

of China's garment and textile exports. To further complicate matters, the U.S. implemented quotas on Chinese textile exports on items such as shirts, pajamas, swimwear and curtains. This came after the sudden increase in Chinese imports into the U.S. after the latter relaxed its trade-quota restrictions in January 2005. As a result of the increase in total costs, many manufacturers have become committed to seeking ways to lower their manufacturing costs.

Nevertheless, many enterprises lack useful information, a good network of foreign clients, and can only be within the OEM business model producing products to be sold by foreign brands. Thus, their profits are minimal. For an enterprise to become and to stay competitive, it should have an effective Enterprise Resource Planning system (ERP) in place. This will enable the enterprise to become an active member of the supply chain. Not only will the problems mentioned above be better addressed, cost savings can be maximized through a supplementary relationship between the supply-chain members.

The MSC ERP Solution

Facing stiff competition from both overseas and local markets, swimwear and beachwear manufacturers are experiencing lower profit margins, increased demand from clients (compliance), and higher direct and indirect costs. This results in a smaller and riskier market and many manufacturers are starting to restructure their business models. Consequently, some administrative operations such as internal document processing as well as other mechanical works have been relocated to Mainland China (including order tracing, sampling, production planning, shipping, accounting, etc), whereas in Hong Kong, they are enhancing their businesses' marketing and sample-design functions to attract overseas buyers. To better enable these types of activities, manufacturers must understand the importance computerization as well as reengineering business workflow and reorganizing resources. The proven framework within MSC ERP (Enterprise Resources Planning) system is a manufacturer's solution to supporting better workflow, stronger networking power, and more effective resource planning.



The screenshot displays the MSC ERP system interface, which includes a quotation and production order for swimwear. The interface is divided into several sections:

- Top Left:** Images of swimwear products.
- Top Right:** MSC logo and a "QUOTATION" header.
- Middle Left:** A table with customer and product details.
- Middle Right:** A table with quotation details.
- Bottom Left:** A table with production order details.
- Bottom Right:** Images of swimwear products.

Customer and Product Details:

客戶	: TESCO	客戶編號	: 18-369-2005
廠牌	: ABC MANUFACTURER	客戶名稱	: LADIES KNITTED TWO PIECES BIKINI
款式	: HAKC-S-2	實料	: 80/20%
季號	: SUM-2005		
款號	: Q499K		
客戶款號	:		

Quotation Details:

STYLS	: Q499K
UNIT STYLE	: LADIES KNITTED TWO PIECES BIKINI
DESCRIPTION	: 80/20%
QUALITY	: HAKC-S-2
UNIT PRICE	: HAKC-S-2
TRADE TERM	: FOR HONG KONG
REMARK	:

Production Order Details:

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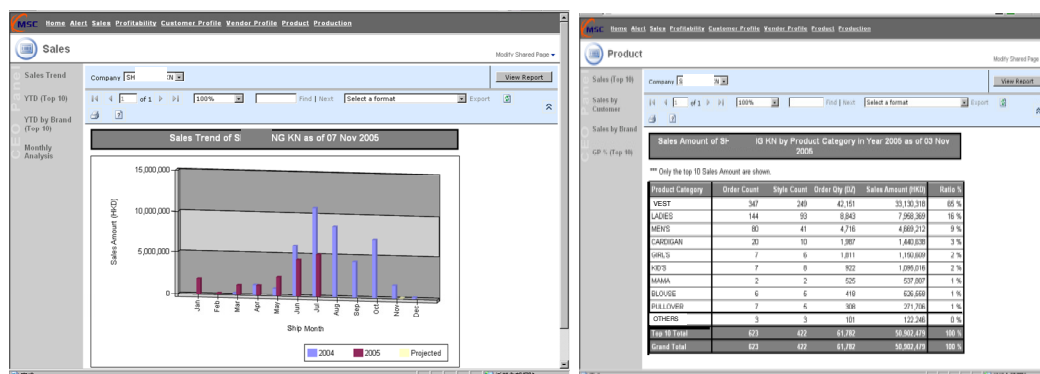
- How is clientele changing? Changes in industry trends or economic landscape may indicate the need for more and fewer clients or suppliers. Decision makers need to analyze changes in business activity so as to plan for the future.
- What is the profitability on certain clients and products? Decision makers need product and profitability figures and trends to be able to focus on high-profit-margin clients and products.
- How are costs changing? Anticipating and understanding cost change trends will enable better management of gross profit margins.
- How is sales performance? Better information about inventory and sales will enable more efficient decision making and reaction to upcoming orders and delivery schedules.
- How economical is the sampling and ordering process? Excessive sampling compared to order rates must be analyzed to help keep costs down and decrease time to market.
- How are suppliers performing? Decision makers need ready access to information regarding suppliers' performance in terms of product quality and on-time delivery of materials.
- What is the status of the garment and material inventories? Information regarding current inventories and projected orders provide key information for decisions on adjusting inventory levels.

The MSC ERP system provides a “CEO Panel Expert System” which offers major result-indicator analysis reports. With this business and operational data, manufacturers can analyze, plan, and standardize different KPI's (key performance indicators) and ROI business strategies. With over 200 clients across the garment industry, MSC can help to provide reporting standards and common analysis key indicators to help businesses standardize best practices within the apparel industry. Through the MSC ERP system, key business data is held and its performance analyzed along with key information from partner systems within the supply chain. Information can be shared across different business partners through communication and synergies between ERP and management systems, allowing for more timely data to be available for reporting and analysis.

Real Business Challenges Addressed

Manufacturers in the apparel sector share common pains and challenges. The MSC ERP System can help businesses tackle these issues with better information and decision making power.

1. “Real-time reaction” indicates the pros and cons of managing the business – Management in the apparel industry needs to be very familiar with the characteristics of their products, their suppliers and their business environment. For example, they need to know which products are best-sellers, which are associated with high profit margins, which have high defect rates, which have seasonality concerns (related to the trends of the whole fashion industry) and which have geographical uniqueness. Management needs to be able to react quickly to changes in any of these factors. With respect to clients, management needs to know which clients are reliable and profitable so that they can concentrate their service efforts on these clients while evaluating less reliable clients and further controlling their relationship (for example, on credit terms). Regarding synergies with other manufacturers, historical information is necessary at times to find out who the reliable partners are. Effective analysis and statistical tools are required to equip management with the facts, both pros and cons, of running their business and formulating unique sales strategies. Having a single, centralized ERP system to capture this valuable data increases management's efficiency in analyzing the business. Real-time reaction to product, supplier and partner trends increases the ability to make quick and informed decisions and not have to wait for reports to be compiled by each member of the business. The MSC ERP System provides the tools and framework necessary to assist in making key business decisions in real time.



2. Prevention of administrative mistakes – When data is entered and maintained outside of a centralized system, there are not as many effective checks and balances in place to help the business react to important events or status changes. Key entry mistakes such as incorrect formatting of information as well as the inability to monitor business scenarios that use important data about products, customers or partners can cause problems in the business. The most obvious example is the account receivable status for a particular client exceeding a certain preset credit limit. It is a necessity that a system can provide alert signals and prohibit deliveries when purchases exceed the stock inventory and prohibit further purchases. Alternatively, the same applies to the movement of goods when there is no supporting official documentation upon expiry of certain items. The MSC ERP System provides proactive alerts as a preventive measure on the administrative front, heading off errors before then can be made.

3. A way to capture staff's knowledge and expertise, creating assets for the Company – The concept and power of knowledge management within an organization can create huge advantages for the ability to make daily business decisions and for the planning and strategy of future business direction. The "systems" used by the apparel industry have primarily been based on spreadsheets owned and maintained by each user in his/her own unique format. This disparate way of capturing daily, seasonal or projected data makes it extremely difficult for management to quickly collect and analyze the data for effective decision making. The use of the MSC ERP System allows the entry of all relevant business activity to be digitally stored in one common system, accessible to all levels of the organization. Users of varying roles can enter, search, and report on specific information needed for daily business activity. The longer the organization has been using a centralized system for managing business activity, the more valuable its intellectual assets become based on historical data available for analysis. The MSC CEO Panel Expert System can better make use of these available assets for researching data and can be combined with other statistical and analytical tools to help analyze and address an enterprise's problems, big or small. It is important to note that MSC firmly believes that implementing an ERP system is not only for improving data visibility but also for improving the strategic business workflow involved in managing the organization. The MSC ERP System supports the ability to streamline processes and procedures using operational know-how (business intelligence) and implementing business rules within the system. The management and enforcement of company standards in the end-to-end business workflow can increase accuracy and compliance of the work performed by the individuals within the organization.



Can You Afford to Wait?

Hong Kong's apparel manufacturers face a series of challenges from all sides and it is now getting much more difficult for manufacturers to compete in the international market with a volatile RMB, rising labor costs and hence rising product prices. Most enterprises may not recognize that on the whole, factors affecting their business are, and will continue to become more challenging. This attitude can be a trap, as manufacturers tend to think positively and react to individual business elements but do not see the threat of the total environment evolving. This is just like "The Boiling Frog Syndrome"; killing a frog slowly with warm yet increasingly hotter water. Manufacturers will suffer more and more as the market factors continue to add up and no steps are taken to gain competitive advantage and reduce the heat. Will their fortunes be like that of the frog – waiting for the moment of mortality? Or will they adopt technology solutions that will allow them to cope with a constantly changing environment?