

Study on Costing Techniques in Garments Accessories Sector Of Bangladesh

Shore to Shore (BD) Ltd

**An Internship Report Presented in Partial Fulfillment of the requirements of the Degree
of Bachelor in Business Administration (BBA)**

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May 30, 2013.

Sohana Wadud,
BRAC Business School
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Subject: Submission of the Internship Report

Dear Madam,

With profound respect and honor I would like to inform that, I have completed my Internship Report titled “Study on Costing Techniques in garments accessories sector of Bangladesh- Shore to Shore (BD) Ltd”. This is a partial requirement to fulfill my Bachelor of Business Administration degree.

My paper covers the methods of collecting information to prepare this paper, objectives and scope of the paper, the limitations that I had in my preparations and I have attempted with whatever expertise I have, to analyze activity and prepare possible recommendations and suggestions as to how it could have been improved perhaps. Under this paper I hope that you will find all the necessary information of our procedures into our findings and analyses.

I express my sincere gratitude for your guidance and suggestions in preparing the report. I would be glad to answer any inquiries and offer clarifications if required.

Sincerely yours,

Sajjadul Hoq Chowdhury
Id# 07304011
BRAC Business School,

Acknowledgement

First of all I am grateful to almighty Allah for giving me the power to finish my internship report with a well established way and at a perfect or schedule time period. To make a report it needs a lot of information, effort, link and so on. The main purpose of this report is to analyze the relationship between the borrowers and the employees of Shore To Shore (BD) Ltd.

I prepared my internship report on **Costing Techniques of Garments Accessories** in Shore to Shore (BD) Ltd, I was being supervised by MD. Abdul Mokim, Executive officer, Product Development Department, woven and Knitting item responsible of H&M Brand.

I am thankful to my respected Internship supervisor Ms. Sohana Wadud, Intern supervisor, BRAC University. She helped me in many ways, which made me very comfortable while I was preparing my report.

Nevertheless I am very grateful to my fellow colleagues who helped me as well who took care of my daily jobs while I was busy in preparing my Internship report.

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Executive Summary

The Merchandising department is the most important part of the export oriented business. It increases the opportunity for entrepreneurship development in garment sector. Thus it helps the unemployed people as well as the government to remove unemployment problem and also play an important role in the economic development of the country.

I have worked there three months as requirement of the internship phase of BBA program under the BRAC Business School. My topic is Costing Techniques in Garments Sector of Bangladesh: Shore to Shore (BD) Ltd. This Report is originated as a partial requirement of BBA program.

In order to achieve perfect garment costing, one must know about all the activities including purchase of fabrics, sewing, packing, transport, overheads, etc and also about their costs, procedures, advantages and risk factors.

The Bangladeshi apparel industry is very large and diverse, employing 6 million people and accounting for 87 per cent of the country's exports. The apparel industry plays a pivotal role as a key driver of the national economy and has grown to be the most significant contributor to the country's economy over nearly three decades of its existence. However, during last 10 years, the industry's actions, government policies as well as market events have begun to converge, providing several growth opportunities for the sector domestically as well as in the global market.

As the MFA quota-regime ended, Bangladesh presented many opportunities for buyers, suppliers and investors to collaborate with its textile industry, and to profit from the partnership. While the industry recorded a remarkable growth in a protected market environment, it faces a series of challenges that have come to the fore in the post-quota situation, notably in areas such as:

- Price competitiveness.
- Faster lead times.
- High raw material base.
- Full service offering.

PART-1

ORGANIZATION OVERVIEW

Organization Overview

Shore to Shore (BD) Ltd. offers a full line of merchandise identification products. Whether it is a simple graphic hangtag or a full brand package; we can design, develop and deliver it all.

Shore to Shore currently have three(3) production facilities in Bangladesh, Shore To Shore Bangladesh is able to provide truly localized brand packaging solutions for our retail and brand customers.

Being established in 1991, Shore To Shore Bangladesh has evolved into a full service, “one-stop” supplier of brand packaging products to the retail.

“A Printing and Label Weaving Plant” Shore To Shore Bangladesh is committed to ensuring high levels of customer satisfaction by providing superior quality, competitive price, minimum lead time and excellent customer support consistently and continuously.

Shore to Shore is the first company in the printing industry in Bangladesh to obtain the prestigious ISO 9001: 2008 Quality Management Systems Certification in 2003 till now from DNV.

They are committed to greater customer satisfaction by meeting the expectations of our apparel and retail clients. We look forward to being known as the regional specialist in fulfilling Brand Packaging Solutions.

Please find below a brief on our product list:

Offset Printing (FSC Certified)

Hangtags, Size Strips, Shirt bands, UV Varnish, Sock Bands, Boxer Bands, Button Bags, Graphic Tags, Carton Labels, Acetate Boxer, Box Packaging, Pocket Flasher, Barcode Tickets, Self-adhesive Labels, EAS Security Hangtags, Lamination (Matt/Gloss)

Woven Labels (Oeko-Tex Certified)

Broad Loom (Rapier & Air Jet), Taffeta & Satin, Needle Loom (Woven edge), Cut & Fold (End, Centre, Manhattan, Mitre...), Laser, Dye cut & Ultrasonic Cut, Zipper Pulls, Starching

Printed Fabric Labels (Wash Fastened)

Single & Both Side Print (up to 6 color), Slit Edge and Woven Edge Ribbons, Various Color Ribbons available, Ultrasonic Cut and Fold (Centre...), Warping, Yarn Dyeing

Heat Transfer Technology (Wash Fastened)

Heat Transfer and Sublimation Transfer (Both image and care instruction label)

Production Capacity:

ITEM DESCRIPTION	TOTAL PRODUCTION CAPACITY (DHAKA / CHITTAGONG / AEPZ)
WOVEN LABEL	3 MILLION PCS/DAY
NEEDLE LOOM LABEL	1 MILLION PCS/DAY
PRINTED RIBBON LABEL	3 MILLION PCS/DAY
SCREEN PRINT LABEL	2 MILLION PCS/DAY
TAG & PRICE TICKETS	10 MILLION PCS/DAY
HEAT TRANSFER	1 MILLION PCS/DAY
LEATHER PATCH	1.5 MILLION PCS/DAY
SEWING THREAD	50 THOUSAND CONES/DAY

Our production technologies include Sheet Fed Offset, Flexographic, Screen and Thermal Transfer for printing and Broadloom and Needle loom for weaving. In addition they also have ultrasonic ribbon slitting machines, and ultrasonic cut and fold machines.

STS BANGLADESH EQUIPMENT LIST OF ALL THREE PLANTS (DHAKA, CHITTAGONG, ADAMJEE)				
OFFSET PRINTING (TAG)				
SL NO.	MACHINE DESCRIPTION	QTY	CAPACITY PER MACHINE / MONTH	COUNTRY OF ORIGIN
1	HEIDELBERG CYLINDER (DIE CUT)	9		GERMANY
2	WOODEN DIE MAKING MACHINE	3		GERMANY
3	PERFECTA (PAPER CUTTING MACHINE)	6	48 MILLION PCS	GERMANY
4	HEIDELBERG GTO-52 (1COLOR PRINTING M/C)	9	10 MILLION PCS	GERMANY
5	HEIDELBERG GTO-52 (2COLOR PRINTING M/C)	8	10 MILLION PCS	GERMANY
6	HEIDELBERG MO (1COLOR PRINTING M/C)	6	12 MILLION PCS	GERMANY
7	HEIDELBERG MOZP (2COLOR PRINTING M/C)	2	6 MILLION PCS	GERMANY
8	HEIDELBERG GTOV-S52 (4COLOR PRINTING M/C)	3	8 MILLION PCS	GERMANY
9	HEIDELBERG SORK (1COLOR PRINTING M/C)	3	8 MILLION PCS	GERMANY
10	HAMADA (1COLOR PRINTING M/C)	1		GERMANY
11	XEROX DC 12 PRINTER	2		USA
12	AGFA SHERPA PRINTER (US PRO 7600)	2		GERMANY
13	IMAGE SETTER MACHINE (KATANA SCREEN)	3		JAPAN
14	ZEBRA BARCODE PRINTING M/C	9		USA
15	ADHESIVE PRINTING (4COLOR)	1		CHINA
16	AUTOMATIC SLITTING M/C	1		FRANCE
17	LAMINATING M/C	1		FRANCE
18	AUTOMATIC CHECK POINT PLACEMENT M/C	1		FRANCE
19	SINGLE COLOR SCREEN PRINT (1+2+3+4 COLOR)	6		TAIWAN
20	PASTING MACHINE	2		TAIWAN

21	INK MIXING MACHINE	3		HONGKONG
22	CTP (KODAK PLATE TEC 85)	3		JAPAN+TAIWAN
23	TS 400 II QUANTAM CTP	1		FRANCE
24	SPECTROEYE	3		USA
25	HEAT TRANSFER MACHINE	2		JAPAN
26	EYELET MACHINE	6		CHINA
27	HOLE/ PUNCH MACHINE	6		CHINA
OFFSET PLATE EXPOSE SECTION				
SL NO.	MACHINE DESCRIPTION	QUANT ITY	CAPACITY PER MACHINE / MONTH	COUNTRY OF ORIGIN
1	SPOT UV DRYER MACHINE	3		TAIWAN
2	DRYER STAN (TRAY)	2		TAIWAN
3	KAMPEN PLATE EXPOSE MACHINE	2		TAIWAN
4	PANCHTARA PLATE EXPOSE MACHINE	2		TAIWAN
5	SCREEN EXPOSE MACHINE	4		ITALY
6	SCREEN HEATER	4		ITALY
7	PROFILE A3 (FOCUS)	4		UK
8	SPRINT PLATE MAKING SYSTEM	3		UK
9	OVEN (FOCUS, LABLE CURING)	4		UK
10	SCREEN BINDER	2		CHINA
PRINTED FABRIC LABEL (PFL)				
SL NO.	MACHINE DESCRIPTION	QUANT ITY	CAPACITY PER MACHINE / MONTH	COUNTRY OF ORIGIN
1	FOCUS LABEL MACHINE	15	45 MILLION PCS	UK
2	ROLL SILK SCREEN PRINT MACHINE (4COLOUR)	3	9 MILLION PCS	TAIWAN
3	ROLL SILK SCREEN PRINT MACHINE (BI-COLOUR)	1	3 MILLION PCS	TAIWAN
4	AMC ULTRASONIC CUTTING MACHINE	7	7 MILLION PCS	HONGKONG
5	AMC HEAT & COOL CUTTING MACHINE	7	12 MILLION PCS	HONGKONG
6	FORTHMANN ULTRASONIC CUTTING MACHINE	6	10 MILLION PCS	USA
7	HOT & COLD SLITING MACHINE TYPE ATHENA	1	3 MILLION PCS	FRANCE
IN HOUSE RIBBON PRODUCTION				
SL NO.	MACHINE DESCRIPTION	QUANT ITY	CAPACITY PER MACHINE / MONTH	COUNTRY OF ORIGIN
1	MAGEBA NEEDLE LOOM	20	75000 METERS	GERMANY
2	DAE YOUNG ZENITH-2	15	50000 METERS	KOREA
3	DAE YOUNG ZENITH-3	1	50000 METERS	KOREA
4	MAGEBA MEASURING & WINDING MACHING (EMR-A)	2		GERMANY
5	MAGEBA DYEING MACHINE	1		GERMANY
6	MAGEBA SAMPLE FINISHING AND DRYING M/C	1		GERMANY
7	MAGEBA WARPING MACHINE	1	500 BEAMS	GERMANY
8	WARPING MACHINE	1	250 BEAMS	GERMANY
9	MAGEBA DYEING & FINISHING RANGE (MULTI- END)	1	1 MN METERS	GERMANY

Business partner

Shore to Shore (BD) Ltd is business partner of some renowned buyers,

- H&M
- C&A
- M&S
- Target Australia
- Celio
- Walmart

Achieved Certification

- FSC Certified (Forest Stewardship Council Certified)
- Oeko-Tex Certified
- ISO 9001: 2008 Quality Management Systems Certification

Shore to Shore's ENVIRONMENTAL POLICY

Generate, set and review the well define achievable objectives and targets through the management review process considering the significant environmental aspects for continual improvement of our environmental performance.

Reduce the existing waste level, minimize the degree of contamination and conserve the resources by recycling materials at every stage of the process.

Ensure and provide a safe and healthy working environment for all of the employees who are working on behalf of the company.

Engineer and evolve the method of process of product development and production procedures in accordance with the environmental phenomena.

Necessary legal requirements and practices for industry standard relating to Environment should be considered and complied.

Vision of the Organization

To obtain a leading position in the Buying House sectors of Bangladesh as well as international through maintaining standard quality.

In time action

Clear understanding of customer's instructions.

Clear communication with vendors

Clear instructions for production

Strict compliance with quality control system.

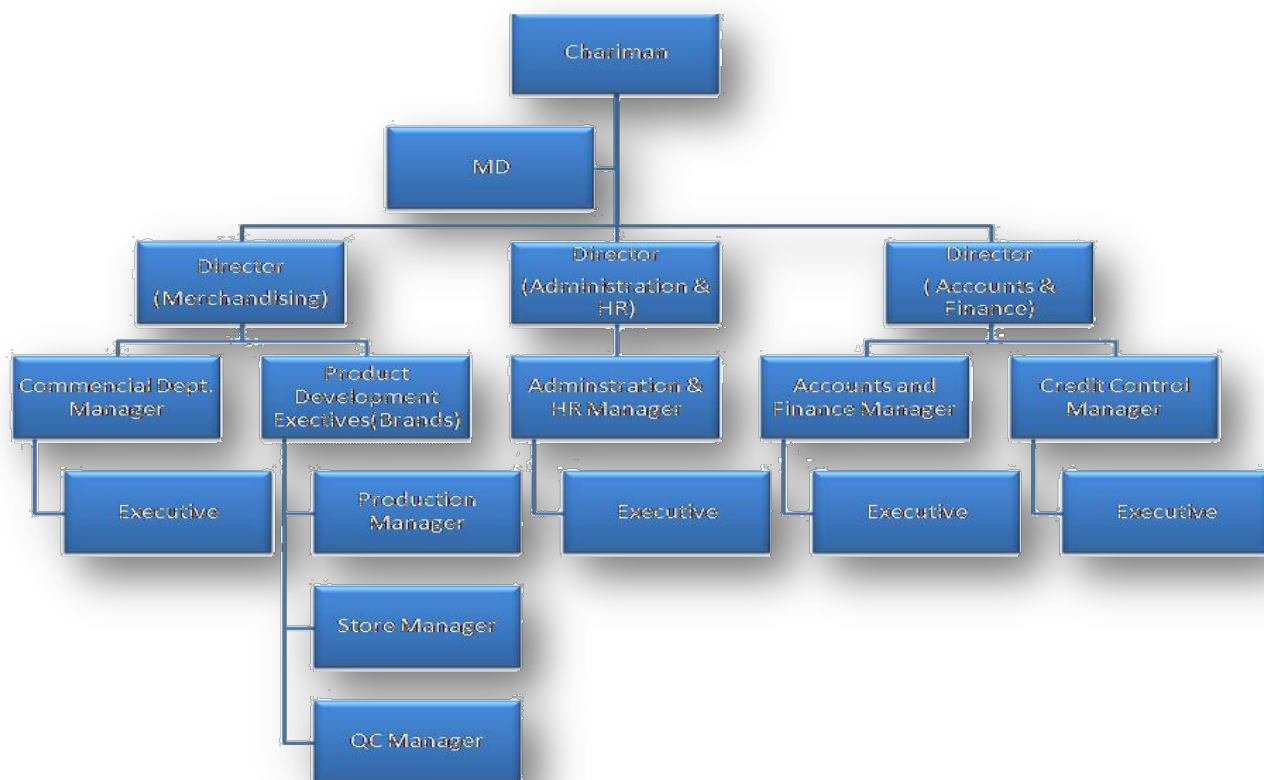
Total devotion maintains first class quality standard.

Absolute efforts for in time shipments

Mission of the Organization

Shore to Shore (BD) Ltd is committed to maintain discipline, punctuality and quality products at a reasonable price and ensure quality service. Their focus is on the customer needs and satisfaction. They maintain delivery schedule according to buyers' requirement.

Organ gram of Shore to Shore (BD) Ltd.



Shore to Shore (BD) Ltd has factories with latest machinery, skilled manpower, effective Quality assurance group and high efficient logistic and supply chain supportive group who ensures and quality product with unbeatable lead time. STS BD is committed to ensuring high levels of customer satisfaction by providing superior quality, competitive price, minimum lead time and excellent customer support consistently and continually.

PART-2

DUTIES, POSITIONS AND LEARNING POINTS

The internship Program

I started my internship at Shore to Shore (BD) Ltd. From February 05, 2013 however I have got an opportunity to work as Product Development Executive (H&M) in the merchandising Department.

Job Responsibility

In my job responsibility, it was clearly mentioned that I suppose to take care of a particular brand's all accessories merchandising activities therefore I have been given **H&M brand** and perform the following mentioned jobs.

- Email communication with foreign H&M buyers, buying house and garment supplier.
- Develop new samples for H&M according to the artwork (Woven, PFL, Paper Item, Heat Transfer)
- Follow up the development status and take approval from H&M on new developments.
- Forward the approved samples reference numbers to Customer service and Marketing Executive
- Follow up the production status of the bulk production.
- Take weekly updates of the current material status and notify the production line and also guild them in case of any material comes in short, which material they should use as corresponding material.
- Notify buyer the current bulk production status.
- Ensure delivery time to the customer service to notify the garment supplier.
- Other related jobs.

Daily Routine

I worked for Shore to Shore (BD) Ltd in the Product development section. I work there 6days a week and my office hour is 9am to 6pm however since I am in a very responsible position therefore there are many days I had to work more than the actual working hours. At the beginning of my job, they introduce me with their all resources and their business structural system so that I can run their business as a business partner along with others but not as an employee. They gave me almost all primary data of the functions of the different sections of the business to learn about their business and after that, they appoint me as Product Development Executive aka Accessories Merchandiser and authorized me to take necessary steps, decisions and establish communication with buyers and suppliers of the material. Since this was my first job consequently I faced my problems in understanding and I always noted my problems and in those time, my seniors and Directors were very co-operative and helpful which makes my job to understand much easier and faster.

Use of Machineries

In Shore to Shore (BD) Ltd, as a executive of Product Development Dept aka accessories merchandiser, I was allowed to used almost every machineries of the office and authorize to go almost every part of the office and factories at any point of time however I usually use the following machineries to work in my daily activities.

- Computer and Internet
- Photocopy Machine
- Fax Machines
- Tele-phone

Essential Knowledge

The merchandiser must have some essential knowledge and skill about the accessories like Woven label, PFL (Printed Fabric Label), Paper Items (PaperTop, Hang Tag, Insert Card etc), Heat Transfer Print etc. They should have sound knowledge about the Yarn, Dye and Chemicals used in Woven and Printed fabric Label; Colors, paper material in Paper Item; Katalyst, Color and Chemicals in Heat Transfer Items. This is significant merchandiser since they are also making deal with buyers and customers and when buyer provides their comment and their view point, merchandiser can easily understand what buyer actual wants from them and supply the samples accordingly for approval since bad samples of accessories might cause rejection of the sample and loss of business therefore merchandiser has to be very careful with product quality and price.

Material List

The merchandise has to know the total materials of the product and its price so that he can estimate the costing of the final product and I have learned how to prepare the list.

Paper Item

- Paper
- Ink
- Plate
- Film
- Emboss dye
- UV mesh
- Heat lamination film
- Hot foil Dye
- Eye lid
- Rebid

Woven Label

- Yarn

Printed Fabric Label

- Ribbon
- Dye color
- Film
- Flexo bloke

Learning

Product development section is a very important section in Shore To Shore (BD) Ltd. The section is the heart of the business and a single mistake can cost the company thousands of dollars in one go. The company's overall sells depends on this section. This section commonly does the below mentioned jobs:

- Communicate with Buyers and receive orders
- Meet the buyer and takes the approval on samples
- Sourcing the Raw Material
- Monitoring production progress
- Help buyers to inspect the production.

PART-3

Introduction of the Project

Rationale of the Study

Bangladesh got great opportunity to earn foreign currency by garments sector. It is a great opportunity to learn about the costing techniques in garments accessories sector of Bangladesh. As learning, the merchandising sector will be helpful in future. After completing the report BRAC Business can understand about the merchandise process and could get some idea about recent garments situation.

Statement of the Problems

Here I will be focusing on the element which are effected the merchandiser to make the costing of the product and how they motivated the buyers to buy the Shore to Shore's products. How they are getting the raw materials. How they are getting the order and supply of raw material. Who are their whole sellers? These are the things that we want to find from this study.

Scope of the Study

For any business school student only curriculum activities are not enough for handling the real business situation. Internship is a part of the Bachelor of Business Administration (BBA) Degree that provides a job experience for the students. Internship program is a perfect match of the theoretical and practical knowledge. The Report is originated to fulfill the requirement of the internship program under BBA program.

I tried to collect more information about the importance of marketing and merchandising section for the export oriented sweaters garments industry. The current strategy of Shore to Shore (Bd) ltd is emphasized specially in marketing and merchandising division. The principle of the company is to develop and maintain strong relation with buyers and garment suppliers

- The study will also help me to understand the costing techniques in garments sector.
- The study will give a clear idea about the costing activities of Shore to Shore (BD) Ltd.
- The guiding principle of the company is to develop and maintain strong, secure relation with buyers and garment suppliers.

Delimitations of the Study

I tried to make the Report complete and successful. But I faced many problems when I conducted with directors and other officers of Shore to Shore (BD) Ltd. They tried to avoid many questions. It was not possible for me to collect all the care information from the organization. The management personnel and clients were too busy to provide me much time for interview. As we know that merchandising is very big part of industry. Since three month is very short time to learn therefore it was very hard for me to know every part of merchandising and make a complete Report.

The major delimitations are pointed below:

- Due to time limitation many of the aspects could not be discussed in the present report.
- Every organization has their own secrecy that is not suppose to be revealed to others. That in the reason they did not disclose much information.
- Since the buying house personnel were very busy, they could provide me very little time.

Objective of the study

Broad Objective

The broad objective of this study is to analyze the costing techniques of Shore to Shore (BD) Ltd, how the merchandisers do the costing of their job order while they carry out merchandising process.

Specific Objectives

The specific objectives of this report are as follows:

- To identify the merchandising division's work of Shore To Shore (BD) Ltd.
- To analyze the costing techniques in a manufacturing company.
- To find out the duties and responsibilities of merchandisers.
- To find out how merchandiser keep good relationship with buyers
- To examine the efficiency and effectiveness of Shore to Shore (BD) Ltd.

Methodology of the Study

The report is based on both primary and secondary data and both sources of data were equally used in this report.

Sources of Data Collection

Primary data

The primary data were collected on the basis of

- Observation method, since I am working as accessories merchandiser therefore I had the access to learn the process in depth
- Interview the seniors and Directors
- Discussion with the customers, buyers and clients.

Secondary data

The secondary data were collected on the basis of

- Organization Profile of YUNUSCO Group.
- Internet
- Merchandising related books.

Literature Review

The RMG industry of Bangladesh has expanded dramatically over the last three decades. Traditionally, the jute industry dominated the industrial sector of the country until the 1970s. Since the early 1980s, the RMG industry has emerged as an important player in the economy of the country and has gradually replaced the jute industry. To support this industry, there are many other industries also emerged and garment accessories industry is one of them. The export quota system in trading garment products played a significant role in the success of the industry. However that quota system came to an end in 2004 therefore the competitiveness rose dramatically and special attention was required to the long-term sustainability of the industry.

Charles T. Hornger is the Edmund W. Littlefield professor of Accounting, Emeritus, at Stanford University. He is the author of financial Statement Analysis, published by prentice Hall. He is co-author of Activity-Based Management Consortium Study (APQC and CAM) and Marketing. Cost Management and Management Accounting (CAM-1). Manufacturing costs and selling and administrative costs are traced to products in an ABC system. Note that treating selling and administrative costs in this way is not acceptable for external reporting.

It has been suggested that the pricing decision is one of the most important and most difficult decision that management have to take. Too much high price may prevent customers from buying and low demand may result in the company not to covering fix cost and therefore a loss will result. A low level of the demand may be below the breakeven level. If the price is set too low, the company may generate a negative contribution a lose again will arise.

Hyman, Jeffrey A.; Homan, Molly E, January 1, 2001, Falling merchandise (Retail liability for injuries caused by merchandise falling from shelves) Merchants know falling merchandise presents dangerous risks to unwary customers, and courts are holding them accountable.

Posch, Robert November1, 1994 Direct Marketing Substituted or unordered merchandise (Inventory management) Managing your inventory requires that you perform a delicate balancing act. Too little inventory makes for unhappy customers and lost sales/good will. Too much inventory incurs high financing and storage costs. Information technology makes the process more flexible, but the tension of a just-in-time ordering mindset grappling with a customer accustomed to superior service remains a primary administrative and legal problem of the database marketing manager.

Islandia, N.Y.--(Business Wire)--October 2, 1997--o determine the resources required to bring its 6,000 custom-designed legacy software programs into compliance with the Year 2000 century date change

requirement, Service Merchandise Company has selected CA-Impact/2000, a key component of Computer Associates' Discovery 2000 solution. America's largest jewelry retailer, Service Merchandise operates 357 stores in 37 states.

This study considers costing techniques in garments industry of Bangladesh and other indicators to measure competitive price. Costing includes all the activities like purchase of raw materials for accessories, processing and finishing of final product and packing, transport and conveyance, shipping, over heads, banking charges and commissions.

The paper is structured as follows. Part 1 sets the company overview. Part 2 provides the information about my duties, responsibilities and learning points. Part 3 introduces the study. Part 4 focuses on analysis and interpretation of data. Finally, section 6 concludes the study.

PART-4

Analysis and Interpretation of DATA

Analysis and Interpretation of Data

Process Flow Chart of Merchandising

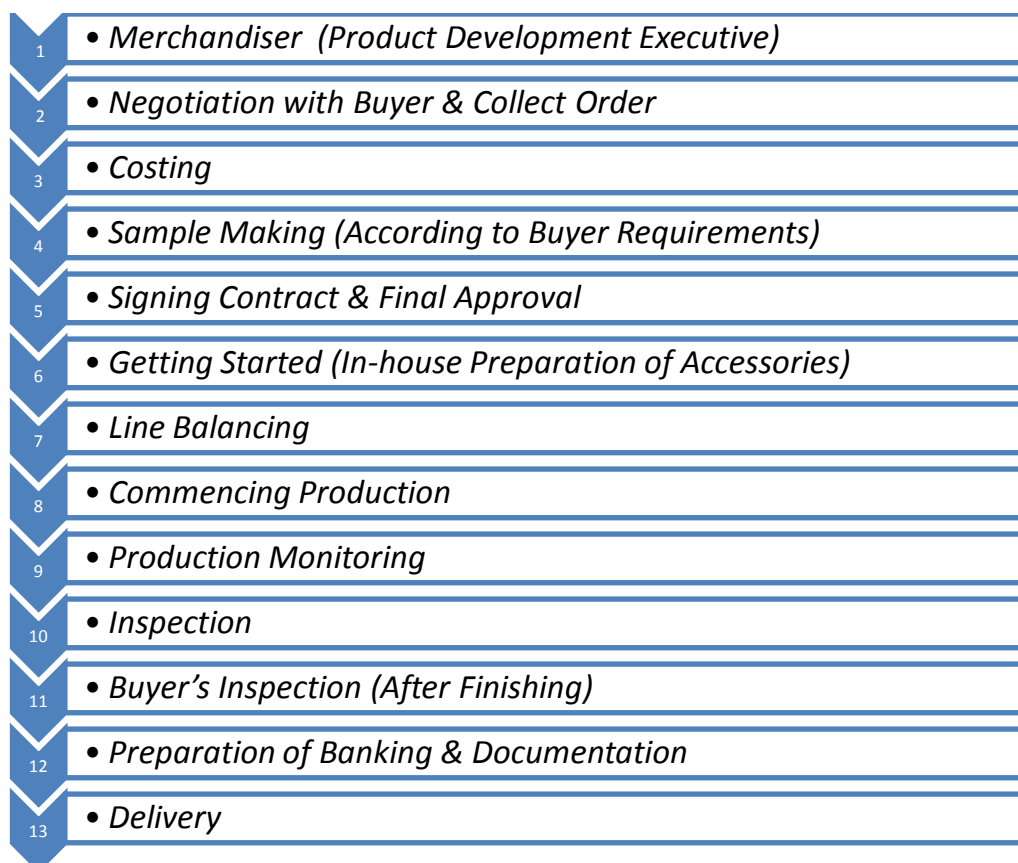


Fig: 1 Process Flow Chart of Merchandiser

Merchandiser

Definition of Merchandiser

The main role of a garments accessories merchandiser is to collect garment accessories export order (export L/C), produce the accessories, export the item and earn profit, to perform those functions successfully needs lot of knowledge, experience & tremendous effort for a accessories merchandiser. The term merchandising is defined as follows:

Definition of Merchandising

The term merchandising related with trade

Trade means buying & selling

The person who is involved with trade, he/she is a merchandiser

And the activities of a merchandiser is known as a merchandising

Functions of the Merchandiser

Activities of a Accessories Merchandiser (In a Factory)

- Costing of the job order.
- Main task is “production monitoring”
- Collect “inventory report” from store
- Arrange preproduction meeting in order to prepare a schedule for smooth production
- Place order to different production unit.
- Collect Daily Production Report & Daily Quality Report
- If any shortage in store, arrange locally
- Sample Development
- Price Negotiation
- Swatch making & getting approval from buyer
- Order Confirmation
- L/C Opening
- Opening Summary
- Sourcing
- Material Collection
- Production Planning
- Production Monitoring
- Quality Assurance
- Arrange Final Inspection
- Arrange Shipment

Qualities of a Merchandiser

- Language Skills
- Computer Skills
- Marketing Skills
- Right consumption knowledge of various goods
- Costing knowledge of raw materials
- Order getting ability (That is if the merchandiser is known by actual rate of raw materials, so that he can negotiate perfectly with buyer. In this way, the possibility of getting order is hundred percent.)
- Sincere & Responsible
- Hard Work

Negotiation with the buyers

Business Collaboration

The most critical work is the procurement of garment accessories export order. Normally garment accessories export order is found from the potential garment importers called garment buyer. Anybody wants to collect garments export order, should be able to convince the buyer. When the buyer is convinced about garment accessories production, its quality, costing and shipment ability of a exporter, he or she can think about issuing a garments accessories export order.

Without clear confidence among buyer & exporter from both sides, may be a risky business deal. If a garment accessories exporter can continuously deal with only three or four buyer with buyer's satisfaction, it will be sufficient enough to run garment accessories production & run business smoothly round the year.

A successful negotiation outcome does not generally occur through luck, but by following a clear process. The process reflects the different levels of knowledge of the subject of negotiation, various parties and the way they communicate at various stages in the negotiation. The following is an outline of steps essential to effective negotiation:

Researching the Needs of Both Parties

The greater the knowledge a buyer has of their own and the supplier's requirements, the better able they are to construct an acceptable solution. The buyer must be clear about both the department mark-up to be placed on the product cost and the intended retail selling price so that she or he can judge the viability of the suppliers' products.

Preparation

Effective preparation is also vital to successful communication. It is essential that the buyer also has identified the maximum and minimum positions that she will accept for a range of factors including:

- Product Price
- Order Size
- Lead- time

Offer

The buyer and supplier can make specific proposals to set the boundaries of the negotiation.

Discussion

There will be areas on which one side can move than more than the other and vice versa. It is important for the buyer to make a note of which ones provide the greatest and least opportunities for flexibility.

Counter and Revised Offers

This is the real bargaining where elements of the order, such as number of units, product details, and lead-time and so on are being decided in the context of an overall cost price the buyer should make firm proposals.

Processing of Order

After receiving the garment export order, without wasting any time, it is essential to prepare a schedule for the jobs to be done for safe execution of the export order. The main jobs for the execution of an export order are as follows:

- Details Analysis of Export L/C
- Preparation of a Time Schedule for the Export L/C
- Collection of Raw material for the production to be Exported [Source, Quantity of the Items, Cost of the Items, Receiving Data of the items, Quality & Quantity, Inspection of the Items, etc]
- Distribution of Responsibilities for the Jobs & Duties
- Production Plan
- Inspection of the Produced item for Quality, Quantity, Packing & other Requirements of the Buyer.
- Preparation of Banking & Shipment Formalities
- Continuous Follow-up Progress
- Others

Costing of job order

Costing Techniques in Garments Sector of Bangladesh: Shore to Shore (BD) LTD

Cost decision & allocation typically depends on multiple variables. For any manufacturing firm it is always confirmed that the cost is dependent of production volume. Hence it is also considered that other dependent variables like overhead costs, transportation etc. has an impact on the overall costing. As a part of my internship project I have tried to convey an in depth study on the costing strategy of a manufacturing firm Shore to Shore (BD) Ltd. is basically a garment accessories manufacturing firm. This organization follows traditional rule for their costing.

The classification of cost for this organization is differently presented. The cost here is classified as Primary & Secondary cost which simply refers to Direct & Indirect cost. SME Sweaters Ltd. Categorize the Primary Costs as-

- Merchandising Cost
- Production Cost &
- Placement Cost

And the Secondary Costs as-

- Overhead Cost
- Transportation Cost &
- Other Costs

The basic categories are even further classified into different specific cost elements.

Primary Costs

Merchandising Cost

Merchandising cost refers to direct purchases related to production. This cost typically depends on Order Quantity. Merchandising cost includes all the costs starting from the initial buying process to the placement process of merchandise. The merchandise cost can also be referred as direct material cost. The negotiation with supplier basically depends on-

- **Product Price:** The product price clearly portrays the interest of both the parties in buying decision. As a buyer the organization traditionally manages the cost as a benefit out of the alliance. As a sweater manufacturing firm SME manages alliances with around 15 different suppliers. As international product Sweater has demands all around the world especially in Europe. The different merchandise requirement for sweater manufacturing is met through overseas contracts. The wool as fabric, yarn, etc. The knitwear is a product which generally has a huge order quantity and therefore the order for buying quantity.

- **Order Size:** Order quantity depends on the order taken from the buyer of knitwear. Generally the order is placed taking a month time. The quantity ordered is decided after the order is placed. Generally the order is maximized for merchandise as referred to wastage. The order is maximized by 5% which pretended to be wastage after production. So, that cost is also included & adjusted after the order is delivered. And the un-wasted products are kept as sample & also released to local market and the cost is also adjusted through that but the revenue is here declined. The wastage cost is annually adjusted however the damaged products are released to open market in lots.

Production Cost

This is to most crucial cost as a direct cost. The direct cost of Garments Sector of Bangladesh depends on different factors as this is a Government Subsidized sector. The Production cost is allocated as follows-

- **Direct Labor Cost:** Direct labor cost is directly related to the production. The direct labor cost refers to the workers related to the production process. The factory workers are regularly paid & also paid for the overtime. The overtime cost is 100% markup of regular pay for any worker as per the labor law of Bangladesh. The Direct labor cost sometimes estimated as hourly pay and sometimes production unit based. In order to calculate the per unit production cost it is required to find out the per unit labor cost for direct labor. In Shore To Shore the labors are hourly paid for production however the production perimeter for an hour is set by the line manager.

Placement Cost

The placement cost in Shore to Shore is referred to the order delivery cost. After the production is completed now it is time to deliver the product to the buyer. The merchandiser is held responsible for all the communication made with the buyer. The delivery process also encounters some cost those are regarded to be primary cost for the organization.

The delivery is cost divided into different parts like-

Details Analysis of Export L/C and Opening L/C

As the orders are overseas, Shore to Shore opens L/C of required amount for export of certain amount of product.

Shipment Cost

The organization then books the carrier to carry the shipment. It is the duty of the supplier to manage the transport towards the buyer.

Insurance

The organization also pays for the insurance of the shipment. To eliminate the risk of damage the organization needs to make insurance for the freight.

Travel Cost

Sometimes a representative on behalf of the Company is sent to the buyer to ensure the proper hand over of the ordered product.

Secondary Costs

Overhead Cost

Factory Overhead

Factory overhead cost is an annual cost which is annually adjusted to the cost sheet of the company. The factory overhead cost includes the factory maintenance, depreciation of machineries, maintenance & repair of machineries etc.

Indirect Production Cost

The direct production cost refers to the technical cost of production. The electricity usage during production referred to the unit of electricity used for production is taken into account and then it is divided with the total production unit to find out the unit production cost.

Transportation Cost

All the transportation made internally & externally is encountered under the secondary cost. The freight in & freight out is paid by the company. This is adjusted as annual cost. Generally the transportation cost arises from freight from doc to warehouse, warehouse to factory & the reverse in time of delivery.

Other Costs

Other indirect costs are not related directly to the production but annually these costs arise. These costs are as follows-

- Selling Expense
- Administrative Expenses
- Interest expense
- Capital Expenditure

Cost Calculation of the Products

Cost calculation of Paper Item (100x70mm size Hang Tag for 1000 pcs)

Raw material = Ensocoat 300gsm paper board C2S

Per ton (1ton=10000sheets) paperboard cost USD1300 includes all external cost

Therefore per sheet cost ($\$1300/10000\text{sheets}$)= $\$0.13/\text{sheet}$

Paper Board Cost

Paper Board size = 22x44inch and output of 100x70mm Hang Tag from a Sheet is 136pcs

1000 pcs Hang Tag needs $(1000/136)\text{pcs}=7.35$ or 8sheets which includes 15% wastage.

Which cost $(8\times\$0.13)=\$1.04/1000\text{pcs}$.

Plate Cost (Fixed Cost)

$\$10$

Ink Cost 15% for 25000pcs

$\$10\times 10\% = \1

Finishing Cost 5% (Die-cut, lamination, UV-lacquer)

$\$10\times 5\% = \0.5

Packing Cost 5%

$(1.04+1.5+10)=12.54\times 5\% = \0.63

Common Cost 10% (common costs includes : LEASING - ELECTRICITY - CMT - FINANCIAL COSTS - CAR EXPENSES BANK EXPENSES - EXHIBITION EXPENSES - RETURN & WASTE COST - MARKETING COST)

$(\$1.04+\$1.5+\$10+\$0.63)=13.17\times 10\% = \$1.32/1000\text{pcs}$

Other Cost 5% (Includes All indirect cost)

$(\$13.17+\$1.32)=\$14.49\times 5\% = \$0.72/1000\text{pcs}$

Total Cost for 1000pcs

$\$14.49+\$0.72=\$15.21$

Profit Margin 10% for 1000pcs

$\$15.21\times 10\% = \1.52

Price of the Goods

$\$15.21+\$1.52=\$16.73/1000\text{pcs}$

Therefore as we can see through this costing method, the price of the good is $\$16.73/1000\text{pcs}$. And this costing is also similar to other woven label costing and printed fabric label costing.

OPEN COSTING- GRAPHIC (CARTON BOARD / PAPER)



ARTICLE:	<u>HM Conscious Hang Tag</u>	NAME OF PRINTING PLANT:	<u>Shore to Shore Unit-1 & 2</u>
Minimum QUANTITY:	<u>25000</u>	NAME OF MATERIAL & GRAMMAGE	<u>Ensocoat 300GSM C2S</u>
DATE SENT:	<u>30.05.2013</u>	MATERIAL BRAND/MANUFACTURER:	<u>StoraEnso</u>
FROM SUPPLIER:	<u>Shore To Shore Bangladesh Ltd.</u>	MATERIAL COUNTRY OF ORIGIN:	<u>Finland</u>
TO H&M- ATTENTION:	<u>Aydan Ozturk</u>	PRINT TECHNIQUE & # OF COLOURS:	<u>Offset</u>
H&M REQUESTED LEADTIME:	<u>7 Days</u>	FINISHING	<u>Matt vernish</u>
SUPPLIER OFFERED LEADTIME:	<u>7days</u>	EXCHANGE RATE (USD : BDT)	<u>BDT80.00</u>

CARTON BOARD / PAPER COST:

				\$1.04
--	--	--	--	--------

\$1.04	\$1.04
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PRINTING COST:

	\$10	\$1.00		\$11.00
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\$11.00	\$11.00
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FINISHING COST (Die-cut, lamination, UV-lacquer, embossing, hot stamp etc.):

				\$0.50
--	--	--	--	--------

\$0.50	\$0.50
--------	--------

STRING/ RIBBON/ SAFETY PIN COST:

				\$0.00
--	--	--	--	--------

\$0.00	\$0.00
--------	--------

PACKING COST

				\$0.63
--	--	--	--	--------

\$0.63	\$0.63
--------	--------

COMMON COST

				\$1.32
--	--	--	--	--------

\$1.32	\$1.32
--------	--------

OTHERS:

				\$0.72
--	--	--	--	--------

\$0.72	\$0.72
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common costs includes : LEASING - ELECTRICITY - CMT - FINANCIAL COSTS - CAR EXPENSES

BANK EXPENSES - EXHIBITION EXPENSES - RETURN & WASTE COST - MARKETING COST

TOTAL PRICE:

\$15.21	\$15.21
---------	---------

USD

ALTERNATIVE SUGGESTIONS:

ITEM 1:	PRICE/1000PCS

ALT. 1	PRICE/1000PCS	NEW TOTAL:

ALT. 2	PRICE/1000PCS	NEW TOTAL:

ITEM 2:	PRICE/1000PCS

ALT. 1	PRICE/1000PCS	NEW TOTAL:

ALT. 2	PRICE/1000PCS	NEW TOTAL:

ITEM 3:	PRICE/1000PCS

ALT. 1	PRICE/1000PCS	NEW TOTAL:

ALT. 2	PRICE/1000PCS	NEW TOTAL:

CURRENCY TO BE BDT & USD

HANGTAGS: PRICE TO BE GIVEN FOR 1000 PCS

Analysis of Costing

I have discussed the costing & classification of costing followed by Shore to Shore (BD) Ltd. Now discussing the above scenario we can conclude that in order to maintain proper accountability and getting precise information about the costing & for more accuracy Shore to Shore (BD) Ltd. follows the typical costing technique which is widely known as Activity Based Costing (ABC) technique.

The Activity Based Method

Activity based costing is a relatively new type of procedure that can be used as an inventory valuation method. The technique was developed to provide more accurate product costs. This improved accuracy is accomplished by tracing costs to products through activities. In other words, costs are traced to activities (activity costing) and then these costs are traced, in a second stage, to the products that use the activities. The concept of ABC is illustrated in the enlarged graphic below. Another way to express the idea is to say that activities consume resources and products consume activities. Essentially, an attempt is made to treat all costs as variable, recognizing that all costs vary with something, whether it is production volume or some non-production volume related phenomenon. Both manufacturing costs and selling and administrative costs are traced to products in an ABC system. Note that treating selling and administrative costs in this way is not acceptable for external reporting.

Findings

There are many types of Garments accessories, namely woven label, Printed Fabric Label, Paper Items, Heat Transfer Label, Zippers, and Button etc. Costing is the deciding factor for fixing of prices and the important thing to follow in all stages like purchase, production, marketing, sales, etc. Also update knowledge about everything related to garments, is essential to make perfect costing.

Costing includes all the activities like purchase of raw material, processing and finishing item, packing of item, transport and conveyance, shipping, over heads, banking charges and commissions, etc.

We must be aware that there are always fluctuations in the costs of raw materials, charges of knitting, processing, finishing, packing, charges of transport and conveyance. The method of making costing will vary from style to style. As there are many different styles in garments accessories. Hence let us take Woven label as example which is in regular in use in all garment items.

To find out the costing of garment accessories, the following things should things be calculated

Yarn consumption.

Gross weight of other components

Yarn cost per kg.

yarn Costs per thousand Pieces of Woven Label

Other charges (Dying and testing).

CMT charges.

Cost of accessories (polybags, cartons, etc).

Transportation and other costs.

Recommendations

Actually merchandising field is a large area where a lot of business work is done by a lot of ways. The most important thing is that, we have needed to choose the better & easier way to do our work. For example if I want to say about L/C, that which types of L/C is the best for business? By knowing about the L/C it seems to me that irrevocable is the best but in Revocable L/C, where no terms and condition is present. All rights reserved for buyer or bank that opened it. He can stop it any time without any notice. But in irrevocable L/C, there have terms and conditions for opening L/C. Once the L/C is opened for beneficiaries & accepted, buyer or banker never reserve any right to close it. So it will help for both parties.

Another important thing is material consumption. During the time of measurement, it suppose to take highest part size of the items measurement which will help to find out the right consumption for material & help in costing. Costing is important for a company. Right costing helps to get better profit for company. So it should be made carefully.

Another thing is that merchandiser should take over all view on items faults during the time of production & inspection. Because it seems to me that a merchandiser is everything for his company. That's why merchandiser should take better inspection process during the time of final inspection.

Other suggestions are:

- Reduce the wastage of recourses by developing strict management and controlling system.
- Shore to Shore should take their necessary decisions promptly. Their internal communication should be more flexible so that top management can take decision quickly and it could manage more buyers' satisfaction.
- Shore to Shore should appoint efficient Quality assurance officer with some proper equipment to reduce wastage in sample section.
- Operational and internal control department and technological training for the employees should be introduced in Shore to Shore that increase the production efficiency in minimum lead time and can reduce the cost of the production.
- Shore to Shore should introduce new marketing department for establishing the marketing plan. Every organization needs to have their marketing plan. In Shore to Shore, Different marketing department needed so that they can improve their business plan according to their capability and resource. As garments sector depends on mainly one to one communication so for that skilled employees needed in this sector that can convince actual buyers for getting orders and they can motivate potential buyers for future orders.
- Shore to Shore should use the latest technology in all sections. As they should use their own web page and it should be upgrade monthly. As so many potential customers can randomly visit there site and can understand better about the organization. Also can easily contact with them.

Conclusions

Bangladesh is a developing country. In this country unemployment problem is slightly overcoming by our garments or apparel sector. A huge number of people are working in this sector. Initially, the situation of this sector is not so good but now a day this sector is earning a lot of foreign currency, around 75%-80% of our total economic growth which is making our economic sector very strong. And merchandisers are those people who are working here day to night in order to develop this sector. Merchandisers' goal is to collect order, execute, develop the best & supply the best.

It was a great pleasure for me to work in merchandising sector of Shore To Shore (BD) Ltd., which provides me a wide range of scope to observe different function of buying house industry through the cordial assistance of the employees and seniors. All the employees of Shore To Shore (BD) Ltd. tried to give optimum service.

Now a day the buying house industries are facing a lot of challenges because of changing demand of world. Besides this many competitors are also a main factor that makes this sector challenging. So, Shore To Shore (BD) Ltd. should take proper step to survive properly in this sector by removing their weaknesses. They should give authority to take independent decision at high level officer. If that, the company can be benefited because of taking decision the work some time delay. They should justify competitive key factors in the management practices like cost, product quality, image & reputation, distribution & control of resources, capabilities etc.

From the learning point of view I can say that I really enjoyed my internship at Shore To Shore (BD) Ltd. from the very first day. I am confident that these three months internship program at this sector will definitely help me to realize my future carrier in the job.