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SUPPLY-CHAIN IN RMG

The hidden lever to success

SUMAN SAHA

THE readymade garment (RMG) sector is a success story for Bangladesh. The industry started in the late 1970s, expanded heavily in the 1980s and boomed in the 1990s. The quick expansion of the industry was possible because of the use of less complicated technology, cheap and easy to operate sewing machines, and relatively cheap and abundant female workforce.

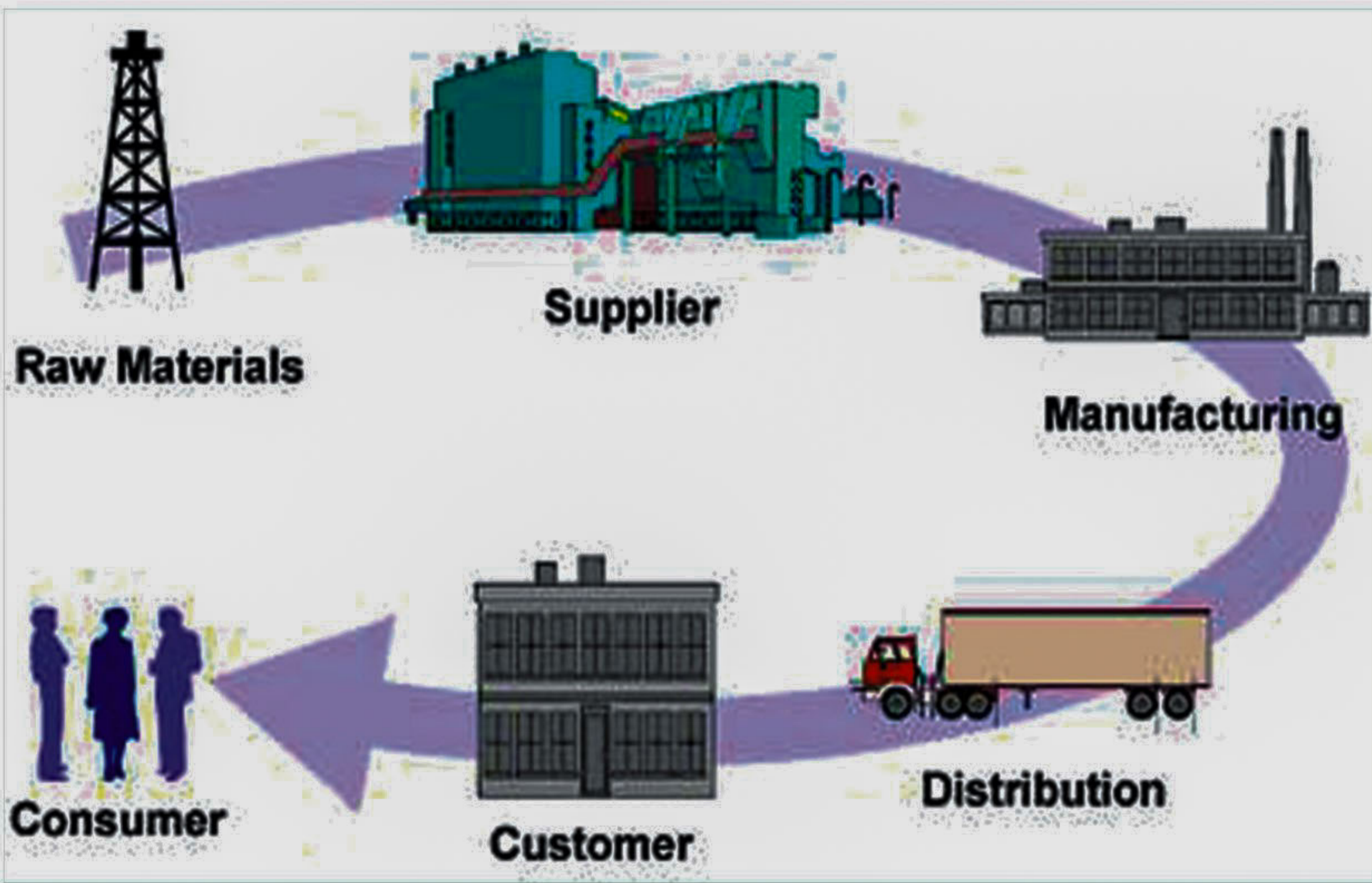
But, apparel firms in the county have moved into a challenging position in the new millennium. The challenge is now to offer high-quality, low-cost products within a short lead time; and to meet health, social and environmental compliances in the face of increasingly stiff competition.

To face these challenges, the apparel makers should focus on effective supply chain management as it will ensure delivering the right product to the right place at the right time at the right price, say supply chain experts.

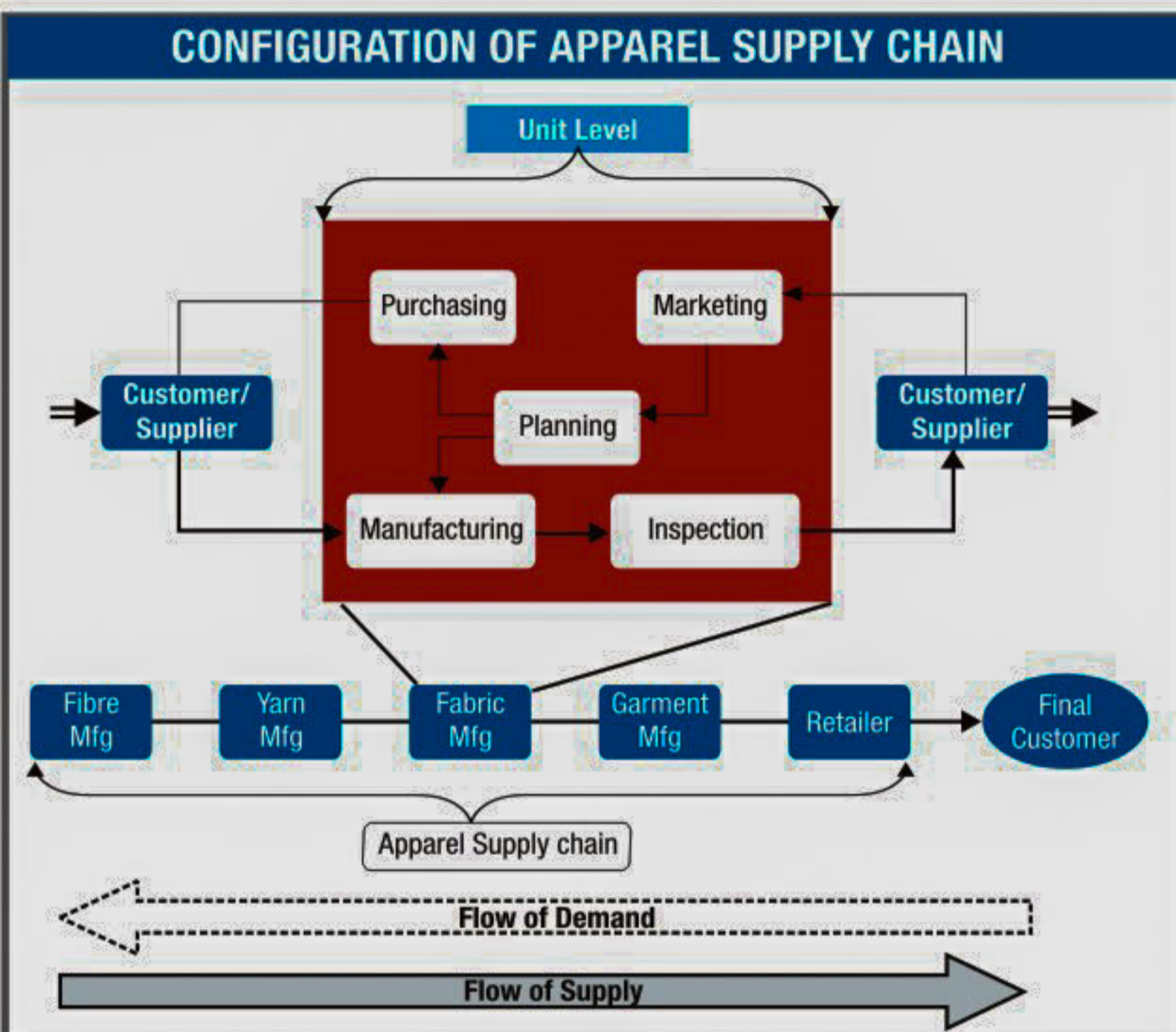
"Effective supply chain management is the way to offer high-quality, low-cost products within the shortest possible lead time as it integrates the whole apparel supply chain as one," says Ejazur Rahman, managing director of Mind Mapper Ltd, a leading management consulting firm.

He says the entire apparel supply chain is made up of every organisation involved -- from the initial fibre supplier to the consumer purchasing the products.

Rahman, who is also the chief executive officer (CEO) of International Supply Chain Educa-



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tion Alliance (ISCEA) Bangladesh, says, "The RMG manufacturers need to start working together with all the supply chain partners, as the landscape of low cost sourcing countries is about to change. Buyers in the future would be more interested in TCO (total cost of ownership) rather than just the unit price."

Buyers in the future would also look at the implications in sourcing materials and even services from half-way across the world, he adds. "So, we should consider the whole apparel supply chain as one, adopt a fact based approach upon thoroughly understanding current realities, invest in the appropriate skills and constantly monitor and adjust to optimise results in an ever-changing world," says Rahman.

However, the concept of a 'complete understanding of supply chain management' is absent in most organisations in Bangladesh because of a lack of a basic understanding of the subject, say industry insiders.

"The textile industry is lacking the correct supply chain management know-how as the country has an acute shortage of people who

understand the complex nature of supply chain management," says David Hasanat, chairman of Viyellatex Group, one of the nation's largest knitwear and woven goods exporters.

But, the country needs plenty of supply chain resources to benchmark itself against the best in the world like Toyota and Wal-Mart, he adds.

Hasanat, who is also the CEO of the company, says, "We are just at the beginning of a much bigger journey. So we should focus on the development of supply chain managers as they can ensure the best value addition in all businesses and take us to the next level."

Roger Hubert, vice president of Li and Fung Bangladesh Ltd, a Hong Kong based apparel sourcing company, says, "Business firms should align their supply chain strategies with all the business processes and their competitive strategies, to augment the supply chain efficiency."

As supply chain management starts at raw materials planning and spans customer service, he adds, alignment of all processes with the supply chain is critical. "If we do not align it with every single process, we will end up with

supply delays, quality issues and delivery of wrong products."

Pranab Das Gupta, supply chain in-charge of Regency Garments Ltd, says, "The tremendous pressures of globalisation and demanding customers require the RMG businesses to improve their quality, responsiveness and customer satisfaction, while making conscientious efforts to cut costs."

"So, the apparel makers need to focus on appropriate supply chain configuration to hold superior serviceability," adds Gupta.

The CEO of ISCEA-Bangladesh says, "Supply chain management is the hidden lever that can magically lift the total business performance of any company."

Therefore, the government, the RMG units, the textiles units and all other supporting partners of the apparel supply chain need to come together to become a part of one chain, define a common competitive strategy and align its supply chain capability accordingly.

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Prompt responses to demand

SUMAN SAHA

MD Shakhawat Hossain, head of IT and supply chain of IDS Group, boasts a career in supply chain, information technology and enterprise resource planning (ERP). Prior to joining his current office, he served in the same position at Coats Bangladesh Ltd.

Hossain has also worked for Holcim, Beximco and Transcom Electronics in various capacities. Over the last five years, his expertise grew in the areas of supply chain management (SCM). He holds an MBA from Dhaka University and BSc (engineering) from Bangladesh University of Engineering and Technology. He recently shared his views with The Daily Star on supply chain management in Bangladesh.

Why should a business organisation, especially the apparel makers, focus on supply chain efficiency?

The readymade garments (RMG) sector is fashion driven -- its product life cycle is very short, the number of stock keeping units is huge and the pressure to reduce lead time is a regular phenomenon. Such pressures result in increasing complexities in the whole end-to-end supply chain process. So efficient supply chain operations are critical for the whole RMG sector to compete in the global competitive environment and survive. For its survival, the RMG sector must focus on SCM to become more responsive and cost efficient.

What is the SCM process of an apparel firm like?

The apparel sector is a labour intensive industry and it uses relatively simple technologies compared to other high-tech industries. In the context of Bangladesh, the SCM processes begin from getting orders from the foreign buyers or agents. The RMG manufacturing units import raw materials, trims and accessories from suppliers (in most cases, fabric and trims are imported from foreign suppliers). Next, they manufacture the garments and supply the finished goods to buyers or their nominated locations within an agreed delivery deadline.



Md Shakhawat Hossain

So, the supply chain process begins with sourcing and ends at distribution. Merchandisers first confirm orders to the apparel manufacturers. The requirement with the TNA (time and action calendar) is then submitted to the supply chain department for processing. Then the department books the items with different suppliers or selected suppliers and negotiates competitive prices. After order booking with the suppliers, the supply chain department follows up with all internal and external parties for timely in-housing of the materials. Upon receipt of the materials, they carry out proper stock-

ing and inventory management and issue materials to the production floor as per production plans. After completion of each order, the supply chain department carries out shipment.

How does IDS group value the supply chain agenda?

At present, a few apparel firms are practicing SCM in their organisations, while some are in the process of implementation. I am very happy to mention that among the very few garments industries who embraced the supply chain processes, IDS Group is a pioneer to do so. As a result, IDS has recruited professionals to handle the supply chain functions and currently, it is in the process of restructuring the whole supply chain organogram for the group. It indicates to what extent the group is committed and attaches importance to the supply chain agenda.

What are the most challenging factors in managing SCM effectively?

I think the most challenging factor for the RMG supply chain is to respond quickly to market demand while keeping optimum inventory. Another big challenge is to in-house all the items or materials before the date of initiating production. It is important because the manufacturing unit could be sitting idle even if a single item is not available. So, introduction of proper ERP systems to enhance supply chain visibility and appropriate decision making is vital. Managing lead time is another big challenge here.

How can an apparel firm implement the SCM process effectively?

It depends on the understanding and willingness of the entrepreneurs. The owner of a firm must first realise that the supply chain is the true lever to improve efficiency, productivity and reduce waste. Once entrepreneurs are convinced about structuring the supply chain, they should hire professionals and experts for supply chain management. Subsequently, the organisation seeks support from the universities and other professional development organisations for a fresh supply of employees who will be able to manage the chain.

Other than that, professional consultancy can be sought initially from capable parties to create and implement a proper supply chain structure in each RMG unit.

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