

Sourcing Right from China



Debasis Daspal

Overseas sourcing plays an important role in enhancing value addition to our accessory supply chain. By extracting cost advantage and enriching supplier base, we successfully fabricate an overseas sourcing strategy that adds value to our business bottom line. China has recently been added to our "overseas-sourcing radar" to support our **Trims Solution** business.

In the year 2005, we set up our own liaison office in Hong Kong to manage sourcing from China. Over the years sourcing from China has become attractive, going by the cheaper direct sourcing cost compared to similar items sourced from elsewhere. However, managing supply right from China to Bangladesh has not been easy initially.

Long, unpredictable transit time slowed down inventory turn and made our purchase and inventory manager jittery about anything to be sourced from the land of dragon. Logistics manager had obvious reason to undercut China-sourcing as it invariably involved him in nightmarish entanglement with various ports customs officers besides negotiating with various shipping lines to get berth in time across the port. Ensuring quality also became challenging that saw our quality officer waving yellow flag at the

proposition of sourcing fabric and trim from China.

Moreover, difficulties in managing expected time of dispatch and arrival (ETD and ETA) and synchronizing these with in-house manufacturing schedule seems to be impossible. Also, any disruption due to different time zone, disparate culture and language barrier all add to the list of factors throwing spanners into its supply flow. On top of it, commercial documentary intricacies — from not mentioning country of origin clause in L/c to mistyping consignee name or port of destination — can lead to L/c amendment and delay in release of goods from port. Quality and quantity assurance are another botheration that messed up our sourcing from China. Invariably some parts of every consignment are hit on

either/ both of these two grounds — bureaucratic port and customs delay.

However, we successfully overcome all these challenges by formulating a logical and sustainable strategy to manage China sourcing. We develop "**Total Sourcing Cost**" concept to measure sourcing efficiency from China. Total sourcing cost comprises ex factory price, freight cost, inventory cost, cost of rejected goods, cost of duties and cost of after-sales service. Even after summing up all these costs, we find China stands head and shoulder above other sources.

We also create a **Hybrid Sourcing Model** based on **direct involvement; third party and agent based sourcing**. All three will add significant value while taking care of the challenges we encountered.

We involve ourselves

directly in building infrastructures like streamlining quality inspection and control. We also take initiative in understanding the customs rules and regulation also plays a vital role in streamlining sourcing process. Hiring local staff and posting them in our Hong Kong office, we figure out, will help us in achieving these milestones as local Chinese can add value to inspection and commercial management more quickly. We also invite Third Party (3P) service providers to take care of port-management, to sort out intellectual property (IP) issues etc. Finally we take help of local agents having vast and superior knowledge about China market. These agents provide us the significant clue in collaborating with key suppliers in China.

Finally we figure out that **Right sourcing strategy Right from China** is a challenge worth for sustainable improvement in an organization's bottom line. □

Debasis Daspal is currently CEO-Global Supply Chain in KDS Accessories-Global and is based in UK. He has over 20 years experience in the entire apparel supply chain and has worked in various multinationals in countries like India, Kenya, Mauritius, Hong Kong and Bangladesh. He has dual master degree from IIT-Delhi, India, and MIT, US.

