Main Factors Influencing the German Buyers' Satisfaction in Sourcing Ready-Made Garments from Egypt

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Abstract

Germany is the largest importer of clothing in Europe. 67% of all imports derived from countries outside Europe. Now Egypt is still not among the largest Suppliers to Germany, in spite of the importance of textiles and Apparel industry to the prosperity of Egyptian economy.

The contribution of this study is presented in determining the most important selection criteria affecting the German buyers 'decision in sourcing Ready Made Garments from overseas countries such as Egypt. These considerable selection criteria have been used to assess the satisfaction level of German Ready Made Garments' buyers, who have previous experience in sourcing from Egypt.

It is found that the most important main selection' criteria, that influence the German Ready Made Garment' buyers decision, included: the People in the first rank with average importance rate of 27.8 %, Production in the second rank with a percent of 25.9%, then come the delivery performance in the third rank with a percent of 25 % and lastly the product in the fourth rank with 21.2%. Under these main selection criteria, further twenty sub- criteria have been also developed.

The satisfaction survey results showed that 38% from the sample surveyed (the German Buyers) expressed their satisfaction of the outcome in dealing with Egyptian Garments suppliers, 30% from the buyers were natural , and 32% were not satisfied with the product and services offered to them. Further recommendations regarding improving the performance of Egyptian readymade garments factories have been also collected and presented.

This study could be further utilized as a guiding tool to enhance the competitiveness level of Egyptian garment production, and to increase its tendency to become potential suppliers for foreign German retailers, thus increasing the volume of Egyptian Ready Made Garment export to Germany.

Introduction

1. Importance of textiles and garments industry to Egypt

Textiles and clothing constitute Egypt's third-largest industrial sector, behind chemicals and food processing (UNIDO, 2012). The textile and apparel sector accounts for about one-quarter of manufacturing employment,33 percent of gross domestic product (GDP), and 23 percent of total exports (The World Bank, 2011).

The sustainability of this sector is critical to Egypt's economy as the industry employs over one million workers. The sector is a critical component of Egypt's export-growth strategy and supports employment and export growth targets in Egypt's National Agenda (Institute of national planning, 2012).

The power player within the sector is ready made garments (RMG), worth 75% of the textile and garment industry. The RMG subsector produced more than 313 million pieces in 2011 (IBID, 2012), with global brands such as Marks & Spencer, GAP, Wal-Mart, Levi Strauss, Target and Calvin Klein sourcing from and investing in Egypt.

The future of Egypt's Competitiveness in the garment industry is uncertain despite the positive impact of apparel to export levels in Egypt. On one hand, Egypt's low wage rate and preferential duty access to German markets give it a competitive edge, but on the other hand, Egypt's manufacturers face critical challenges in remaining globally competitive (Abernathy F.H. and Anthony P.,2006). Low wages (Fig.1) are not enough to provide a competitive edge. Speed-to-market, labor availability and higher-value added products and services now play a far more crucial role in determining international competitiveness.

Egypt's most pressing challenges are in regards to skilled labor shortages and higher productivity costs, and if not addressed, will greatly affect the ability of firms to compete long-term in Egypt (Abernathy, F., A. Volpe, 2007).

The government's strategy is to boost exports to the European garment market by moving up the quality ladder in garments, vertically integrating the garment production value chain (e.g., use local extra-long staple (ELS) cotton, improve design and patternmaking offering) and defending leadership in low-end garmenting by establishing strong brands at both country and supplier levels . Also on the agenda is restructuring the domestic textile industry by privatizing mills and leveraging on low cost and provided labor in addition to a large domestic supply of high-quality cotton (Am Cham Egypt , 2012).
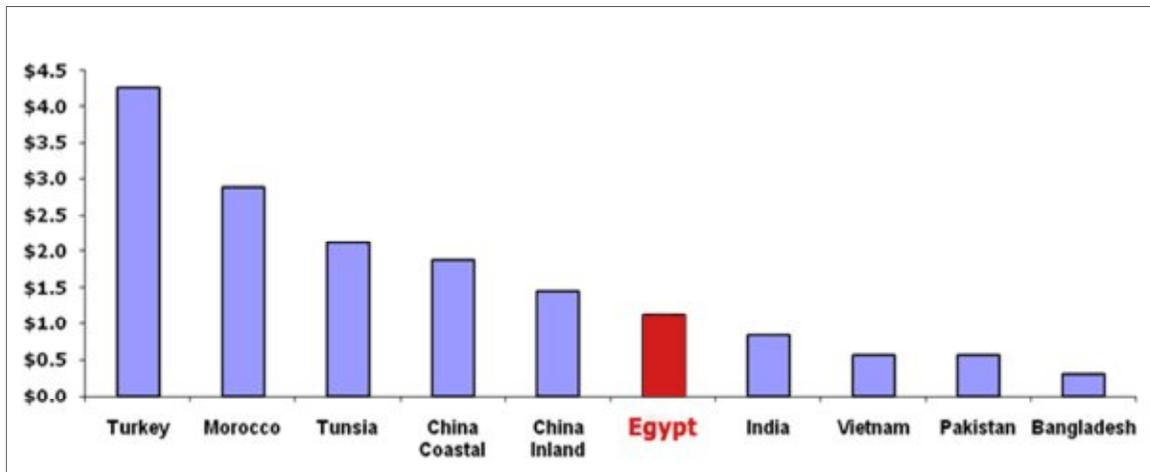

Figure 1 : average Labor Cost in the Textiles sector in Egypt and comparative Countries, (USD/hr) – Source: Werner international 2010

2. Challenges facing the Egyptian textile and garment industry

Global Trends are influencing the Competitiveness in the Textile and Apparel Industry. One of the most striking consequences of the removal of Multi Fiber Agreement (MFA) restrictions on textile and apparel trade in 2005 is that retailers and designer companies from major importing markets (US, Japan, Europe) or elsewhere are now free to source textile and clothing orders from the cheapest suppliers anywhere in the world Abernathy, F., A. Volpe , 2007). Now Egypt is still not among the largest Suppliers to Europe (Table 1- European Commission, 2013).

Table 1: Top 10 clothing suppliers to EU (million €)

Suppliers	2008	2009	2010	2011	2012	share	%growth 2008-2012
EXTRA-EUR	57 313	55728	60 586	65 994	62 795	100.0	9.6
China	25 059	25 398	28.089	29.574	26.786	42.7	6.9
Bangladesh	4.718	5.136	5.843	7.581	8.236	13.1	75.6
Turkey	7.857	7.009	7.850	8.291	8.197	13.1	4.3
India	3.852	4.057	4.174	4.584	3.912	6.2	1.6
Tunisia	2.434	2.144	2.197	2.227	1.935	3.1	- 2
Morocco	2.195	1.930	2.028	2.041	1 909	3.0	- 13
Vietnam	1 166	1 129	1 263	1 574	1 609	2.6	38
Pakistan	880	892	988	1 260	1 242	2.0	41.1
Cambodia	557	546	592	920	1 217	1.9	118.5
Indonesia	1 068	1 044	1 008	1 185	1 139	1.8	6.6

The increase flexibility in garments sourcing, coupled with recent improvements in supply-chain management techniques and technologies and increased global market power of large apparel buyers, has led to significantly higher degree of competition among supplier countries (van Donk D P, van der Vaart T, 2007). As an important exporter of textile and apparel products, the future

of Egypt's performance in this new environment depends heavily on the ability of its firms and policy makers to eliminate or reduce the impact of external and internal challenges that affect the industry's ability to compete (The Egyptian Center for Economic Studies, 2008) .

The main purpose of this research is to determine the main success factors required to successfully satisfy the German garments 'buyers which result in building strong relationships with foreign retailers

3. The German market as the largest clothing importer in Europe

The European apparel industry is going through a period of profound change. The elimination of quotas has led to an intense competition from manufacturers in low cost countries. As a result, German retail buyers are placing strict demands on apparel manufacturers in terms of product quality and delivery times. Furthermore, firms are facing more challenges in the form of; rising raw material costs, high-energy and food prices, and a faltering German economy.

Table 2: EU Market for Textiles (67 billion Euro)

Country	Imports
Germany	24%
UK	18%
France	15%
Italy	9%
Belgium/Holland	7%
Spain	6%
Austria/Denmark	4%

Germany is the largest clothing and outerwear market in the EU with a total consumption of about 51 billion € in 2012. The German clothing industry is the second largest consumer industry, only excelled by the food and beverage industry (European commission, 2012).

Germany is the largest importer of clothing in the EU, represents the biggest mail-order market in Europe with a total turnover of €30.3 billion. Importing outerwear worth 18 billion € in 2007. Imports account for 90% of all outerwear sold in Germany. 67% of all imports derive from countries outside the EU. Leading exporters to Germany are China and Turkey. Import prices are under pressure and declined from 2005 to 2012. A further decrease is expected (German fashion, 2012).

An increasing volume of textiles is being sold by discounters, drugstores, supermarkets and retail chains such as Tchibo (traditionally a chain of coffee-shops which are now offering a wide range of other items including clothing and apparel).

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Objectives

The objective of the paper is to investigate the main selection criteria that influence the German buyer's decision when sourcing Ready Made garments from overseas countries such as Egypt.

And based on these selection criteria, determining what the recent German Ready Made garments buyers' satisfaction level in sourcing RMG from Egypt would be.

Delimitations

The study will be conducted at primary stage of fifteen German fashions retailing companies, which accepted to take part in the research. Because Egyptian textile and clothing sector is predominantly cotton based, this study would focus mainly on the cotton apparel.

Originality/value

This paper furthers the understanding of RMG German buyers' selection criteria, when sourcing from overseas. In addition, it provides a guideline for national garment producers about the main requirements and satisfaction level of German Buyers, to help the Egyptian RMG suppliers in focusing on enhancing their competitive advantage to satisfy their actual needs.

Methodology:

Choosing the main suppliers selection criteria

Traditionally, the study of ideal or desired sourcing practices in international retailing companies has tended to be normative; that is, it relies on the knowledge and judgment of the respondents for the development of "what ought to be".

The principal approach in the research process began with a pilot study which involved a series of unstructured and informal one to one phone interviews with professionals and buying managers in German fashion retailing field.

These interviews were conducted with five senior managers and Buyers from the German fashion retailing. Interviewees were chosen on discretionary grounds because of the knowledge and privileged information they possess based on the top hierarchical position they occupy in their Companies

Information obtained from the interviews affords novel insights into a range of issues relating to sourcing and suppliers 'selection

Each interviewee was given a demonstration of the research Idea. This method of inquiry enjoys support in the literature and is analogous to the discovery-oriented method (Deshpande, 1983) which has been utilized in other areas of management research.

In order to carry out this investigation, a pretest list of 20 criteria was compiled from two sources: a literature review (Åkesson, J., 2007, Birtwistle G., 2006, Cormican, K., 2007, Doyle S A, 2006, Hasan, M.R.,2010, Jin, S., 2009) and a background investigation conducted in this study, which identified specific criteria important to German RMG buyers when selecting overseas suppliers, the list was also pre-tested by two specialized apparel sector Consultants from Sybastain Consulting Co.

After selecting the most important sourcing criteria, Buyers were asked to rate the importance of these criteria in the context of selecting a new overseas Ready Made Garments (RMG) suppliers, not an existing supplier. The rationale underlying this request is that previous experience with a supplier could become a factor in evaluation, which will be used later on when evaluation sourcing from Egyptian suppliers.

This instruction was designed to minimize differences in the importance associated with the supplier's evaluation. A five-point scale was used to rate each criterion, with 1 "not important ", and 5 "very important".

An obvious concern was the fact that all of the criteria provided could be rated as very important. To counter the threat of such acquiescence bias, buyers were asked to rate the criteria as they would in a situation where not all of them could be fulfilled by a supplier. These instructions were intended to force the buyers to consider their own suppliers requirements more practically and also to identify the criteria of primary importance to them.

Data collection and analysis

An e-mail survey was used as the data collection instrument supported by phone interviews. The introductory letter was addressed to the Buying Head of each firm, asking for his/her assistance in directing the questionnaire to an individual who had the authority to select new overseas Suppliers. A total of 15 garments buyers from this sample of firms (70 companies) responded, representing 21 percent response rate. The majority of the respondents (80 percent) held senior level positions.. 100 percent of the responding firms were involved with importing garments, mostly from low-cost countries; most targeted these products at the mid-range sector of the market.

The responded companies have retail residents buying offices in Stuttgart, Hamburg and Wurzburg as identified in Shelton's Retail Directory, and included big names such as (OTTO - Witt-widen - Hine- Bon Prix –Baur- Adidas- S Oliver- Brax-Tom Tailor- Hugo Boss- Escada- Windsor- Seidensticker – Hess Nature – Espirit)

The availability of only a small sample for the analysis meant that certain results, while offering directional support, could not be substantiated by tests of significance. The results do, however, provide valuable insight into overseas suppliers' selection within the RMG sector.

Each buying office or retailer contacted, represented a firm with sales exceeding $300 million that imported RMG.

Results:

The collective buyers opinions that explain the importance (important and very important elements) of the main selection criteria (Table 3) have been analyzed and has resulted that the most important main selection criteria from the point of view of the German buyers are: the People in the first rank with average importance rate of 27.8 % , Production in the second rank with a percent of 25.9% , then come the delivery performance in the third rank with a percent of 25 % and lastly the product in the fourth rank with 21.2%   (Fig 2.)
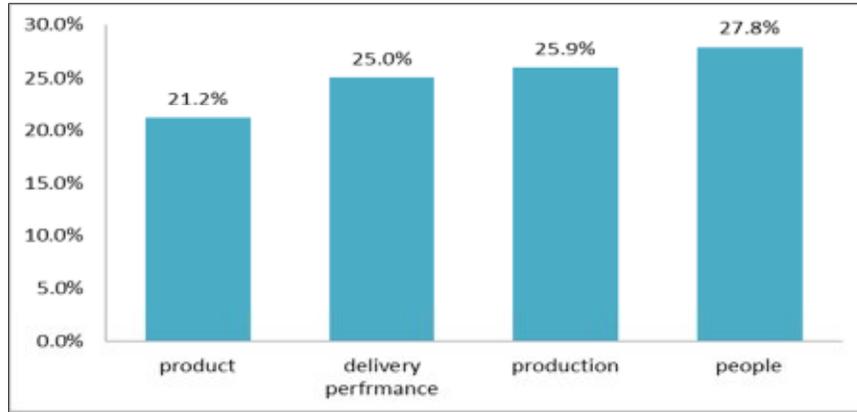
Figure 2 : the average relative weight of the importance of the main suppliers' selection criteria

Table 3: collective evaluation of suppliers 'selection criteria used by German retailers when sourcing RMG.

Supplier selection criteria	Not important +	++	+++	++++	Very important +++++
Product					
Product Quality				6	9
Product Range		6	6	3	
Price				5	10
Profitability			2	6	7
Trend consulting and creativity	1	1	5	5	3
Athletics and functional aspects	4	5	5		1
Cotton origin			3	4	8
subtotal	5	12	21	29	38
percent	5 %	13 %	20%	28 %	39%
Delivery Performance					
Punctuality			1	7	7
Lead time (Speed)				4	11
Flexibility				6	9
Claim ratio		2	6	7	
Customer service and technical Support(including possibility of second supply)			3	6	6
Transport cost		2	5	6	2
subtotal	0	4	15	36	35
percent	0	4%	17%	40%	39%
Production					
Knowhow and technical facilities			3	4	9
Social Compliance				5	6
Environmental Aspects			5	7	6
	0	0	8	16	21
subtotal	0	0	19%	38%	44%
People					
Mentality and attitude			5	7	3
Loyalty			5	6	4
Quality consciousness				6	9
Communication				7	8
Subtotal	0	0	10	26	24
	0%	0%	13%	33%	55%
Total	7	15	56	109	113

Under each criterion, a list of the common aspects has been developed which cover the most important and frequent activities performed in the supply chains of clothing companies. A short list of the main sub-aspects used in supplier selection criteria has thus been created and an investigation has been conducted to search for the skills required for the successful performance aspects used in supplier selection.

The collective buyers 'opinions that explain the importance of the suppliers' selection sub-criteria is listed in Table (3).

Product:
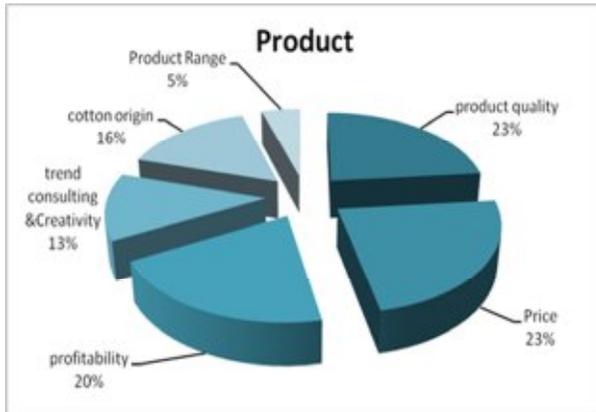
Figure 3: specifying buyers' selection sub criteria regarding product

The importance relative weight showed that Product quality and product price; represent a high percentage (46%) for buyers when sourcing RMG from Overseas (fig.3)
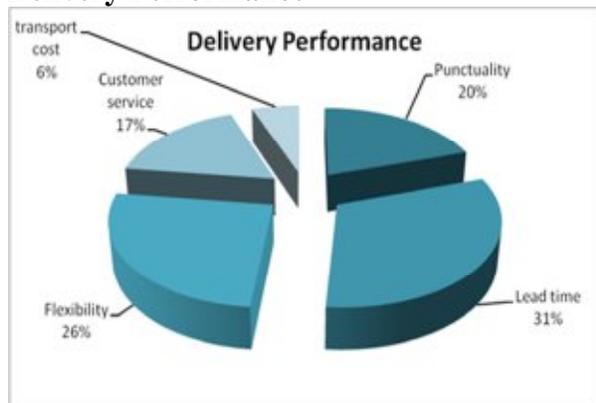
Delivery Performance

Figure 4: specifying buyers' selection sub criteria regarding delivery performance

The importance relative weight showed that shorter Lead time and production flexibility represent a high percentage (57%) for buyers when sourcing RMG from Overseas (fig.4).
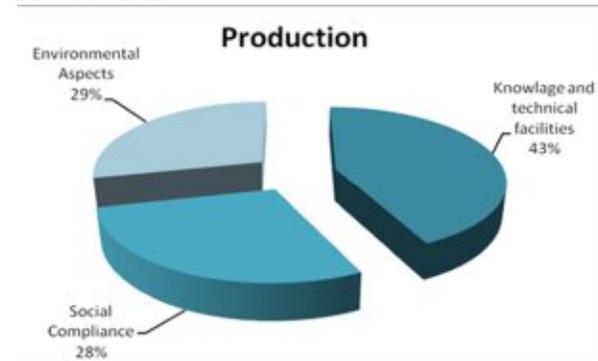
Production:

Figure 3: specifying buyers' selection sub criteria regarding production

The importance relative weight showed that availability of knowledge and technical skills and represent a high percentage (43%), however environmental and social compliance represents (57%) for buyers when sourcing RMG from Overseas (fig.5).
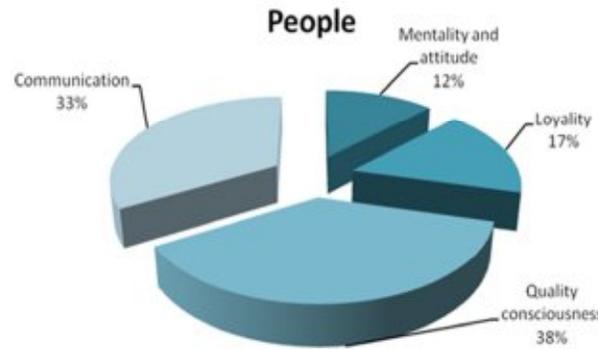
People:

Figure 4: specifying buyers' selection sub criteria regarding people

The importance relative weight showed that Quality Consciousness between the employees and workers in manufacturing companies (Suppliers), represent a high percentage (38%), however the good communication between the employees and between the buyers and suppliers represent (33%) for buyers when sourcing RMG from Overseas (fig.6).

Assessing the satisfaction level of German Buyers who source RMG from Egypt

To assess the satisfaction level for the German buyers who have previous experience in sourcing from Egyptian garments factories. The most important selection criteria have been identified

from the results of the before mentioned survey, and have been used to investigate the satisfaction level of the germen Buyers who has previous experience in sourcing from Egypt (ten buyers). Another part of the survey has been designed to investigate their views and opinions chiefly in respect of the supply-side bottlenecks that they are facing in Egypt. The results have been collected and analyzed. Some additional recommendations have been collected from the German buyers aiming to increase the competitiveness of Egyptian readymade garments factories in delivering clothing products to the German market. The research results are listed in Table 4.

The survey results were calculated as percentages in an effort to examine the distribution of opinions. 38% from the sample surveyed expressed their satisfaction of the outcome in dealing with Egyptian Garments suppliers, 30% from the buyers were natural , and 32% were not satisfied with the product and services offered to them (refer to Fig.3).

As noted in Table 4, nearly 30 % of the fashion buying professionals rated as satisfied or very satisfied about the prices of the products imported from Egypt. 40 % from the sample were not satisfied with the pricing level of Egyptian products.

Fewer than 40 % of interviewees thought the quality of apparel imported from Egypt was good. 20% indicated that the quality of apparel from Egypt was basically not good; while 30% of the

respondents indicated that the apparel quality from Egypt was fair and need improvement. Only 10% of the retail buyers were rated as disliking the sourcing from Egypt based on poor quality.

After development of RMG suppliers' selection main criteria and other twenty sub criteria, the importance level and relative weight for each criterion and sub criteria have been identified according to the opinion of the responded German retailing buyers.

As showed in table (3) the relative weight of the importance of each criterion has been calculated, and the results have indicated the rate of importance for each selection criteria according to five point Likert scale
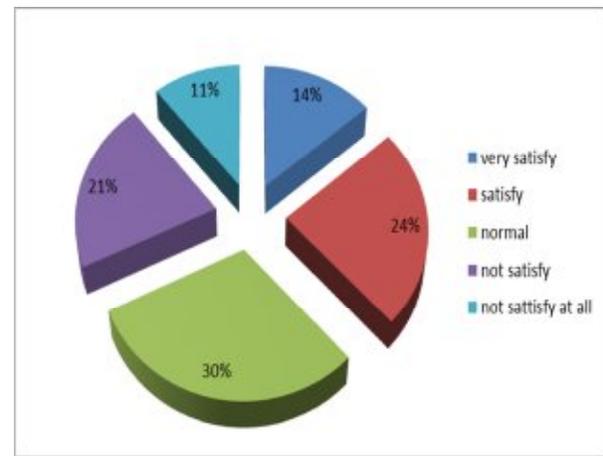

Figure 7 : Level of buyers 'satisfaction from sourcing RMG from Egypt

Table 3: : Questionnaires results for measuring German buyers 'satisfaction level

Sourcing from Egypt	Very satisfy	satisfy	normal	Not satisfy	Not satisfy at all
Product Quality	1	3	3	2	1
Price	1	2	3	3	1
Lead time		3	2	2	3
Flexibility			3	4	3
Knowledge and technical facilities	2	3	3	2	
Social and Environmental aspects	3	3	3	1	
Quality Consciousness		2	4	3	1
Communications	2	1	3	2	2
	9	17	24	19	11
	11%	21%	30%	24%	14%

The results of the lead-time issue indicated that 50 % of the respondents considered the lead time from Egypt to be not acceptable. Over 30% of retail buyers responded that lead time from Egypt

remained acceptable,

Regarding of the production flexibility, most of German retailing companies in the sample have showed dissatisfaction when ordering small

quantities or manufacturing different stylish models. But 50% from the sample have shown satisfaction with the knowledge and technical facilities in Egyptian readymade garment factories. Only 20% from the sample were not satisfied from the level of social and environmental aspects and 30% were not satisfied with the level of communications and services offered by Egyptian suppliers.

Limitations and directions for future research

This exploratory study has been focused on determining the main selection factors influencing the German buyers' satisfaction in sourcing Ready-Made Garments from Egypt and has used these factors to measure the buyers' satisfaction of the Egyptian RMG export performance.

Because lake of time and resources, the study is conducted at primary stage of fifteen German fashions retailing companies, which accepted to take part in the research, so the results cannot be generalized. The study used only some importing German retailing companies as a sample however other buying categories might act differently if the sample is increased to include them. So it is recommended in future researches to include different buying categories in the survey such as intermediary buying offices, wholesalers, and other RMG importers, and increase the volume of the sample surveyed to make the research even more realistic and authenticated

Conclusions and Discussions

A growing emphasis on establishing long term relationships, driven by competitive pressures and business complexity, has encouraged many retailing and importing German retailing firms to become highly selective in their choice of suppliers.

Supplier selection criteria will help these firms to identify competent suppliers; the evaluation process often involves the simultaneous consideration of several important supplier performance attributes that include price, delivery lead time, and quality

When suppliers are selected based on these criteria, both supplier performance and the buying firm's operations performance are expected to increase, thereby enhancing the both the suppliers and the retailing firms' ability to gain competitive advantage.

From the German buyers' answers, some suggestions have been initiated by them to increase the performance of Egyptian apparel Suppliers, for example:

1- Improving Communication, Organization, understanding the real needs of the buyers.

2- Reduce prices; shorten the lead-times (less than 30 days)

3- Focusing on competitive and environmental friendly products together with high speed product development and short repeat order lead-times

4- Increase workmanship/style competency; to allow the buyers to place also complicated styles in Egypt ,

5- Consider to have next to large production lines, smaller modular lines. This will result in increased flexibility and reduced min requirements.

The contribution of this study is presented in determining the most important selection criteria affecting the German buyers when sourcing overseas from countries such as Egypt. These criteria could be further utilized as a tool to assess the level of skills in Egyptian clothing companies. It could be also utilized to determine the skills and competences requiring improvement. This will help to increase the tendency of Egyptian clothing manufacturers to become potential suppliers for foreign German retailers, thus increasing the volume of Egyptian exports to the international market.

In addition, the most important buyers' selection criteria have been used to measure some of the German buyers' satisfaction level when sourcing from Egyptian factories. Further recommendations regarding improving the performance of Egyptian readymade garments factories have been also collected and presented.

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