.Knitting 3. Processing-Dyeing, Printing, Washing etc. 4.Manufacturing- Cutting, Stitching, Embroidery, Checking, Finishing, Packing	---NA---	* Large Companies with large investment in infrastructure for processing & manufacture. * Excellent Quality Control at each stage
100% Manufacturing	1.Yarn (knitted) or Fabric(knitted or woven), Accessory procurement 2. Manufacturing- Cutting, Stitching, etc.	1. Knitting (if Required) 2. Processing Dyeing / Printing, Washing etc.	* Have complete manufacturing infrastructure i.e. from Fabric to Garment.
Job- Contracting	1. Yarn (knitted) or Fabric(knitted or woven), Accessory Procurement 2. Cutting, 3. Checking, Finishing, Packing	1.Knitting (if required) 2. Processing-Dyeing/Printing, Washing etc. 3. Stitching	* Stitching outside since constraints due to Labor Problems, Space (in place like Mumbai). * Cutting In-house to Control Consumption & Quality
Merchant Exporter	--NA--	1. Place order for ready-made garments as per specification. All processing, manufacturing is outside. 2. Packing may be in-house.	* Organization With excellent marketing network/ marketing infrastructure. * No manufacturing infrastructure/ know-how
Buying Agent	--NA--	1. Place order for ready-made garments as per specification. All processing, manufacturing is outside.	* Organization With excellent marketing network/ marketing infrastructure. * No manufacturing infrastructure/ know-how

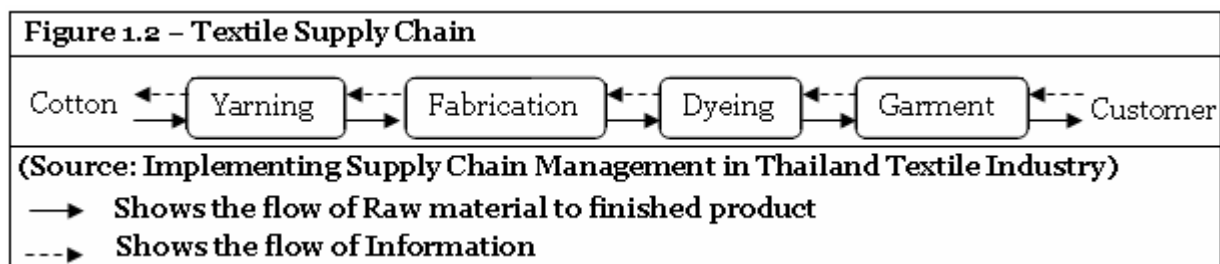
Supply Chain in Textiles – Indian textile and clothing industry has one of the most complex, fragmented and long supply chain in the world right from raw material

procurement to shipping port handling facilities. The following figure shows different types of supply chains involved in textile industry.

The following figure 1.1 will give the components of supply chain. The Indian textile industry spans all activities across the value chain.



- 1. Raw Materials** – The major raw materials for the textile industry include cotton, silk, wool and man-made fibre. It is the basic component of any fabric.
- 2. Spinning** – The spinning sector in India is completely organized. And is globally competitive in terms of variety, process and production quantity. The spinning process is technologically intensive; the output is affected by the quality of fibre and the cleaning process of raw materials.
- 3. Weaving/Knitting** – India’s weaving/knitting sector is highly unorganized. This is the weakest link in the supply chain suffering from problems such as high power tariffs and low investments in technology.
- 4. Processing** – Indian processing sector is largely decentralized with low levels of automation, marked by hand/independent processing units. The processing stage is undoubtedly the most significant process in the value chain of various textile products contributing the essential user requirements of easy maintenance, colour fastness and also aesthetic value addition in terms of colours, motifs and designs. The value addition at this stage of production is maximum, often manifold, what with bio-finishes, various surface finishes such as peach finish, sand finish, raised finish, or brush fabrics, coated, impregnated fabrics, water repellent, fire retardant and antibacterial finish etc.
- 5. Apparel Making** – Access to a variety of raw materials and flexibility of supply chain enables apparel manufacturers to mix and match various constituents and come up with innovative designs.
- 6. Distribution/Retailing** – The Indian textile industry is weak in the supply chain and logistic system of distribution/retailing. The industry basically faces problem with the logistics.

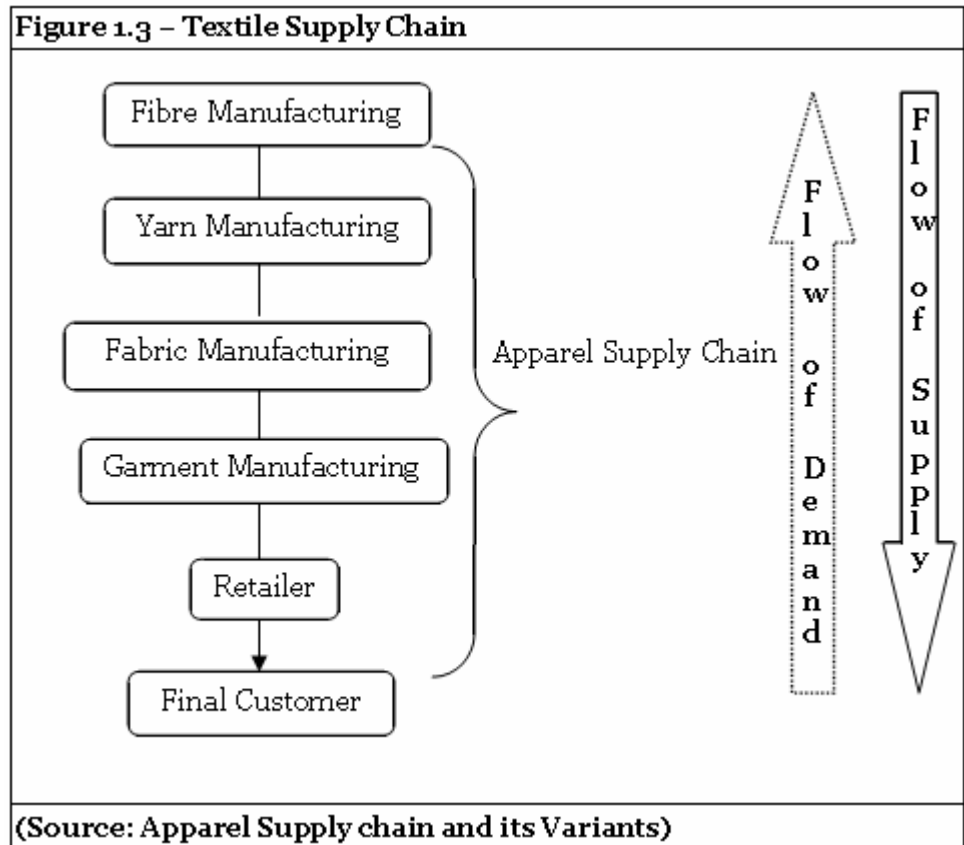


The above figure 1.2 shows the Textile supply chain. This figure shows the various steps involved in the textile supply chain. Cotton is the raw material and forms as yarn by *yarning* process which includes the processes like *ginning and spinning*. The yarn is made into *fabric* by using *weaving/knitting technique*.

The dyeing can take place in the form of yarn or fabric. If the yarn is dyed and then fabric is produced then it is called as yarn dyed fabric. If the dyeing takes place in the fabric form then it is called as fabric dyed. Then it goes to different manufacturing units depending on the quantity ordered by the manufacturer. The fabric is made into garment as per the customer specification. This (Garment) is the finished product which reaches the end consumer.

The following figure 1.3 shows the Apparel as well as Textile Supply Chain and participants involved in it. The flow of demand and supply is also shown in the figure.

- **Fibre Manufacturing** – The raw materials undergoes the processes like ginning and cleaning machines to get the fibre as an output. The participant is the fibre manufacturer.
- **Yarn Manufacturing** – The fibre undergoes spinning process which gives the yarn as an output. The participant is the yarn manufacturer.
- **Fabric Manufacturing** – Fabric is the output of the process called as weaving/knitting of the yarn. The participant is the Fabric manufacturer.
- **Garment Manufacturing** – The garment is the finished product which is made by using different types of fabrics. The participant is the garment manufacturer.
- **Retailer** – Retailer forms the distribution channel. Retailing can be done through outlets or stores. Retailer will be in direct touch with the customer. The participant is the retailer.
- **Final Customer** – The finished product finally reaches the end user that is the customer. The participant is the final customer.



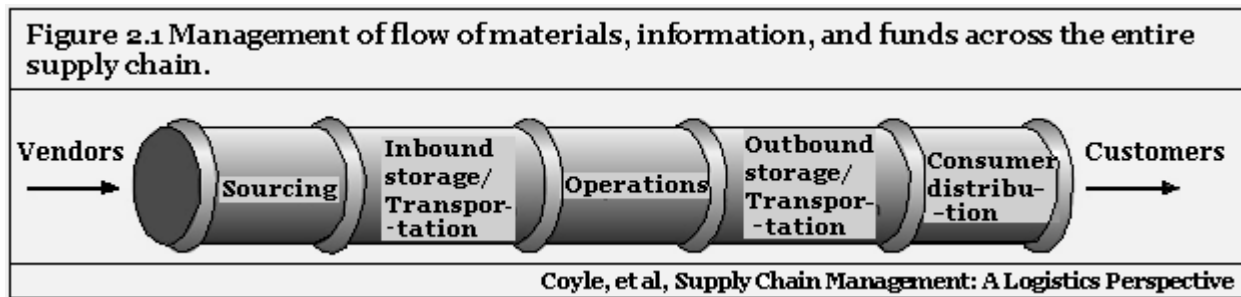
2. Literature Review

Supply chain – consists of all parties involved, directly or indirectly, in the procurement of a product or raw material in fulfilling a customer request.

Supply chain management (SCM) – involves the management of information flows between and among stages in a supply chain to maximize total supply chain effectiveness and profitability.

- Supply-chain management is a total system approach to managing the entire flow of information, materials, and services from raw-material suppliers through factories and warehouses to the end customer.

The flow of materials, information and funds across the supply chain takes place as shown in the figure 2.1.

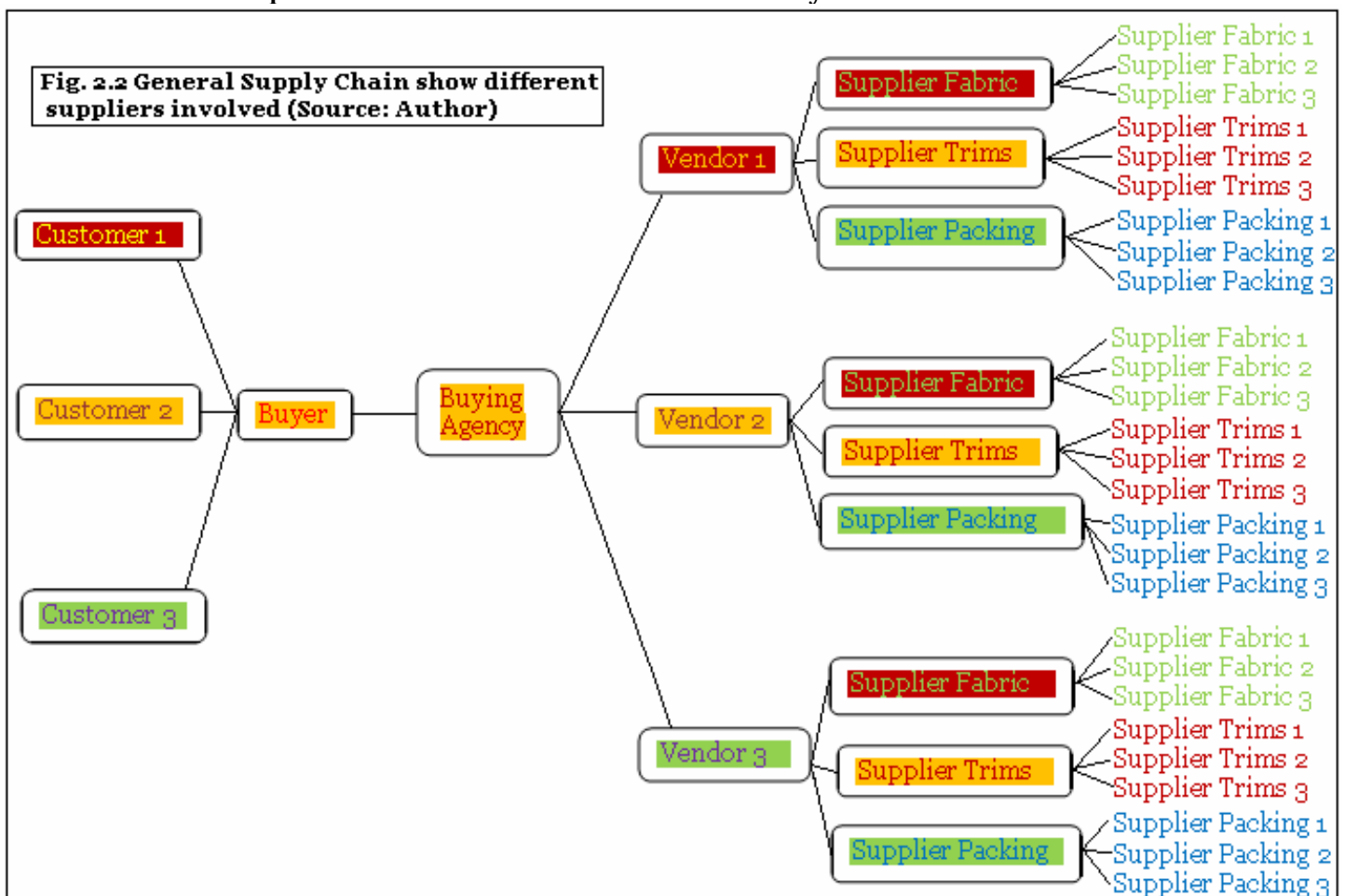


The following figure 2.2 shows the general supply chain involved in the manufacturing unit, which consist vendors, different types of suppliers involved i.e, fabric suppliers, trims suppliers and packing suppliers.

3. Functioning of an Apparel Agency

A buying agency is an intermediary organization which takes care of the selection of Vendors, distribution of orders according to the style, approvals; follow up with the vendors regarding the samples, approvals, production and shipment.

Buying agency coordinates with the Buyer and the Vendor regarding the orders. No direct correspondence will be there in between the Buyer and the Vendor.



Any clarification, approvals or delays will be informed to the Buying agency merchandiser who in turn will inform the buyer and gets back to the vendor.

The information of the order confirmation is passed on to the Quality Control department of the buying agency by the concerned merchandiser of the buying agency. The Merchandiser will forward all the samples to the QC department, where the QC's will check the samples and if they find the samples are OK then the samples will be sent to the buyer for approval. If the samples are approved by the Buyer's QC then the comments will be sent to the buying agency QC who in turn will forward the same to the merchandiser. The same comments will be forwarded to the vendor's merchandiser so that they can proceed with the next set of samples without any delay. If the QC (buying agency) himself/herself finds the samples are not ok then the samples will be returned to the vendor along with the comments and they have to remake the samples.

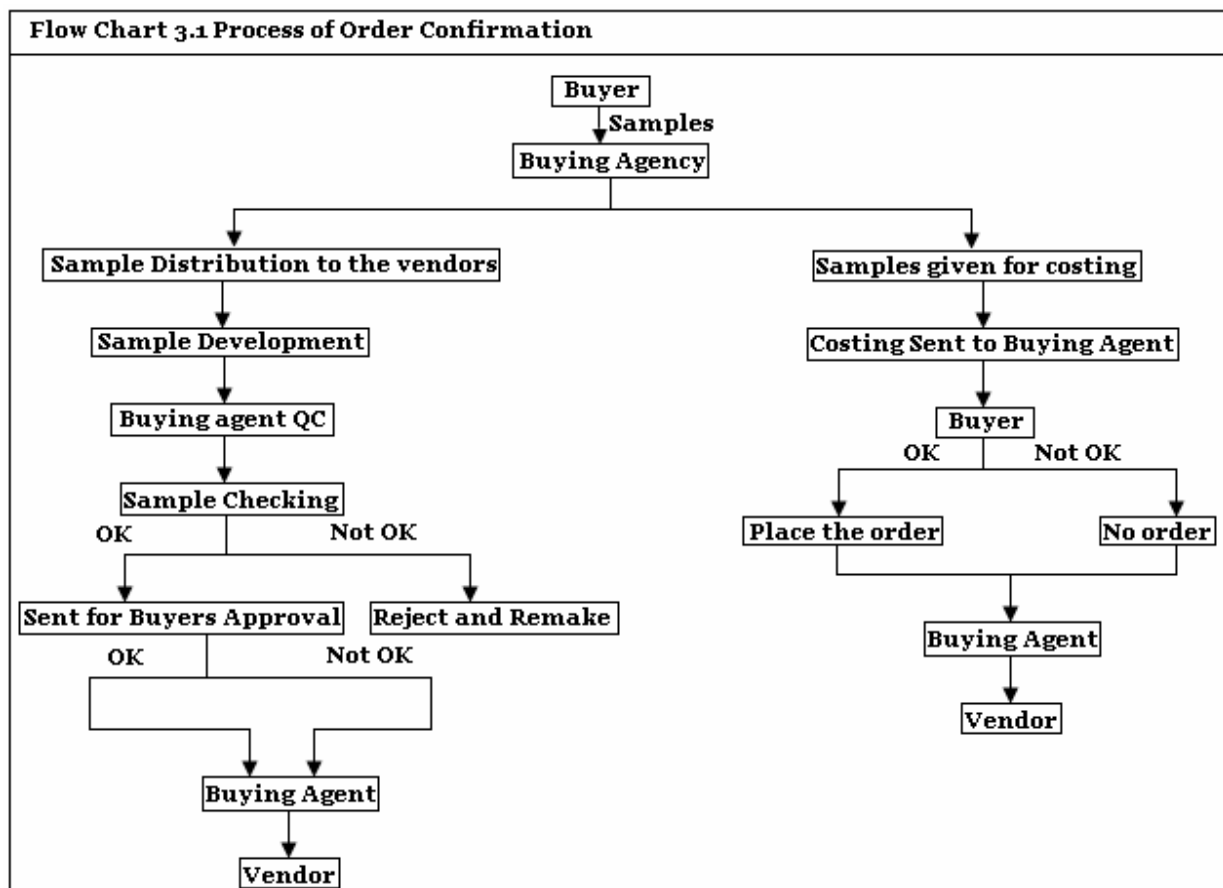
The merchandiser of the buying agency will forward all the details to the vendor's merchandiser, who in turn coordinates with all the departments involved in the factory like store, cutting, production, checking, finishing & packing and export department i.e., documentation department.

All the materials like fabrics, print, embroidery, accessories like – buttons, zippers (if they are metals), and labels will be sent for testing before placing the bulk order. If any of them fails in the test then they have to procure them again and send it for testing until they pass the required test.

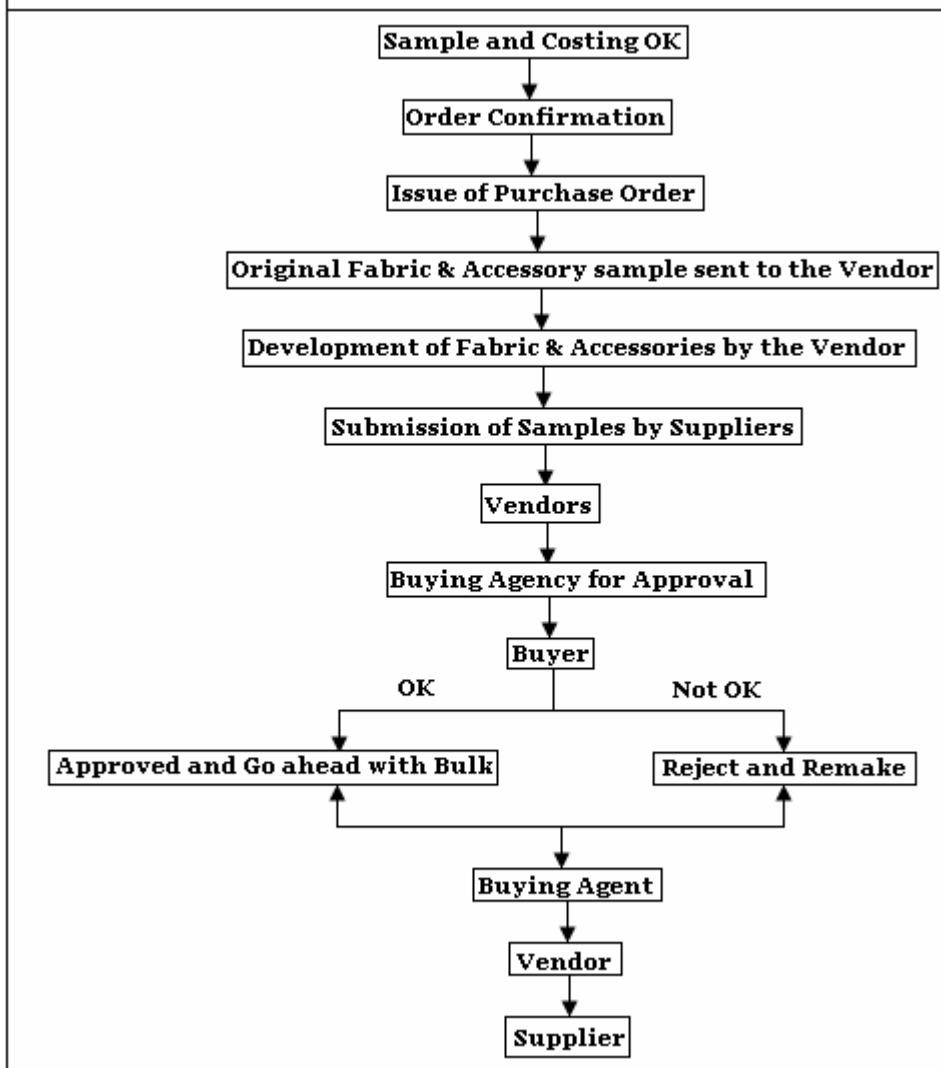
The fabrics, prints and embroidery will be tested for color fastness, rubbing fastness, perspiration and chemicals. Buttons and zippers will be tested for the nickel free test.

The QC of the buying agency will visit the vendor's factory where the production takes place, for in line, mid and final inspection. This is to assure that the production is going on as per the specifications given by the buyer.

The above process is shown in the flow chart 3.1



Flow Chart 3.2 Approval of Fabric and Accessories



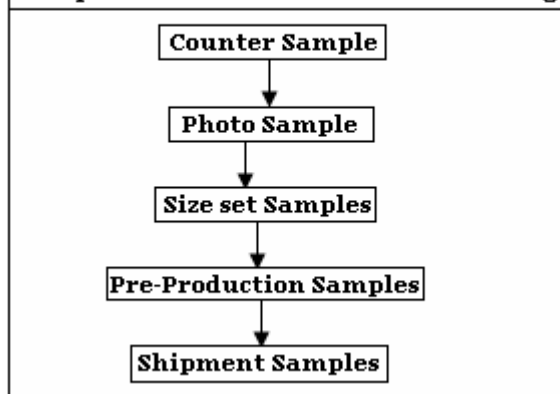
The flow chart 3.2 shows the various steps involved in the fabric & accessories approval.

Flow chart 3.3 shows the different samples involved in the order processing. If at each and every stage the samples are approved then only the vendor can go-ahead with the next set of samples. Otherwise they have to remake the samples until they get the approval.

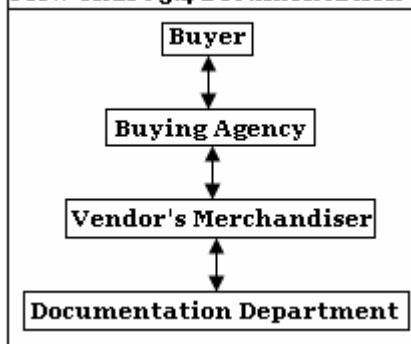
Flow chart 3.4 shows how the documentation process goes on. The whole information will be passed on to the Vendor's Merchandiser and he/she will take care of it by co-coordinating with the other departments like, stores, cutting, production, checking, finishing & packing, documentation.

The documentation people will take care of the booking of the vessel according to the delivery date of the goods. They should know the PO

Flow Chart 3.3 Different Types of Samples involved in the Order Processing



Flow Chart 3.4 Documentation



No., Style, Color, Order Quantity, Price per piece, number of cartons, Expected Time of Delivery etc.

Conclusion

In any organization it is must that there should be a proper coordination between all the

departments to function properly. Without proper coordination there exist a huge gap and there is a chance

of making mistakes which in turn will lead to the delay in shipment. For e.g. if there is a change in the spec sheet (measurement chart) and is not informed to the production department, the production will go on as per the old spec and there is a chance of

shipment going to be rejected. Hence proper coordination between all the departments, buyer, supplier and the vendor is must.

Orders should be placed well in advance to the vendor and supplier so as to avoid delays, to get the good raw material without any defects.

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