



# **Empowering Your Competitiveness With Better ROI** (In Apparel Industry)



Simon Lum Chief Operating Officer MSC Limited October 29<sup>th</sup>, 2004

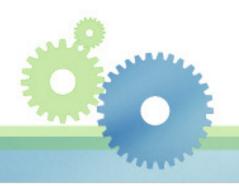




## **Agenda**

- Industry Highlight
- Simon's Observations
- Case Study Empowering Your Competitiveness With Better ROI
- Future Trend
- Q&A











# **Industry Highlight**

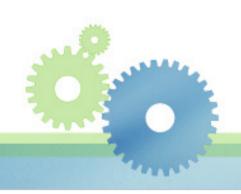




## **Industry Highlight**

- Major manufacturing sectors in Hong Kong (Total export in the first half of 2004 reached HK82.8 billion, a 6% increase)
- High quality apparel
- Short lead time.
- Moved to higher value-added activities
- Develop own brand locally and internationally
- Set up sales offices in the States and EU
- Establish mega production plants in mainland China and other low cost regions







## **Competition Post 2005**

#### Macro Factors

- No-quota environment
- Off-shore competition
- China factory competition





## **Competition Post 2005**

#### Micro Factors

- Volume Orders Shifting Offshore
- JIT Replenishment System
- Fabric Liabilities Transferring
- Strict Compliance
- High Transparency
- Lower Margin







## Garment becomes a highly competitive industry









## Quality

- Effective sample management
- Improved process in merchandising and production planning
- Improved shop floor management
- Tightened QC procedure

#### Pricing

- Fabric cost (50-70%)
- CM cost (15-20%)
- Overhead cost (20%)
- Logistic cost (5%)

#### Service

- Sample and Fabrication development
- Meeting delivery schedule
- Close monitoring of order status
- Response time to customers

#### Efficiency

- Production efficiency in workshop
- Operation efficiency on workflow
- Management efficiency on reporting

#### Compliance

- No excessive overtime
- Minimum wage
- Maintenance of records (esp. tickets, payroll records)
- Condition in workshop







# **Simon's Observations**





## Common dialog in your office

## Sales office

- Can I still take order for November ?
- What gauge of machine is still available?





- The buyer wants the quotation tomorrow, I don't have an updated costing information
- The buyer is crazy, they cut the price by 20% from last year



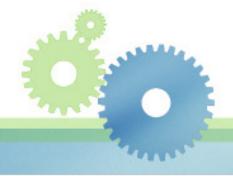
## Merchandising office



- Boss, production has never informed me that we need to air the garments tomorrow.
- •Please call production now, my customer is asking me the cut quantity and the date for inspection... he is on the line..

- Two of my team have left, I don't know what has to be followed up.....
- •The tight schedule won't allow for one day delay.







#### **Production office**

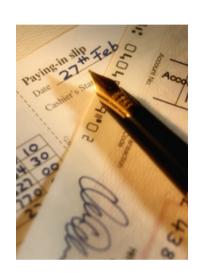


- Sorry, we are never informed of the change in size assortment. Everything is cut.
- For this complicated style, I cannot control the embroidery factory nor the washing factory.
- One colour out of ten is missing, I cannot start knitting.
- All materials are ready except the thread, the whole production line will stop if we don't have it this morning ....
- Who has changed the packing instruction? They have to be inspected tomorrow!



## **Finance Department**

- How can I consolidate 10 costing worksheets into one spreadsheet? My boss needs this tomorrow.
- Just take the order first then we calculate the costing... we have no reference on hand.





- You have forgotten to charge them the samples, they are from last season.
- We can't draw the LC, the prices are different on the customer contract ....



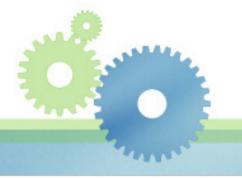
## Management office

- Is this customer having a high GP? Are we going to have Japanese tonight or just coffee?
- I am working on next season budget but I don't even have actual figures from last season.





 Today is October 29, my report is still showing me July figures.





# All apparel companies have the same problems but only in different language and expression!

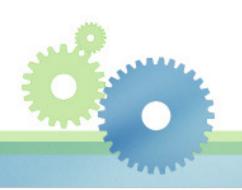
古語有云:見微知著

Einstein: "I have no particular talent, I am merely

extremely inquisitive"

Simon: "Dissembling and Re-assembling give a different view"







## **Summarizing everything into 3 Buckets**

#### **ERP** can address these points

External Uncontrollable Factor

Internal Operation Problem

**HR Problem** 

- Small Order and Complicated Style
- Short Lead Time
- Strict compliance Requirement

- Lack of Costing information
- Duplicate Data Entry
- High Inventory Cost
- Inefficient Control in Remote Office
- No standardized Procedure
- Human Error
- Lack of Reporting for Analysis

- Staff Overloaded
- Working Without Best Practice
- Time Consuming for Order T&A
- Paralyzed With Staff Turnover





Case Study – Empowering Your Competitiveness with Better ROI



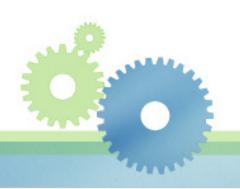


## **Case Study – Empowering Your Competitiveness with Better ROI**

Reviewing a successful case :

A Listed Garment Company in Hong Kong



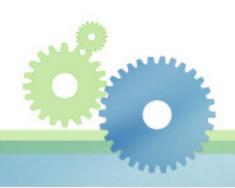




## **Background**

- 1 billion turnover with 5 factories in Pearl River Delta and 1 in Cambodia employing 750 staff and 6,500 workers worldwide

- Making wide range of products in woven tops and bottoms, fine knits and sweaters
- Steady business with annual profit (4 ~ 7% bottom line)





# After installed MSC system in 2002, the group achieves the following improvements

1. Hong Kong Overhead Reduction

**Pre MSC** 

• 160 Headcounts in Hong Kong



#### **Post MSC**

- 60 Headcounts in Hong Kong
- 100 Headcounts in PRC
- Saving of \$20 million in overhead every year

- Workflow Reengineering
- High System Connectivity





## 2. Production Planning and Control

**Pre MSC** 

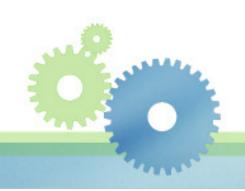
• 3% of order suffered delivery problem



**Post MSC** 

• Rarely bears air freight or penalty

- Early awareness through ERP monitoring system
- Production planning module
- More responsive work force in PRC
- Helping suppliers and subcontractors to prioritize deliveries





## 3. Order Processing Efficiency

#### **Pre MSC**

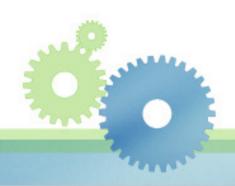
- Overloading
- Lot of human errors
- Delay in information flow



#### **Post MSC**

- Can handle 40% more workload
- High accuracy
- Tight coordination amongst departments

- Elimination of duplicate input
- Share of information on ERP
- Less effort spent in reporting
- Forward planning
- Elimination of human errors (30% 40% time saved)





## 4. Productivity Gain

#### **Pre MSC**

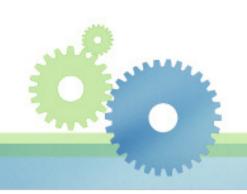
- Low productivity
- High unit overhead cost



#### **Post MSC**

 Productivity increased by 25% with same factory layout and work force

- Close monitoring of material delivery against production planning
- Payroll analysis reflects worker performance
- Reduction of idle machine time especially for OPA & 8AB operation
- More responsive merchandising team in PRC





## **5. Inventory Cost Reduction**

#### **Pre MSC**

- Outdated inventory records
- Over purchase
- High inventory level



#### **Post MSC**

- Material seldom stays in warehouse over 2 days
- Less stock return from workshop
- Stock items easily identified for repeat order

- Close monitoring of material delivery
- Updated records indicate inventory items, qty & location
- Accurate calculation of material usage & purchase
- Bulk purchase discount after consolidation





## **6. Management Control Improvement**

#### **Pre MSC**

- Outdated costing information
- Inefficient capacity planning in factory
- Lack of analysis

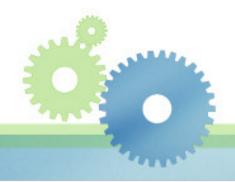


#### **Post MSC**

- Updated costing to offer best quotation
- Forward capacity planning
- Higher visibility to company performance
- Updated market situation

#### **Benefited From**

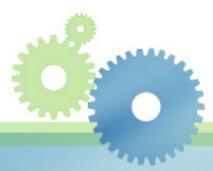
• Powerful reporting engine





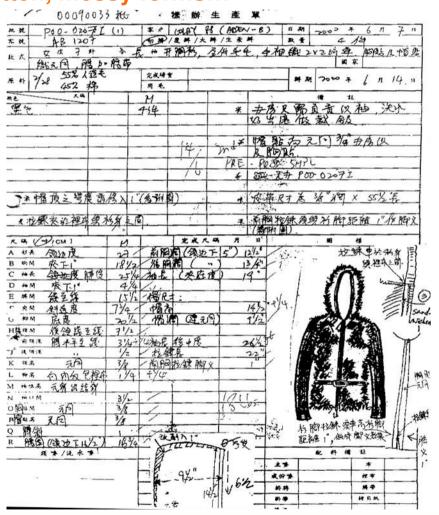
## 7. And no more .....

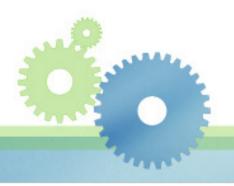






## No more handwritten, messy forms...







#### With MSC Production Orders







## **With MSC Costing Printouts**

#### **COSTING ANALYSIS**

COSTING SHEET NO.: COJA0001 ISSUED BY : MSC
CUSTOMER : MSC LTD DATE : 18-JUN-2004
STYLE NO. : MSCJA001 COST UNIT : PCS
CUST. STYLE : C123 REF QTY :
STYLE GROUP : DEPT NO :
DESCRIPTION : JACKET DIV NO :
SEASON : SEASON

PROG	KAM	:			SEASON	:	
Mate	rial	93335				Actual	
Type	Material No.	Material Name	Usage	Unit Cost	Wastage	Consumption	Amount
Main							
	FAB001	100% Polyester	12YD	10.0000 HKD / YD	.00	12.00	120.00
	FAB002	100% Polyester	12YD	10.0000 HKD / YD	.00	12.00	120.00
						Total:	240.00
Acc						-	
	INT001	Interlining	6YD	6.0000 HKD/YD	.00	6.00	36.00
	BUT001	Button	5PCS	5.0000 HKD / PCS	.00	5.00	25.00
						Total:	61.00
					TOTAL M	ATERIAL COST :	301.00
Lab/l	Misc						
Туре	Descri	ption	Usage	Unit Cost	Marked Up Base		Base Cos
CMT		•	100000000				
TRIMMING			10.0000HKD		10.00	10.0	
						Total Lab/Misc :	10.0
non-Cl	мт						

9.5000HKD

3.3000HKD



普洗

#### **TOTAL COST**

Total Lab/Misc :

Total Lab/Misc :

9.50

3.30

Item	Base Cost	Marked Up Cost		
Acc	61.00	61.00		
Main	240.00	240.00		
CMT	10.00	10.00		
non-CMT	9.50	9.50		
Overhead	3.30	3.30		
Total	323.80	323.80		





## With MSC Sales Contract Listing

Print Date: 06/27/2004 15:27

Print by: MSC

**Sales Contract Listing** 

Page 1 of 1

Search By SC Date From: 27-Mar-2004

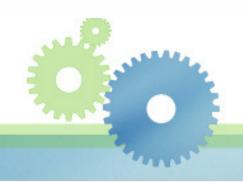
SC Date To : 27-Jun-2004

Status : New

Sort By Customer ASC, SC No. ASC

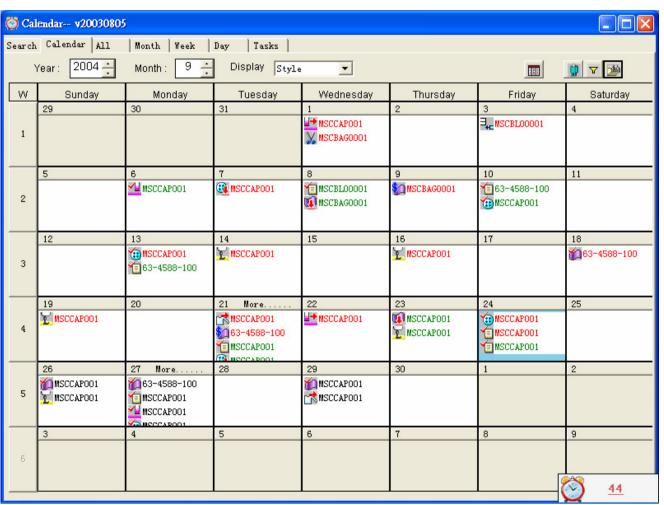
Customer	SC No	SC Date	Cust PO	In Charge	Style	Customer Style	Description	Ship Date	Quota Cat.	Qty	Unit Price	Amount
APOLLA LTD	SCKN0001	18-Jun-2004		MSC	MSCKN001		LADIES KNITWEA	Ř 24-Dec-2004	ļ	1,170 PCS USD	12.0000 / PCS	14,040.00
	SCKN0001	18-Jun-2004			MSCKN001		LADIES KNITWEA	R 15-Jul-2004		PCS USD	12.0000 / PCS	
MSC COMPANY LTD	SCKN0002	24-Jun-2004		MSC	GC-9087	GC-9087	GC-9087 Description	on 01-Jul-2004		52 PCS USD	70.4500 / PCS	3,663.40
	SCKN0002	24-Jun-2004			GC-9087	GC-9087	GC-9087 Description	on 10-Jul-2004		25 PCS USD	70.4500 / PCS	1,761.25
MSC LTD	SCBR0001	18-Jun-2004		MSC	MSCBR001		BRA	30-Jan-2005		2,240 PCS USD	12.0000 / PCS	26,880.00
	SCBR0001	18-Jun-2004			MSCBR001		BRA	24-Dec-2004	ļ	1,120 PCS USD	12.0000 / PCS	13,440.00
	SCHA0001	18-Jun-2004			MSCHA001		HANDBAG	24-Dec-2004	ļ.	2,400 PCS USD	12.0000 / PCS	28,800.00
	SCHA0001	18-Jun-2004			MSCHA001		HANDBAG	30-Jan-2005		0 PCS USD	12.0000 / PCS	0.00
	SCJA0001	18-Jun-2004			MSCJA001		JACKET	30-Jan-2005		2,240 PCS USD	12.0000 / PCS	26,880.00
	SCJA0001	18-Jun-2004			MSCJA001		JACKET	24-Dec-2004	ļ	1,120 PCS USD	12.0000 / PCS	13,440.00
	SCTR0001	18-Jun-2004			MSCTR001		JACKET	24-Dec-2004	ļ	1,120 PCS USD	12.0000 / PCS	13,440.00
	SCTR0001	18-Jun-2004			MSCTR001		JACKET	30-Jan-2005		2,240 PCS USD	12.0000 / PCS	26,880.00
	SCW00001	18-Jun-2004			MSCWO001		LADIES DRESS	24-Dec-2004	ļ	1,200 PCS USD	12.0000 / PCS	14,400.00
								Total Qty(PCS):	:	14,927	Total (HKD):	1,428,599.78
Total: 13 Row(s)												

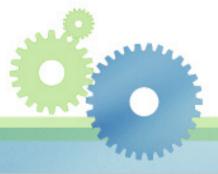
Total: 13 Row(s)





#### With the MSC Order Status Reminder







## **With MSC Material Request**

#### MATERIAL REQUEST

ATTN 政: Keyn Chu

REQUEST ORDER 物料需求通知單 : MRPFNN2

PAGE 頁數 : 1 OF '

DATE 日期 : 07-AUG-2004

OFFDER NO. 製單:POFP802 ORDER SHIP DATE 貨期:16-NOV-2804 PORT 站埠:HONG KONG

STYLE 数號:M3CK001 QTY 数量:6,634 PC

MATERIAL NO. 物料編號	DESC/COLOUR 摘要/額色	SIZE 呎碼	CONFIRM QTY 數星	UNIT PRICE 單價	AMOUNT SUPPLIER (HKD)金額 医應商	EXPECTED DEL 預算物料貨期
"001	1/5.5 50%	# 50% <sub>A</sub>	<b>建</b> 毛			
	BLACK		4,352.26 LB	HKD 12.0000/LE	52,227.12 VF	15-8EP-2004
	orange		2,177.44 LD	I IKD 12.0000/LE	23,129.20 MF	15-0EP-2004
	white		2,177.44 LB	HKD 12.0000LE	23,129.28 WF	15-8EP-2004
<b>*002</b>	1/4 50% 左端	50%人避	香			
	BLACK		3,771.95 LB	HKD 12.0000/LE	45,263.40 MF	15-8EP-2004
	orange		1,887.11 LB	HKD 12.0000LE	22,645.32 MF	15-8EP-2004
	white		1,887.11 LB	HKD 12.0000/LE	22,645.32 MF	15-SEP-2004
≅GC-49	4Y5 <u>和</u> 健					
	BLACK	.0	227.72 PC	HKD 1.2000/PC	273.26 CHICHEON	15-SEP-2004
	BLACK	1	56.91 PC	HKD 1.2000/PC	68.29 CHICHEON	15-SEP-2004
	orange	'n	113 90 PC	HKD 1 2000/PC	136 F8 CHICHEON	15-SEP-2004
	orange	ា	28.50 PC	HKD 1.2000/PC	34.20 CHICHEON	15-SEP-2004
	WHITE	.0	113.90 PC	HKD 1.2000/PC	136.68 CHICHEON	15-SEP-2004
	WHITE	<b>1</b>	28.50 PC	HKD 1.2000/PC	34.20 CHIGHEON	15-8EP-2004

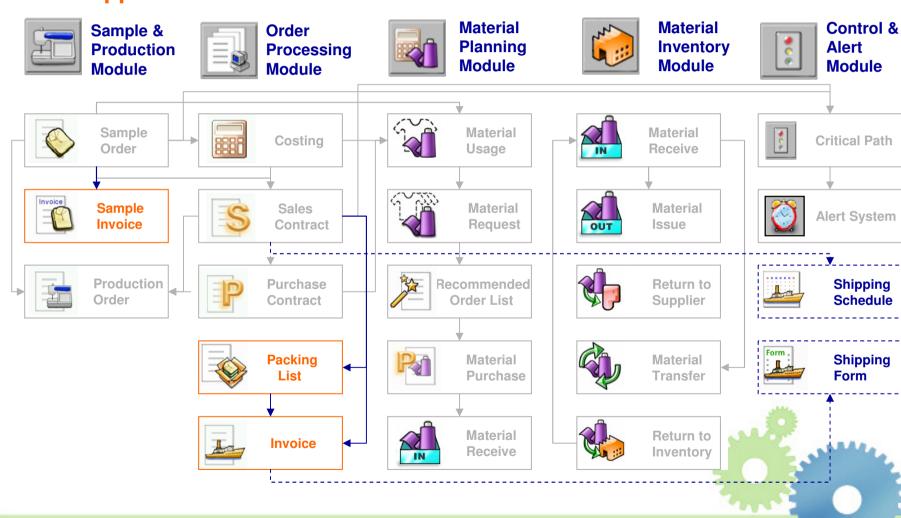
TOTAL AMOUNT 總金額 (IIKD): 195,723.03

REQUESTED BY 翌軍人 : Wission System Consultant

REMARKS 備註 :

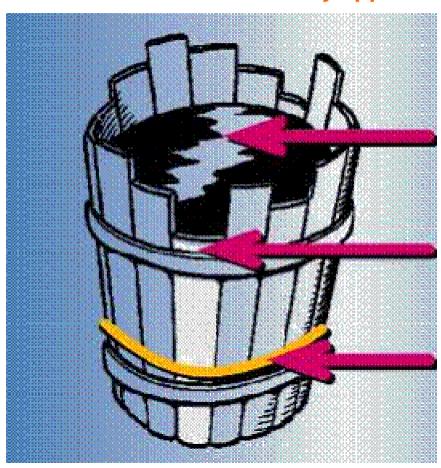


## **MSC Application Flow**





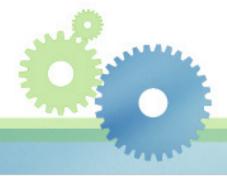
## See how the 'Bucket' theory applies



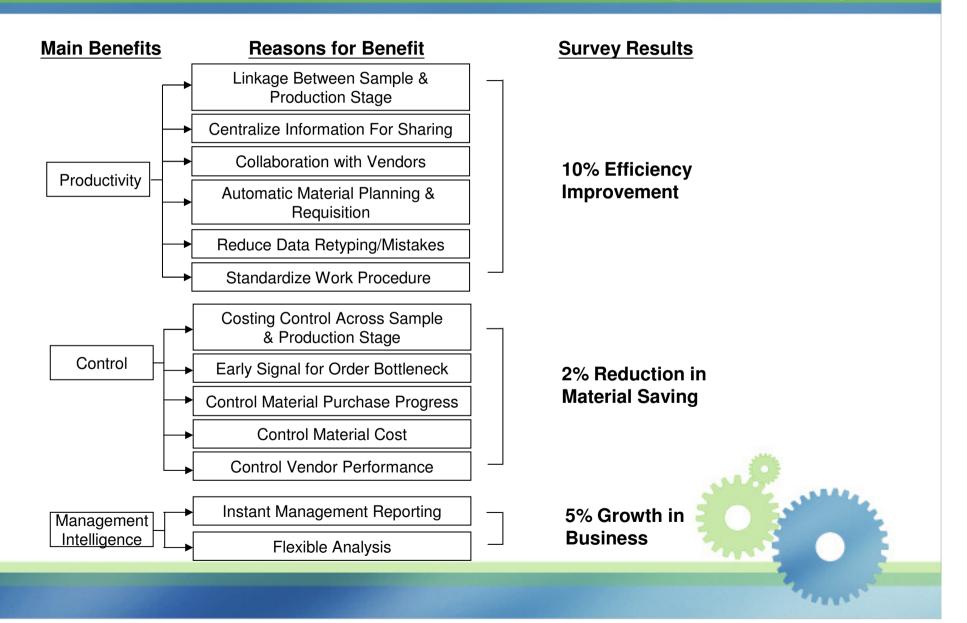
The success depends on:

The shortest piece of wood

How tight every piece of wood is adhering to each other

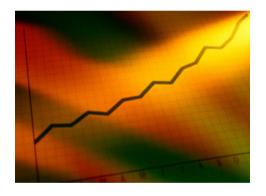












# **Future Trend**





#### We cooperate with other B2B players in the e-Supply Chain

Fabric/Yarn Garment Buying Office/ Exporter/ Trading House Mftg Importer/ Brand Retailers

- Collaboration of different business entities
- ERP talking to ERP
- Website or Portal for information sharing with customers and vendors







#### Recent development by MSC for US buyers

- Request For Quote (RFQ) Module
- Production Progress Module
- Share Point Web Portal Module

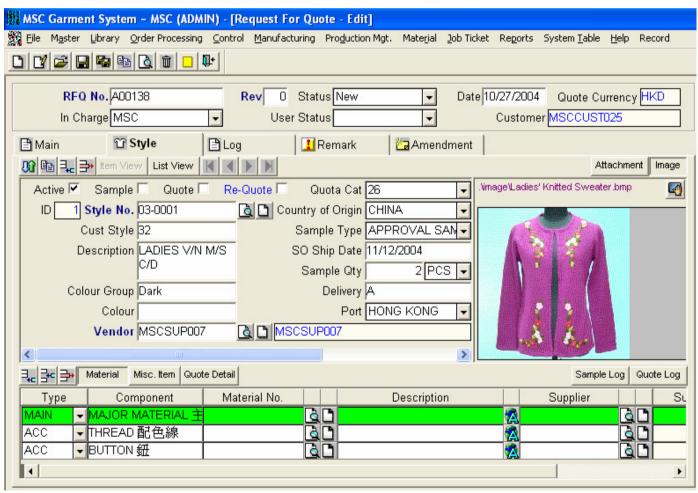




Download and Upload Via Email!







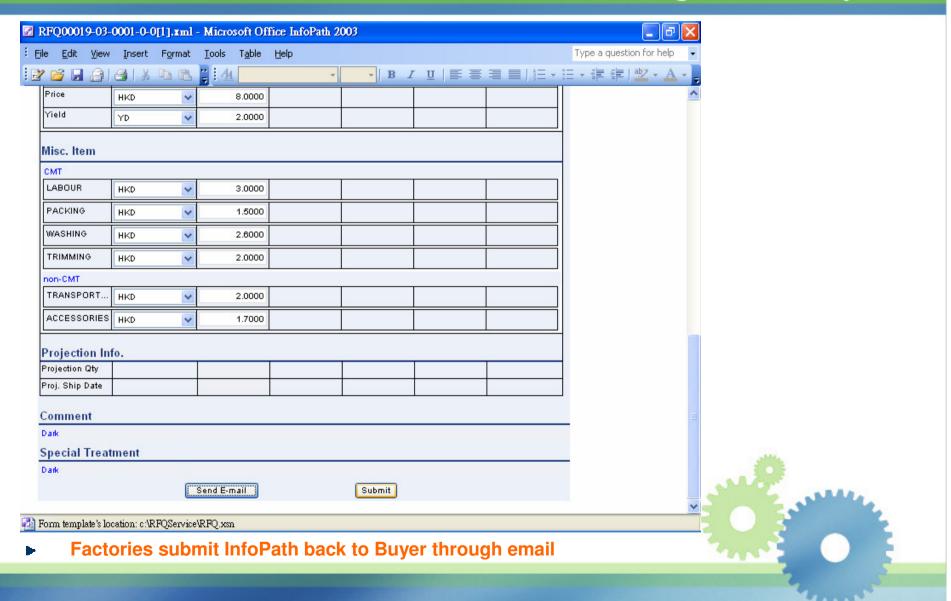
Buyers generate InfoPath template and send to factories via internet



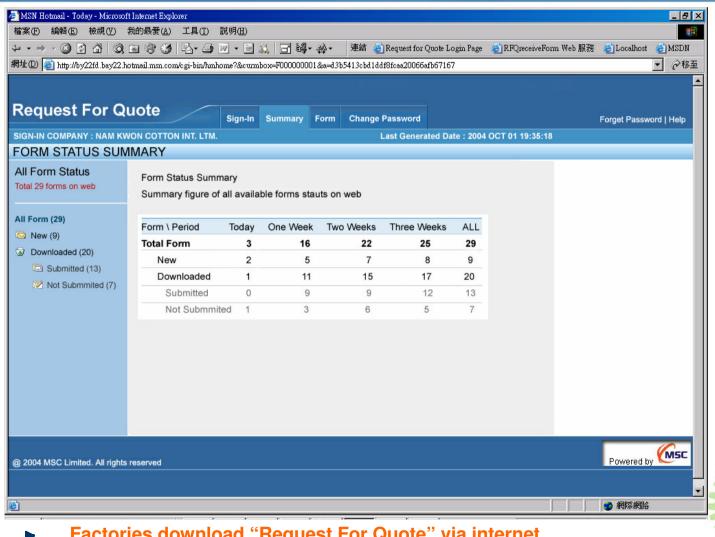


► Factories fill up quotation and costing information



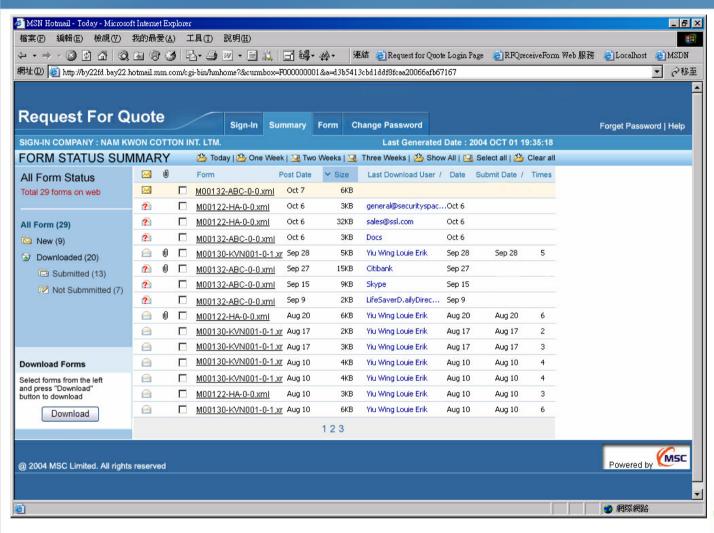






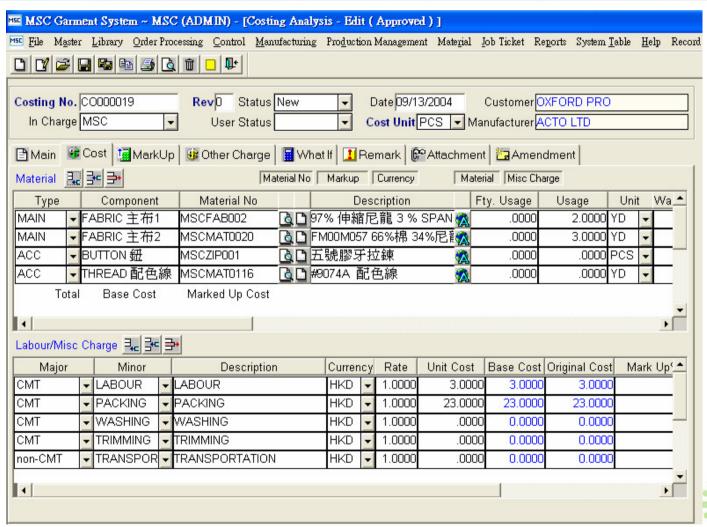
Factories download "Request For Quote" via internet





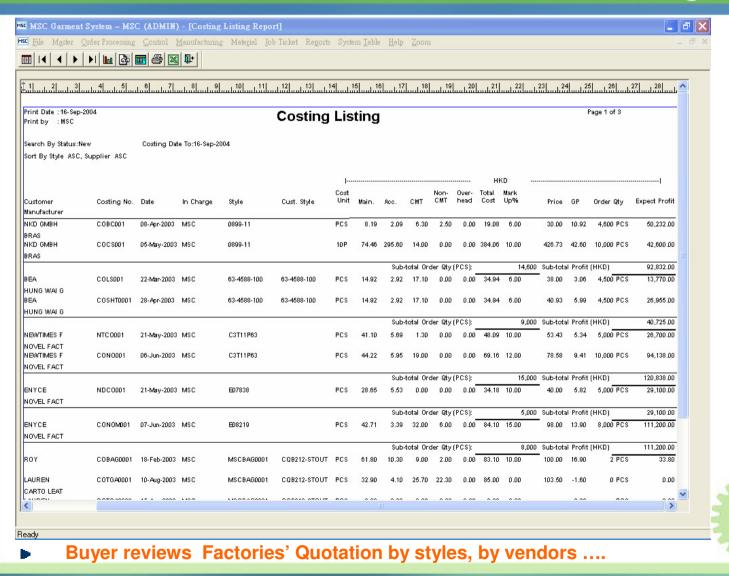
System helping factories to keep track of information



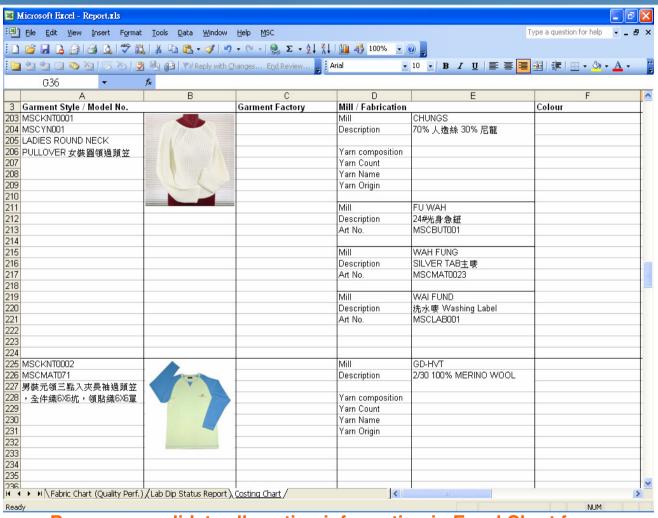


System integrates all Costing Records for analysis









Buyers consolidate all costing information in Excel Chart for better presentation

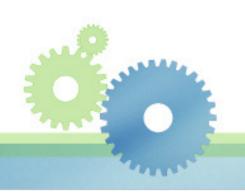




#### **MSC – Company Background**

- Founded in 1989
- 1<sup>ST</sup> Apparel Application in 1995
- Over 200 corporate clients; approx. 5,000 users
- Experienced in both computer and soft goods industries
- Technology solutions provider in the textile and apparel industry for ODM, OEM, Traders and Buying offices
- With 'Zoom' technology, the solution allows high speed communication in remote locations







#### **MSC Client Reference**

ANN TAYLOR







SUN HING KNITTING FACTORY LTD

TRINITY TEXTILES LTD.







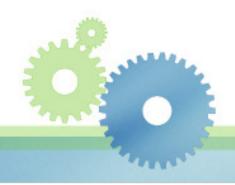
MOISELLE





# **Question & Answer**







For more information please contact

simon.lum@msc.com.hk

Thank You!!



