

Fast React Systems - Specialist Planning & Sourcing Solutions for the Apparel, Textile & Footwear Industry

Competing Without Quotas? A Buyer's Perspective... Cost is NOT everything

The elimination of quotas will invariably provide buyers with more freedom in where they place their orders. However, will, as many fear, price be the key determining factor for buyers, propelling low labour cost countries such as China, India and Vietnam as the only sources for apparel?

No one can doubt the importance of price and getting the best deal. However, there are many non price factors that should also be considered to ensure sound business purchasing decisions:

- Reliability of delivery
- Reliability of communication
- Quality
- Lead time - speed to market
- Raw material supply
- Style flexibility and capability
- Social & environmental compliance
- Critical mass by country
- Language/Cultural barriers
- Loyalty to long standing suppliers

A combination of all of these factors will ensure that, other regions of the world, particularly those that are party to free trade agreements with US and Europe, can remain competitive beyond 2005. It is widely expected that the number of companies in the apparel supply base will reduce dramatically, as organisations competing long-term will require a leaner and more agile manufacturing base. Buyers will therefore be searching for progressive manufacturers that can demonstrate they have the facilities, systems and staff to do much more than achieve a price and quality standard.

Even when considering cost, buyers are well aware that most of the factories in Asia, Eastern Europe and Latin America do not achieve the levels of productivity and exceed the total cost per standard hour that is achievable in a modern, world-class factory. As such, buyers will not only be looking at the cheapest factory at current labour rates but also at those with the potential to remain competitive in the future as the cost advantage is eroded by inflation and economic progress

To become a world class supplier, a company will need to provide what the customer wants in the most economic and cost effective manner possible; react to changing demands and demonstrate that they are striving for continuous improvement.

Fast React Systems can help...

For manufacturers in Europe these problems are nothing new. For several decades, the most efficient manufacturers have proved that it is possible to retain business in a highly competitive environment by attaining a high level of efficiency, plus flexibility and speed of response. Their success has been achieved by adopting a dedicated strategy to continuous improvement involving Best Practice methods, and investment in technology and systems. Only recently have many of these businesses been overtaken by wage rates 30 to 40 times higher than those in competing countries, a far greater gap than exists between many developing countries.

In order to compete, speed to market and the elimination of non value added costs are therefore essential. This necessitates a need for reducing lead times along the supply chain, precise planning and scheduling of the whole preparation and production process, monitoring and adjusting what is achievable against this plan and using the best systems and controls for effective communication and decision making.

Based on universally accepted management techniques and the latest information technology to provide a powerful, visual, yet easy to use management tool the FastReact range of production planning and scheduling products was not only born in this demanding environment but was created specifically for apparel and textile manufacturers. Just as these problems are now global problems facing manufacturers worldwide, FastReact has been continuously improved and is now a global solution to global problems.

To find out more about how Fast React Systems can help your business, contact:

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Typical Benefits from the implementation of FastReact

Increased Sales

Reduced Lead Time (less waiting time/better efficiency) and improved product availability (less lost sales), should lead to an increase in sales revenue.

Expected Benefit:
0 - 7% increase in sales

Reduction In Late Delivery Penalties

More Reliable on time deliveries and better visibility of supply chain problems, should lead to a reduction in late delivery penalties and charge backs.

Expected Benefit:
5 - 20% reduction in late delivery penalty charges

Purchasing

Forward visibility of requirements should result in the ability to be able to negotiate better discounts with suppliers, the utilisation of multiple sources and timed deliveries will result in an overall reduction in purchasing costs.

Expected Benefit:
0 - 3% reduction in purchase costs

Reduction In Reprocessing Costs

By planning effectively, finished goods can be delivered in their planned condition, reducing the need for reprocessing i.e. re-packaging, attachment of new tags/labels.

Expected Benefit:
5 - 50% reduction in Excess Reprocessing costs

Better Decision Making

Due to the availability of accurate order information and the ability to analyse order status and item availability information quickly.

Expected Benefit:
0.5 - 5% improvement in overall efficiency

Reduction In Stock / Inventory

Finished Goods:

Manufacturing/ Sourcing according to effective plans and Just In Time deliveries of the required finished products, should lead to a reduction in finished goods stock levels.

Expected Benefit - Finished Goods:
0 - 5% reduction in Finished Goods stock levels

Raw Materials:

Sourcing according to effective plans and Just In Time deliveries of the required material, should lead to a reduction in raw material stock levels.

Expected Benefit - Raw Materials
0 - 5% reduction in Raw Materials stock levels

Work In Progress:

Manufacturing according to effective plans and reduced wait time & Increased visibility, should lead to a reduction in Work in Progress stock levels.

Expected Benefit - Work in Progress:
0 - 5% reduction in Work In Progress stock levels

General:

The values above reflect a 1 time reduction, a benefit will also occur from the reduced funding costs of these lower stock levels.

Annual reduction in stockholding costs: 0 - 5%
0 - 5% reduction in stockholding cost

Less Stock Writedown

Higher instance of Just-in-Time deliveries and more Visibility of the Supply Chain will reduce the risk of late deliveries and hence reduce any potential stock write down charges.

Expected Benefit
5 - 15% reduction in markdown value.

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