



## An Analysis on Procurement Management and Its Impact on Apparel Merchandising

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**ABSTRACT:** This study aims to determine the aspects of procurement management that directly impact the operating performance of the ready-made garments sector. Procurement management is challenging in the Ready-Made Garment (RMG) industry. Various issues and problems have been recognized in this study, and solutions have been sought. The participants in this study are purchasing experts in the ready-made clothes business. The procurement officers were interviewed several times for this study. This study's findings indicated a code of conduct for dealing with suppliers, long-term orientation, supplier capacity auditing, and the necessity of vendor management software in the garment industry procurement process. This study will also conclude and provide recommendations based on the issues uncovered.

**Keywords-**Procurement Management, Apparel Merchandising, Supplier Management, Readymade Garment and Procurement Obstacle.

### I. INTRODUCTION

Ready-made garments are Bangladesh's most important export industry (RMG). The ready-made garments industry primarily drives Bangladesh's economy. The sector also makes a significant contribution to the country's socio-economic development. The supply chain for ready-made clothing is analogous to the circulatory system. Procurement management is an essential aspect of supply chain management. Procurement management is a difficult task in the RMG industry. Several issues and problems arise during this process. This study attempted to identify a significant issue with this platform. A purchasing competency could be defined as a portfolio of purchasing methods ranging from supply base optimization to early supplier design participation to global purchasing (Monczka and Trent, 1991). Building and managing the buyer-supplier relationship is the key to long-term competitive advantage. A systematic experimental study is required to determine which strategic purchasing contributes to the growth of supply management capabilities (Dyer and Singh, 1998; Leenders et al., 2002).

The findings will provide readers with a clear picture of the procurement process from a different perspective. Readers will gain a thorough understanding of the significance of the procurement process in garment retailing. The Bangladeshi ready-made garments business is one of the fastest-growing economies, but it has recently deteriorated. Bangladesh's garment shipments, for example, fell 6.21 percent to \$16.02 billion last year between July and December. The regular price of Bangladeshi garments has dropped 4.50 percent from a year ago to \$13.74, down from \$14.39 (The Daily Star, January 14, 2020). Compared to the same month of 2018, ready-made garments exports enlarged by 8.68 percent, with earnings of US\$ 3.13 billion in January 2019. However, with an exemption in July,

the export faced negative growth (3.49 percent) in June 2019 first, and the fall was sustained until November (The financial express, January 01, 2020).

For the last 25 years, tremendous growth experienced in the RMG sector in Bangladesh is also the country's largest exporting industry. In the fiscal year 1990-1991, the percentage of ready-made garments contribution to gross domestic product (GDP) was 2.74%, but in F.Y. 2017-2018, it was around 12.26%. So, it is clear that the RMG sector is the main contributor to Bangladesh's economy, mainly exports. This segment also faces many challenges, like untrained workers, inadequate infrastructure, raw materials, energy shortage, safety problems, political crises, and coverage of agreements and associations (Mia & Akter, 2019).

This sector has faced many challenges to meet its export target, including procurement management challenges. Due to the high raw material prices costs and the authority of the RMG sector has been ostensibly trying to identify better sources of supply. Several issues and problems in this process affect the production. Firstly, communication barriers with the Supplier due to the companies' code of conduct. It often hinders the purchaser from communicating with their Supplier. Thus, it creates an understanding gap between the purchaser and Supplier.

Procurement is accounted as a strategic function that improves the organization's success in the private sector. Making more efficient processes, reducing raw material prices and costs, and finding better sources of supply procurement is helping the organization (Herbert, "Public & private sector procurement – what do you think of the differences?", 2013).

Buying supplies and services on behalf of a public authority is called public procurement. To achieve the government's objective, they use public monies to secure inputs and significantly impact key stakeholders and broader civilization. Governments spend around 10 to 15 percent of their GDP in the procurement marketplace, directly affecting domestic and international trade. Therefore, public procurement plays a significant role (Herbert, 2020).

The purchasing of items and services is required to run smoothly. The goal of the internal control system is to ensure that orders are handled by individuals who are capable of evaluating what purchases are required from suppliers who offer the best deals, as well as to ensure that assets purchased do not exceed the budget provided and that purchased products and services conform to the price and quantity specified in the order ("Procurement Policy for NGOs," 2009). Purchasing is crucial for manufacturing firms' effective and efficient operation, now more than ever. So this research will help academically to know or get an idea about the procurement process.

An initiative to amplify awareness in transparent decision-making among stakeholders and policymakers the worth of this study can be put into good use, thus significantly increasing integrity in procurement practices (Chuan et al., 2016).

## II. LITERATURE REVIEW

### 2.1 Identify the role of procurement in the ready-made garments sector

In strategic corporate planning and management, the procurement function's role enlarged due to the establishment of the so-called resources crisis from 1973 to 1974. Many companies face significant change because of the part of procurement. But others still believe it's an operational mode. Factors like environment and recognition of the strategic potential create a situational crisis in strategic management. Positive acknowledgment and execution of strategic management as an initiative itself but changes frequently come through problems. This has been predominantly true of procurement (Schill, 1978). First-class companies focus on studying and understanding the significance of the procurement role and developing new strategies to gain commercial success. And also focus on product quality improvement and sales, and innovative product development (García-Alonso and Levine, 2008)

In (Bals 2009), it can improve quality, timely delivery, and costs due to purchasing departments' involvement. The current level of involvement and development improvement plans in case the present status is insufficient need to evaluate by the manager.

## **2.2 The critical element of strategic procurement management**

There is a significant distinction across public sector agencies like sustainable procurement practice disclosed from qualitative data analysis. Local authorities predominantly emphasize buying from local and small suppliers compared to other sectors like health and education, highlighting the environmental aspects of sustainable procurement. Sustainable procurement and top management support found a principal obstacle (Helen Walker, Stephen Brammer, 2009).

RMG sector is enhanced by the government and other stakeholders but is still way behind its major competitors like India and China. The government and stakeholders should make significant investments to improve workplace safety and social compliance and ensure labour productivity and capital efficiency. Which would help the sector comply with buyers' more stringent compliance demands and increase its market share? These challenges will not be accessible without using the appropriate policy instruments and ensuring effective execution. To find out the challenges presented in the RMG sector and to take appropriate actions to overcome those significant stakeholders in the supply chain, particularly the government, trade bodies, buyers and retailers, factory owners, and development partners, should work closely to find out the obstacle (Syed Robayet Ferdous, 2015).

The importance of measuring and improving significant organizational processes is increasing the challenges day by day. Specific performance measurement methods need to evaluate and develop the procurement processes because the importance of the procurement process continues in public sector organizations and is also essential for mission success. The Contract Management Maturity Model (CMMM) is introduced in this article to assess, measure, and improve an organization's procurement processes. The advantage of using this model and a process improvement method is described in this study as an organizational benefit (Rene G. Rendon, 2008).

Purchasing competence as a valid comprise and expose its relationship with different manufacturing priorities develops Purchasing Competence and Its Relationship with Manufacturing Performance (Das, 2000) in this article. Among purchasing, professionals in industrialized conducted an experiential study. The study outcomes point out that a firm's purchasing competence can be operationalized, developed, and projected. A positive impact on industrialized cost, quality, delivery, and new product introduction and customization performance has to initiate by purchasing competence. All areas of manufacturing performance are found purchasing integration as a component of buying competence.

An Empirical Investigation of the Concept and Its Practices in U.S. Manufacturing Firms study (Kocabasoglu, 2006). Based on past research, a framework of strategic sourcing was introduced and empirically tested using data from 140 manufacturing firms. Efficient cross-functional coordination of purchasing with other functions of the firm, the elevation of the purchasing process from the traditional transaction processing mode to one with a more strategic role, and information sharing with and development of key suppliers is the major element of strategic sourcing.

Pointed out that the use and usefulness of various purchasing techniques are also influenced by the relationship between corporate and factory purchasing and factors such as tighter control of stocks, pressures from customers, purchasing department staffing levels, the economic situation, the level of computerization, and the role of purchasing about other departments (C.A.M. Bilborough, B.G. Dale, 1985).

## **2.3 Find the gap in procurement management**

Lack of enthusiasm in purchasing sections employees due to unauthorized purchasing as a profession. Additional, purchasing policies on peripheral relations and image are non-existent in most

Organizations. Purchasing is not a clerical job. It's a tactical job higher authorities should alter their thinking about the purchasing and supply function, and also, purchasing and supplies staff entail training in supply chain management (Kabossa A.B. Msimangira, 2003).

The essential mechanism of the chosen competitive strategy must be aware by purchasing executives and purchasing managers and they have to set their developmental priorities accordingly. Positive contributions toward developing the company's competitive efficiency through purchasing function expertise and experience. Which also focus on decision areas such as suppliers, employees, and information? The firm's competitive success highly depends on the purchasing function. Company managers, purchasing executives, and purchasing managers must appear many obstacles due to traditions, attitudes, and obsolete behavior patterns to process the function along the development continuum (Reck, 1988).

The strategic procurement management approach to effective business strategy is discussed in this article. Current reactive and simplistic purchasing and supply management approaches are the opposite of the protective approach. Business management requires the company to identify that its limitations need to change because of persistently proactive consumer preferences. Analyzing the types of relational competencies is the most effective operational tool for deciding on the "effective boundaries" of the firm. Procure a supply and value chain that reduces the costs of transactions and improves profitability because this approach links competencies, relationships, and asset specificity (Andrew Cox, 1996).

Competent Suppliers can help a company to fight efficiently in the world market. Suppliers should be capable of manufacturing high-quality parts and materials at a suitable price and delivering them quickly. To develop suppliers: technical, quality, delivery, and cost capabilities, a supplier development program is designed. The buying firm must have a long-term objective to upgrade its supplier capabilities to meet the continuing market demand. The supplier development matrix can be used to identify the specific supplier improvement activities. The Supplier Development Program: A Conceptual Model (Hahan, 1990) also suggests a supplier development program that will support a firm's overall corporate strategy.

Modern purchasing includes tactical procurement like business strategies, merchant base management, managing the structure and culture of supplier affiliation, and lean supply organization. It also stimulates internal and external organizational teams through convenient networks and reactive information systems. The operational, managerial, and entrepreneurial levels can differentiate purchasing and supply chain management duties. Encouraging managerial learning, teamwork, and diffusion of knowledge with supply chain management can lead to an incremental approach to alter practices and policies (Patrick Fung, 1999).

### III. OBJECTIVES OF THE RESEARCH

The objectives of the study are divided into two categories. The first is a broad primary objective, while the second is a more specific goal. The overall goal is to determine how the procurement process affects garment merchandising. The specific goal is to evaluate the procurement management function in the ready-made garments industry, identify procurement management gaps, and make recommendations and suggestions to address those issues.

This study found out some factors of procurement management that directly impact a company's production process. Sharing information with suppliers is an independent variable of the procurement process that affects production. Indirect and direct effects on company performance differ because conventional communication methods, information sharing between firms, and supplier development significantly improve a buyer's performance (Carr, A. S., & Kaynak, H. 2007). For the direct and indirect both of product and services, business management software help the procurement process. Supplier relationship management journeys initiated by a significant amount institutes with

They are implementing the E.B. factor in SAP SRM. WHEN IMPLEMENTED, SAP EB acts as a medium for all other mechanisms (Sethi, S. 2010). Long-term orientation with Suppliers can help the purchaser make the procurement process smoother. Long-term orientation reveals the benefit of the buyer and Supplier relationship in further research. The buyer's belief of a dealer and the Supplier's performance influence the buyer's long-term orientation toward the relationship suggested in the extant literature (Cannon, 2010). Supplier capability auditing can help the purchaser choose the best product for their production process. Supplier capability revealed by an audit, the company can make a decision based on the audit outcome. The manufacturer might also find out the capabilities of the unaudited suppliers from the audit and update its viewpoint (Pun, H., & Heese, H. S. 2014).

#### IV. RESEARCH METHODOLOGY

##### Sources of data

Data was collected from two sources: an in-depth interview and face-to-face conversation with employees and personal observation of the company's various tasks. Another source of information is secondary data obtained from websites, books, and journals. The snowball sampling method was used to collect data.

Designation	Number of respondents	Institute
Head of procurement	1	Consumer Knitex Limited. Dignity Textile Mills Limited.
Purchase officer	2	
Assistant purchase officer	2	

#### V. FINDINGS AND DISCUSSIONS

##### Findings

When the purchaser attempts to communicate with the Supplier to purchase a product, the purchaser must adhere to a set of rules. Purchasers and suppliers cannot share easily to regulate their behavior or impose restrictions on the company. (Personal communication, S. Shorker, December 8, 2019) According to reports, the procurement process has both positive and negative consequences. On the plus side, persuading the Supplier to make supplier payment terms flexible is simple. Any urgent assistance they require is easily obtained from the Supplier. The relationship will make it easier for the purchaser to replace the product from the Supplier.

On the other hand, the disadvantage is that they sometimes blindly trust their Supplier. Some suppliers try to take advantage of this trust by not maintaining proper product quality or missing target delivery time. Long-term supplier orientation will assist the purchaser in making the procurement process run smoothly. (Personal communication, A. Hamza, December 7, 2019) He believes that long-term commitment to Suppliers has both positive and negative consequences. However, from his perspective, the negative side is negotiable. He can blindly trust his Supplier if he maintains constant contact with him. The best part about this orientation is that the Supplier will quickly understand the exact requirements of the purchaser. It generates chemistry between the Supplier and the buyer.

On the other hand, the negative aspect is that suppliers pressure the purchaser to pay. Due to limited capacity, the Supplier may not deliver the entire product at once. It slows down the manufacturing process. We can quickly obtain previous product purchase records with the help of vendor management software. Purchasers cannot take full advantage of the vendor management system due to a lack of training and orientation. They can also not make sound decisions due to a lack of vendor management knowledge.

##### Discussion

The entire workforce must follow this code of conduct. They try to keep track of the email conversation with the Supplier because it helps them keep conversation records in case of any other audit issues. Every document received from or sent to the Supplier will be on original paper and bear a properly authorized signature. (Personal communication, A. Hamza, December 7, 2019). They are subject to numerous constraints, such as following the email conversation with the Supplier. When they collect



the quotation/bill/challan from the Supplier will be on original paper with the properly authorized signature. In addition, they must provide the Supplier with the legal/original purchase order paper for the purchase order (D. Das, personal communication, December 02, 2019).

Long-term supplier orientation impacts both the positive and negative aspects of the procurement process. In terms of the positive, he believes that he has become very friendly with the Supplier, making it easier for him to obtain urgent support and credit term flexibility. The negative thought is that the Supplier tries to emotionally persuade them to pay (M. Hossain, personal communication, December 09, 2019). Purchasers seek supplier capability auditing because they want to know whether the Supplier has an authorized showroom or not so that the Supplier can legally do business with them. It is required for their company's business criteria. They will typically ask their Supplier how much capital they have in their business. They try to determine their Supplier's sustainability or product supply capability to run their procurement process smoothly (D. Das, personal communication, December 02, 2019). When a company needs to purchase a large quantity of a product, it must do so in bulk. As a result, they can't work with a supplier who cannot supply the entire product at once. It causes a stumbling block in their procurement process. They will conduct additional capability auditing (M. Hossain, personal communication, December 09, 2019). (S. Shorter, personal touch, December 08, 2019) stated that they sometimes have to acquire an item at random, but if they do so frequently, the Supplier who cannot supply this item will be hampered.

As a result, supplier capability is required for the production operation to run successfully. A vendor management system (VMS) is a Web-based, Internet-enabled application that assists businesses in managing and purchasing labor services. It aids in the organization of all purchasing records. The vendor management software functions similarly to a database. All of their purchase records are kept in SAP. It enables them to locate the previous record that occurred previously quickly. It allows you to verify prior purchase prices and suppliers, among other things. If he receives a P.I. for an item that appears to be new to him, but when he searches SAP, he discovers that it is not unique to the company and that it was previously acquired, he can gather the essential information from SAP about this product (S. Shorter, personal communication, December 08, 2019). Their vendor management software is tailored to their specific needs. They may get a lot of information from SAP, such as purchase order tracking and prior product purchase prices. It can assist in providing precise details on how they previously obtained the goods for the organization. Companies can lose money if they don't have accurate information. No business wants to lose money in the stock market. The software will assist them in correctly synchronizing themselves for precise tracking and information (Personal communication, D. Das, December 02, 2019).

Due to numerous regulations and restrictions, purchasers cannot connect effectively with their suppliers. The procurement process will be more efficient if the company makes its code of conduct more flexible. Maintaining a positive relationship with the Supplier will assist the purchaser in effectively managing the supply and operation. To keep the procurement process running effectively, buyers must conduct supplier capability audits regularly. The purchaser will benefit from a supplier capability audit because it will inform them of its capabilities. A purchaser can identify/choose the best Supplier for their purchasing product among many suppliers.

In some cases, a lack of understanding about a previous buy product might hamper the entire procurement process. Vendor management software will solve this problem. However, there will be a knowledge gap concerning the software system. As a result, the company can regularly hold training sessions to make the program more user-friendly. The company can assist the buyer in making an informed decision about the goods they are acquiring.

## VI. CONCLUSION

This research looked at procurement management in the apparel industry. Several factors have been identified as recommendations throughout the study that will impact the procurement performance of this apparel merchandising. Companies will improve their procurement performance if the generated recommendations are implemented. For better RMG procurement management in Bangladesh, the RMG policy should be strengthened in the future. In the years ahead, the industry will need to cooperate

To embrace a complete transition with manufacturers, international customers, worker representatives, the government, and other stakeholders.

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