

Capstone Project 1

Role of Buying Houses In clothing Marketing



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Title

In Pakistan the apparel industry is facing a critical situation, where a number of units have been closed. The units were unable to bear loss and ultimately became bankrupt. The apparel industry was also hit by a number of natural problems including natural disasters and unstable political conditions. Other than this, the competition in the international market stiffened with growing competitors like China and Bangladesh in the apparel industry.

Other than this, the industry has been unable to compete due to the reduced profit margins and growing competition. One of the main causes of failure of our industry include quality issues and late deliveries.

As a number of manufacturers rely on the buying houses for export of their products the buying houses hold a significant place in our apparel industry. The numbers of problems arising in our apparel industry are pointed towards the buying offices. They are considered to be responsible to some extent for failure of orders and often manufacturers blame them for their loss.

Our main focus regarding our topic will be on the role of buying houses in the marketing of textile goods and the problems occurring between the buyers, suppliers and the buying office. We will finally conclude the problems and give our suggestions on the improvement of buying office operation and relations between buyer, supplier and buying office.

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Mr. Omer Mahmood	Merchandiser (Cotton Web)
Rana Hashim	Senior Merchandiser (Rana) Overseas)

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Participants

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Abstract

In this project we have carried a study on the role of buying houses in textile marketing and also carefully studied the relationship of buying houses, buyers and suppliers. For this purpose we have visited various buying offices and suppliers. And carried our study based on visits to buying offices, supplier visits and consulted the library and internet for the literature review.

Based upon our study we found various problems among the relationship of buying offices, suppliers and buyers. The main issues were quality and delivery dates. These problems were due to mis communication between the buying offices. Other causes include dishonesty of buying houses, delay in information by the buying offices and wrong commitments by the suppliers.

Based upon our study we prepared a questionnaire and to further conclude our study in capstone project two. We will conduct a market survey according to the questionnaire. By performing data analysis of the filled in questionnaire we will conclude results and give suggestions which will be helpful to improve the role of buying houses in clothing marketing.

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Chapter1

Introduction

In Pakistan about 65% of revenue is earned through the export of textile goods. Thus the textile industry plays a vital role in the economy of Pakistan. Our cotton is also considered of good quality in the world market. However nowadays our textile industry is facing a critical situation where a number of textile units have closed down to failure to commitment to their buyers.

1.1 Problem Statement:

The buying houses in Pakistan act as a communication between the foreign buyers and local suppliers. Due to certain reasons a trend has developed in which the manufacturers blame the buying offices for their loss. Due to miscommunications on the behalf of buying offices all the concerned parties have to suffer. In some cases the buying offices are also blamed for screwing the suppliers in terms of price or any relaxation from the buyer. Buying offices are also blamed for not standing with the supplier in case of any blames from buyers.

On the other hand the buying houses claim that the suppliers do miss commitments and are responsible for the loss. The delivery dates are not met or the required quality is not maintained by the suppliers ultimately resulting in rejection of the order.

As a result both the parties are unhappy with each other's performance and therefore suppliers always persue buyers directly. They only contact buying houses in the case they are unable to locate any buyers.

1.2 Objectives:

The main focus of our project will be on the relationship between the buying offices and suppliers. In the case of indirect buying where the buying office is involved there is a lot of communication and transfer of specs. We will try to identify the misconceptions and problems arising between these two parties and ultimately give suggestions and conclusions which will be helpful to both the parties. Our main focus will be on the following points:

- a) Role of buying houses in locating foreign buyers.
- b) Communication gap created by the buying office.
- c) Wrong committments by the suppliers.
- d) Honesty of the buying office.
- e) Problems caused by the buyers.

1.3 Buying Offices:

Buying offices play a significant role in the marketing of textile goods all over the world. Buying offices are responsible for making almost 50% of the total exports of textile goods of Pakistan. The main role of the buying house is to locate foreign buyers and then accordingly find supplier who can fulfill their requirement. Then after the successful acceptance of the order between the two parties the buying office also oversees the quality of production and ensures in time delivery to the buyer. After the acceptance of the order the buying house also ensure payments by the buyer to the supplier. For performing this task the buying office takes 3% to 5% commission of the order. The commission of the buying office depends upon size of the order.

In Pakistan the suppliers and buyers deal with each other regarding export of textile goods in two ways, direct buying and indirect buying.

1.3.1 Direct Buying:

In direct buying the buyer and supplier contact each other directly and after direct acceptance order they deal directly with each other regarding all issue. Here the buying office plays no role. This method is normally adopted by big buyers or suppliers who have marketing department and spent a good amount of funds on marketing. All types of suppliers prefer this way because it include no buying office commission thus increases their profits.

1.3.2 Indirect Buying:

In indirect buying the buying office acts as a bridge of communication between the buyer and supplier and oversees the whole process keeping a check on quality and ensure in time delivery of the product. The buying office takes commission on the successful acceptance of the order. This method is normally preferred by suppliers with less or no marketing budget. Normally small or medium sized buyers and suppliers prefer this process of business.

1.4 Reason for the existence of buying office:

The most important task of the buying office is to locate foreign buyers. This is the reason why local suppliers contact buying offices, they don't have links with foreign buying markets and don't have resources to spend on marketing. This is the main reason for the need and existence of buying houses. The suppliers normally don't like to do direct selling. They always prefer direct selling because dealing directly with the buyer has many benefits. First of all most importantly the profit margin is increased by saving the commission of buying house, secondly the communication gap is lessened and thirdly direct communication with the buyer helps to get any relaxations if required.

Chapter-2

Literature review

2.1 Buying office:

Buying office in Pakistan means a registered trading company having its registered office dealing with export of various products.

2.1.1 Background of buying offices:

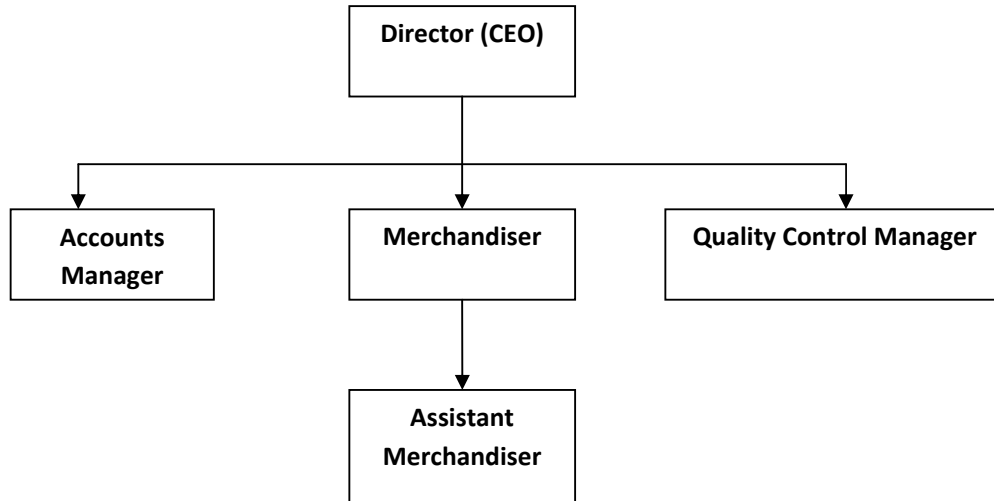
In Pakistan the concept of buying office is not a new one. There are a lot of competitors. Some are even working with famous brands like Chaps, Levis, Nike etc. On the other hand majority of the buying office are working with small buyers and suppliers. The buying offices came into being in the late 70s when the concept of outsourcing was introduced. Closure of textile industry in western countries including USA forced retailers to outsource from countries like Honk Kong, India, Pakistan etc. So, there was a need in Pakistan to identify the export markets in foreign countries. For the purpose the buying offices came into being and fulfilled the requirement. The buying houses introduced new markets and brought even the world's biggest brands into Pakistan for outsourcing.

2.1.2 Outsourcing:

The idea of outsourcing is to move an operation or function from a higher cost to a lower cost location outside the country. This is the idea which brought all the textile manufacturing to the countries where the production costs was lower mainly depending upon cheap labor and abundant raw material. To fulfill this outsourcing need of the west the buying houses in Pakistan were established.

2.2 Organizational Structure Of Buying Office:

The following is the organizational structure of a small buying office. The main department concerned with the merchandising of goods is called the merchandising department. Other departments include accounts department, quality department etc. The chain of command and detailed description of each persons job is given below:



2.1 Organizational structure of buying office.

2.2.1 Director (CEO):

The CEO is the entrepreneur or the head of the whole organization. He is responsible to oversee all departments, functions and operations of the company. His job is to efficiently and effectively run the company.

2.2.2 Accounts manager:

Account manager's duty is to manage the overall account of the firm. He is supposed to collect all the data from all the relevant departments and arrange them accordingly. He is also responsible to monitor the profits and losses.

2.2.3 Merchandiser:

The merchandiser plays a key role in the firm. His main job is to locate buyers, take orders, execute orders, develop samples, negotiate price, monitor all the production activities and participate in the audit keeping the delivery times and quality standards in mind.

2.2.4 Quality manager:

Quality manager maintains the product quality during sampling and production. Quality manager checks the quality and gives final approval for acceptance and then gives his decision for final shipment. If quality is as per buyer requirement only he will allow the production department to start production. During pre-production he will check the color matching, stitching, sewing, dyeing and printing and after that he will do the final audit. After the final audit, the quality manager will finally decide to ship the goods or reject the goods.

2.2.5 Assistant Merchandiser:

The assistant merchandiser's job is almost the same as the head merchandiser. He has normally less experience and works under the head merchandiser. He is supposed to assist the head merchandiser and work as a team with him.

2.3 What is merchandising?

The main task performed by the buying office is called merchandising. The buying office has a merchandising department. In fact the supplier and the buyer also have their own merchandising departments. The purpose of these departments is to communicate effectively with the other party.

2.3.1 Merchandising:

Merchandising department works as a middle man between the buyers and sellers. Merchandising department play a significant role in between the buyers and suppliers. The merchandising department takes orders from the buyers and then pass information to PPC department. PPC department plans the order and start the production. In some cases merchandising department is directly connected with production department.

2.3.2 Tasks of merchandising:

Basically merchandising is a marketing department, but in textile clothing industry merchandiser job has spread further. He will focus on lot of areas. The major role of merchandiser includes:

- Forward information
- Negotiation between manufacturer and customers
- Working as a bridge between buyers and sellers
- Price negotiation
- Marketing
- Order placement

2.4 Merchandising Process:

The merchandising process involves a number of activities which are the responsibility of the merchandiser. The whole process is defined below:

2.4.1 Inquiry:

The merchandiser's first job is to respond to any inquiry by the customer regarding his demand. The merchandiser is also supposed to know the market demand and requirement.

2.4.2 Costing:

Costing is a crucial step in the whole Process. The whole order can end up in loss because of wrong costing. The merchandiser calculates the yarn requirement, fabric requirement, accessories requirement, stitching cost, finishing cost and packing cost. Garment in one KG for knitted apparels is also calculated.

2.4.2. A Costing Methods:

There are four main ways for costing as defined below:

2.4.2.A1 Make exact sample:

According to the garment specification, the exact sample is made and fabric calculation per piece is calculated and then multiplied by the number of pieces in the work order to find the exact fabric and yarn consumption. This is the most appropriate and exact method for calculation.

2.4.2. A2 Make patterns:

Fabric consumption is calculated by using the patterns of the garment.

2.4.2. A3 With simple arithmetic:

Fabric consumption is calculated by using simple arithmetic using various formulas and soft wares. This method is normally used by the merchandiser to give prices to the customer and is normally done keeping some margins because this method does not show exact consumption.

2.4.2. A4 By taking help from graphic machine:

Graphic machine is used to calculate the consumption but is rarely used.

2.4.3 Price Confirmation:

The merchandiser adds additional costs like overheads, transport cost etc. and negotiates the price with the customer. After the acceptance of the customer the merchandiser gives the final price confirmation. The merchandiser tries to give a price that is easily accepted by the customer and satisfies him about the price of the product with a definite profit.

2.4.4 Sampling:

The buyer sends a sample of the garment with all the specifications. The sampling section reproduces the garment and send it back to the customer. On the acceptance of the sample the merchandiser deals with other formalities and the order is now ready for production. Based on the requirement of the buyer there could be more than one sample in different sizes or colors. A sample of the garment is also kept in the sampling section for further reference.

It is important that the garment stitched here is in perfect shape according to the customer specification. Any mistakes here are not acceptable because they can cause failure to get the order.

After the garment is stitched it is sent for washing and after washing the garment is checked for shrinkage. If the shrinkage limits are well under customer specification the garment is not ready and is sent to the customer for further approval. One sample of the garment is also kept in the sampling section for further reference.

2.4.5 Pre Production meeting:

Until this stage the PPC department and the production department don't know about the new order taken by the merchandiser. The merchandiser arranges a meeting with the production people, quality people, and the PPC department and briefs them about the new order. He tells them about the quantity, quality standards, garment specification and the delivery dates:

2.4.6 Trial Run Production:

Trial run production means to run a small quantity of the order through production. The purpose is to take production related approvals and get any missing information from the buyer. It is also done to perform time and motion study and calculate the labor wages.

2.4.7 Start of Production:

After getting all the approvals and making all the calculations, production go ahead is given and mass production is started.

2.4.8 In Line and Off Line Inspection:

It is the core duty of the merchandiser to monitor production in line and off line and keep a strong follow up of the production. He is supposed to check that the production is going according to the right quality standard and specifications. The merchandiser is also supposed to monitor daily production quantity. In case of any problem in specification or delay in production he is suppose to immediately inform the senior factory managers. He is also supposed to forward any information which comes from the buyer regarding any change in specifications production schedule or delivery time.

2.4.9 Audit:

The step which is crucial for successful shipment of your order is audit. It is performed to see that your order is according to the specifications of the customer. It is normally done by the customer appointed third party auditors. The merchandiser is supposed to participate in the procedure and resolve all the arising problems.

Chapter-3

Research methodology

3.1 Method:

Our topic is based on the problems occurring between the buying office, buyer and the supplier. Therefore we visited various buying offices and suppliers for the purpose.

3.2 Strategy:

The strategy we made for doing this project was to visit various buying offices and suppliers and questioned their concerned personal about various problems they were facing regarding export of their goods. We questioned merchandisers and related people regarding issue of quality, in time delivery and the communication gap between the two parties. We prepared a questionnaire for this purpose. We also collected information from the UMT library and gathered information from the internet.

3.3 Industrial visits:

For our project we visited various manufacturers of textile goods and many buying houses. During our visits we collected as much information as possible talking with the merchandisers, general managers and buying house agents. We collected information from the following suppliers and buying offices:

1- Cotton web.

Cotton Web (Pvt.) Ltd.
Kamahan Attari Road,
16 Km off Ferozepur Road,
Lahore, Pakistan.

2-Rana Oversees.

Rana Oversees,
2nd Floor, Enem Store,
Liberty Market, Gulberg
Lahore, Pakistan

3- Naveena.

DENIM UNIT
3.5-km Off Bhothian Chowk,
Raiwind Road, Lahore
Tel: (92-42) 5340057-60
Fax: (92-42) 5320061
info@naveenagrouplhr.com

4- NI Apparels.

NI Apparels (Pvt.) Ltd,
Industrial Area,
Gulberg-3
Lahore, Pakistan.

5- Business One Inc.

Business One Inc.
2nd Floor, 6 – Z,
Phase III, DHA,
Lahore, Pakistan

3.4 Questionnaire:

We also developed a questionnaire relating to all issues of buying houses. Different questionnaires were made for suppliers, buyers and buying houses. By using our prepared questionnaire, we can easily generate the required information needed to achieve. Questionnaire are based on the problems faced by the buying offices and suppliers which we discussed during our visits.

3.5 Sources of information:

We divided our sources of information into two categories primary sources and secondary sources.

3.5.1 Primary Sources:

Suppliers

Buying Houses.

3.5.2 Secondary Sources:

Internet

UMT Library

Other Sources

Chapter 4

Survey

4.0. Data collection:

Below is the list of the suppliers, buying offices and buyers from which we got information about the role of buying offices in clothing marketing. We personally visited some of the buying offices and suppliers and got the information using our questionnaire. We mailed the questionnaires to other suppliers, buying offices and buyers and got only few responses.

Locating and contacting foreign buyers was a difficult task as no suppliers or buying offices disclose their buyers. We received only few responses from buyers whom we contacted through e-mail. However the local suppliers and buying offices provided us with valuable information about our topic.

Sr. no.	Factory name	Category
1	Ni Apparel	Supplier
2	Style Textile	Supplier
3	US Apparel	Supplier
4	Mian Ghous Bux	Supplier
5	Smart Textile	Supplier
6	K & M Textiles	Supplier