Supplier Selection Trends in Indian Garment Industry

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Abstract- This paper aims at understanding the various aspects and issues in supplier selection and sourcing practices in the context of the Indian Garment Industry. As efficient management of the suppliers and channel partners has become vital for companies to sustain and lead the market. Channel partners especially the suppliers play an important role in creating the effective supply chain. Selecting the right supplier is one of the most challenging issues in the supply chain. Supplier selection is based on different parameters and priority of the criteria varied from company to company and supply chain to supply chain according to their needs and operations. This paper gives a generalize view of what Indian Garment Companies practice.

Key Words: Supplier selection, Garment Company, Factor rating, Supplier cost, India.

1. Introduction

Suppliers are very important and inevitable part of any supply chain. The selection of suppliers and managing them is a challenging task. If the suppliers of a business house are excellent the worries of the organization are reduced to a greater extent. Suppliers are very important channel partners and relationship with them is strategic aspect of the supply chain. It has been found that majority of the Indian garment companies have many suppliers and channel partners. The less reliability on one supplier compels them to have too many suppliers and channel partners. It has been found that many of the organizations are sharing their loss and profits with their channel partners. This is a forward step towards high degree integrated supply chain management. There are majority of the companies which are collaborating and practicing joint improvement driven by mutual interdependence. Enhancing cooperative inter firm relationships is essential when the competition is not between companies against companies but between supply chain against supply chain.

Selecting the right supplier is very important factor in any supply chain and especially in the garment companies. Why most of the companies fail in their supply chain because they don’t have the appropriate suppliers according to the need of that particular time. Realizing the exact supply needs and finding out the appropriate suppliers according to the needs realized is the enough challenging task for any company.

Supply needs vary from company to company and thus varies the criteria for supplier selection. Suppliers are selected on the basis of different parameters based on the company’s needs, kind of operations and their priorities. A supplier may be expected to be responsive, cost effective or time savvy and quality conscious. He may also be expected to be innovative or technologically advanced or one can expect him to be collaborative and participative or can expect the after sales services. The criteria of supplier selection depend upon the company and its requirements and can differentiate with the other companies. A company can consider many or all of these factors and can consider them either equally or can rate them on them priority basis.

There is no same and generalize parameter of supplier selection in the garment industry and it varies from company to company and supply chain to supply chain according to their need and operational demands.
2. Literature Review

Supply chain management is defined as a philosophy (Ellram and Cooper) [1] which studies the entire flow of material and goods throughout the channel in an integrated way, starting from supplier to the end customer. Its main objective is to incorporate different backward and forward organizations and their activities such as sourcing, flow and control of materials throughout the system (Monczka, et al.) [2]. Mentzer, et al. [3] define supply chain management as an integration of three or more establishments whose activities are interlinked together directly with a purpose to flow the products, services, finances and information either in upstream or downstream way between the end customer and the source. Chan, et al. [4], argues about the collaborative efforts in the supply chain management as an important issue and gives stress upon information sharing, equity in benefits sharing, joint decision making, and coordination with suppliers and distributors. Cusumano and Takeishi [5]; Nishiguchi [6] emphasize upon long-term relationships with suppliers resulting in higher-quality or lower-cost inputs.

In an important investigation by researchers about supply chain Lee et al. [7] has described and proposed the supplier selection and management system and its applications to the real supply chain while the system includes purchasing strategy system, supplier selection system, and supplier management system. Hwang & Rau [8] describes the competition between the supply chains and not between enterprises and therefore describes supplier selection as a very important task in the supply chain management. Petroni and Braglia [9] have given an alternative decision model which provides a mechanism to assess the relative performance of suppliers having multiple outputs and inputs. Verma and Pullman [10] in their study has examined the difference between managers’ rating of the perceived significance of different supplier attributes and their concrete choice of suppliers in an experimental background. Barbarosoglu and Yazgac [11] have proposed a model to be used for solving the supplier selection problem in the Turkish industry named as analytic hierarchy process (AHP) model.

Weber et al. [12], Dickson [13], and Ghodsypour and Brien [14] have described supplier selection as a multicriteria decision problem. Lee et al. [7] has described quality, cost, delivery, and service as four important factors and twelve sub factors under them as important criteria to be considered while selecting a supplier. Lee et al. [7] has described supplier selection and management system framework divided in three parts: purchasing strategy system; supplier selection system; and supplier management system. Enterprises are attaining excellence in supplier selection through supplier target and selection guideline (WU et al.)[15]. Yuliu [16] has described Time, quality, cost and service as the key factors while selecting the suppliers. Further in this line Bibo et al. [17] has described some other factors which have high influence in supplier selection as: opportunity realization ability, advanced information technique application, innovation ability, logistics, environment, and enterprise managing level and culture. Jun and Liang [18] has described market influence, after sales service, price and delivery quality, technology performance and operation performance as the key factors while evaluating suppliers’ performance.

3. Parameters of study

Study of supplier selection is based on seven parameters:

(A) Supplier Relationship: The first criteria define about the eagerness of creating long term and collaborative relationship with the supplier. It focuses on; whether the company seeks: active participation at the supplier end for collaborative practices and a long term supplier relationship, frequent interchange of information, Supplier’s role in managing the inventories, and participation in inventory planning and replenishment decisions.

(B) Delivery Time: Another parameter of study is delivery performance of the supplier. This area of study discusses about the degree of tolerance by the company while managing the delays. As an important factor in supplier selection, it studies, whether on time delivery is the primary concern of manufacturer where he expects no delays or it can compromise to certain extent, and whether the supplier is asked to compensate for man hour loss caused by the delay.

(C) Supplier’s Initiative: Here at this stage the criteria discusses about suppliers taking initiative in solving quality issues detected by the manufacturer, their involvement in R&D to reduce the supply
chain cost, their participation in issues related to consumers and whether they initiate to compensate for the man hour loss occurred due to raw material quality problem.

(D) Supplier Cost: An important parameter in supplier selection is how much it costs to the company, is the company ready to afford the prices the supplier is charging, whether they are minimum in the market, what is the importance of price as a factor and degree of compromise with price for the other services by supplier.

(E) Defect Free Deliveries: It describes whether the supplier selection criteria are based on the deliveries with the minimum defect. Whether the kind of manufacturing does not support any kind of defect in raw materials and quality is needed to be kept high, level of tolerance and compromise with quality, and whether it can pay extra price for defect free deliveries.

(F) Supplier Responsiveness: An important parameter considered by the companies in supplier selection is the degree of responsiveness expected from and shown by the supplier. It considers whether supplier shows enough responsiveness in the demand chain, his ability to cop up with sudden fluctuations in raw material demand, and instant replacement on the complaints without hampering the production.

(G) Supplier Capability: Supplier capability is an important parameter focusing on the ability of supplier to cope up with technological changes, degree of innovativeness, technological advancement, kind of support it provides to the manufacturer, its effect on the manufacturer’s facility.

Figure 1: Supplier Selection Parameters

4. Methodology

It is a descriptive research which describes about the research tool being used in the study as well as where and how the research has been conducted including various factors. A simple random sampling method has been used for study and data collection, where data has been collected from 100 different manufacturing units involved in the production of garment. The study was conducted in the various parts of north India.

Factor rating method has been used to analyze the data collected during in the study based on the above mentioned seven parameters. Here in the methodology the respondents have been asked to give rating with the weightage scores from 1 to 7 for all the factors, from most important to least important for supplier selection according to their priority. The cluster of respondents for each weight, are further multiplied by their respective weight scores. For total score, all the response scores for each factor at every weight level have been added together. On the basis of the total score the factors have
been ranked from most considered factor to the least considered ones. Highest score has been given the first rank followed by the preceding scores ranked in the descending order with the lowest score being assigned as the seventh rank. Here, the key criterion for selection is the factor assigned with the highest score.

Table 1: Supplier Selection Score Card

<table>
<thead>
<tr>
<th>Factors/ Rank</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
<th>6th</th>
<th>7th</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Supplier Interest in developing relations</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>270</td>
</tr>
<tr>
<td>b. The delivery Performance of Supplier</td>
<td>7</td>
<td>10</td>
<td>70</td>
<td>5</td>
<td>50</td>
<td>250</td>
<td>4</td>
<td>510</td>
</tr>
<tr>
<td>c. Suppliers Initiative</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>280</td>
</tr>
<tr>
<td>d. Pricing against market</td>
<td>7</td>
<td>70</td>
<td>490</td>
<td>5</td>
<td>50</td>
<td>10</td>
<td>4</td>
<td>660</td>
</tr>
<tr>
<td>e. Suppliers achievement of defect free deliveries</td>
<td>7</td>
<td>20</td>
<td>140</td>
<td>5</td>
<td>20</td>
<td>100</td>
<td>4</td>
<td>560</td>
</tr>
<tr>
<td>f. Suppliers response to problems</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>330</td>
</tr>
<tr>
<td>g. Ability of Suppliers</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>190</td>
</tr>
</tbody>
</table>

5. Findings

Analysis part shows those factors which Companies consider while selecting a supplier. It has been found that in Indian Garment Industry the companies are giving preference to pricing. Price is the main factor considered at the time of supplier selection which has got the highest rank with 660 points. The second preference area is supplier’s achievement of defect free deliveries with the score of 560, followed by delivery and responsiveness from the supplier; and least preference is given to the activity of supplier representative, the supplier’s initiative towards the developing relations and supplier’s ability at seventh position. The Supplier selection trend has been shown in figure 2.
6. Discussions

Indian companies especially in garment sector are more cautious about the price factor while selecting the suppliers. There high consideration to the price makes them able to get the supplies at lower cost and thus generating higher margins on sales. They use the efficient bargaining power to keep supply prices low which is their cost. After price if they pay consideration to anything, that is to the defect free deliveries. They don’t seem to compromise with the quality. Defective supplies which are generally realized during the time of production are one of the the main reasons behind hampering the production. Indian garment companies are extra careful while receiving the supplies. Supplier selection in garment companies very much depends upon the factors; lowest price of supplies against competition, and supplies with the minimum defect. However there are some other important factors being somewhere ignored or given less importance but must be considered.

In Indian garment sector while selecting the suppliers factors such as: on time delivery, supplier’s responsiveness, and their initiative are given low importance as compared to the price and quality. These are the main reasons behind Indian garment industry not getting a competitive appearance in the global market. Their focus must be there on getting the on time delivery and high responsiveness from the supplier as per changes in the demand chain. What Indian garment companies fail to realize is that price is not as important as getting deliveries on time so that they can produce and deliver the products to the customers on time. Supplier’s responsiveness and initiative is also required to fulfill the instant demands of the customer. A supplier must be ready to fulfill any quantity of supply at any time for uninterrupted flow of production and distribution and therefore reduced market mediation costs. And suppliers should also be considered on the basis of their willingness to compensate for the man hour losses because of delay in deliveries and defects in quality.

Whereas the factors such as supplier relationship which includes the collaboration with the suppliers, their participation in the company as channel partners and interchange of information with them; and supplier’s ability which shows their innovativeness and technological advancement and sharing of technology with the manufacturer; are given the least consideration in the Indian garment companies while sourcing a supplier. However this practice needs to be changed and suppliers are needed to be given equal importance in terms of their collaboration and capability. They should be considered as the channel partners and must be given importance in manufacturing decisions. Their collaborative participation in planning and replenishment of the supplies is very important and they should also be given an important role in the manufacturer’s inventory management.
Main problem in Indian garment industry while selecting the suppliers is that they give extra preference to some factors while on the other hand almost ignore or give least preference to some other but important factors. While emphasizing on some parameters the garment manufacturer gets advantage in that area such as cost, time and quality but at the same time it ignores the nowhere less important parameters and factors and resulting into more disadvantages rather than the previous advantages. All the factors are recommended to be equally considered, however, there might be a trade-off between various choices based on the priorities.

7. Conclusion

Supplier selection is very important part of the supply chain management in Indian garment industry. There are various parameters of selection on the basis of which suppliers are sourced, varying from company to company according to their operational and market needs. Some of those important parameters which have been considered in the study are: Supplier interest in developing relations, the delivery performance of supplier, suppliers Initiative, pricing against market, suppliers achievement of defect free deliveries, suppliers response to problems, and ability of suppliers. In the study it has been found that most of the consideration is given to the price and quality of supplies while least important in Indian garment sector least important is supplier relation whereas other factor are getting medium weight. However it is suggested to give equal importance to all the factors and if needed differentiation should be insignificant.

References


