

Buying Strategies

A basic decision in Buying is to decide whether to make or to buy the desired fashion products in apparel industry. Buying means to get something or to purchase by paying money and strategies means the action of planning how to do or to achieve something in best possible way. Hence buying strategies refer to as objectives to buy or purchase companies materials to ensure security of supply and to value creation. The 5 R's of Buying and Merchandising are

- Right product
- Right time
- Right place
- Right price
- Right quantity

Fashion industry buying office will be structured to allow proper alignment of the various functions within the buying process. Input from all functions will be required in common tasks like managing the current season, developing the subsequent season, and planning for the season that follows. One of the challenges of being a buyer is managing multiple seasons simultaneously.

Offices typically utilize an open plan layout. This is defined as buying and merchandising teams partnering on the various areas of the product. Design and garment teams are placed nearby. These teams also work on various areas of the product.

Strategies

(i) Make or buy decisions:

This decision arises when there is a need for the development of new products, desire to reduce cost, need for specialised types of equipment and skills, unsatisfactory supplier or contractor performance and increase or decrease in demand for established product.

Other than these factors, the make or buy decision will be taken based on the following situations as detailed.

a) Manufacturing / raw material cost:

The first factor which has a significant influence on the sourcing decision is cost. The direct cost estimate for the sourcing process includes the cost of materials, direct labour cost and variable costs of factory such as training, packaging, etc. The cost estimate for making the product is compared with a price quote from the prospective supplier.

b) Production capacity:

While making buying decision, there are two details which we need to consider with respect to the production capacity of the factory.

- **Required capacity** – The output required for that order
- **Demonstrated capacity** – It is the volume of the output that the plant can actually produce. The production capacity of any manufacturing plant depends on the availability of the machines, technical skills of the workers and quality control procedures followed in the unit. The make or buy decision

also arises when the required capacity of the plant does not meet with the production capacity while approving new styles.

c) Quality:

Quality standards and quality requirements of products are often the major influencing factor in sourcing decision. Most of the time, based on the availability and capacity of the factory, one can estimate the mode of sourcing. Selecting a source that normally produces goods at a quality and desired cost level is more convenient than attempting to change the mode of operation or capacity of the plant.

d) Timing:

In apparel and fashion industry, timing is critical to both manufacturers and retailers. Timing affects the placement and volume of orders as well as production deadlines. When the proportion and importance of fashion aspects increase in the apparel, it results in lesser expected response time. Basically, retailers prefer less investment in inventory, so they place small orders close to the time of sale on the retail floor and get faster replenishment of latest products.

(ii) Make to stock or make to order:

The fundamental business policy reflected in a sourcing plan is the decision to make to stock or make to order. Basic goods have traditionally been made to stock, while fashion goods have been made to order. But a company can choose one or both the strategies based on their product line and target market.

a) Make to stock:

Make to stock literally means to manufacture products for stock based on demand forecasts. This method is used to prevent opportunity loss due to stock out. Excess inventory resulting from using this method can be avoided by following accurate forecasts. The process of make to stock relates the sales forecast and inventory levels.

- The sourcing plan for make to stock is based on forecast and the difference between the initial finished inventory and desired final finished goods inventory
- The firm using this method must invest lots of money in inventory
- This method motivates to achieve maximum production capacity in terms of labour and machine in any firm
- The important factor which decides the effectiveness of the method is the accuracy of the forecasting process and their result.

b) Make to order:

Make to order strategy is generally a process of demand management. By this strategy, a product is specifically manufactured for a sale order or customer order. There is no forecasting involved. Sale order or customer order will be the trigger point for production.

This strategy is useful when applied in the following situations in the industries:

1. The product is a very slow moving one in the market.
2. One cannot anticipate the future forecast of the product
3. Product is newly launched in the market

4. The product is very costly and one cannot afford to keep the inventory or stock in the plant.

“Fashion Buying” from mass-market to luxury retail” the term merchandising refers to the analysis of current circumstances (internal sales & stock as well as external forces), budget planning, discounting, and logistics. This position requires well-developed quantitative skills, and natural ability to discover trends, meaning relationships and interrelationships among standard sales and stock figures.

Buying is fixed and determined by sales history, company strategy, and more. It is reviewed at regular intervals, and small changes are made. OTB (open-to-buy) is the additional budget that is held or released based on performance and goals. Merchandisers often serve as the gatekeepers of “open-to-buy.” Buyers will typically be interested in acquiring far more styles than their budget allows. Merchandisers aid buyers in narrowing their choices to those which serve the interests of the organization best.