



Labour costs: labelling and packing can be cheaper in source countries

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Ready to wear

By moving tasks such as labelling and packing further up the supply chain to the source country, where costs are lower, retailers can make big savings. Simon Jack examines the options to make products store-ready

Over the past few years, retailers are doing more of their logistics activity further up the supply chain. The trend is to undertake pre-retailing tasks, such as picking, packing, labelling and quality control, in the source country where labour and property costs are much lower than the UK.

The question is how much further these activities can be pushed up the chain. Many logistic experts believe that certain tasks are best carried out in the UK. What's more, increasing sea freight costs (see box over the page are forcing retailers to consider transporting hanging garments flat in order to fill their shipping containers more efficiently, which may mean having to reprocess them when the product reaches the UK.

Gary Cann, commercial director of PB Logistics, which carries out reprocessing as part of its services, says: "The cost of shipping product is significant and there are benefits from shipping large quantities in a small space. However, some garments do not travel well in those circumstances and have to be prepared

for sale. It is a cost trade-off and has to be looked at on a case-by-case basis."

Michael Danby, managing director of processing and logistics firm Advanced Processing, believes that for many the pendulum is swinging back towards carrying out tasks in the UK. "It's about looking at the end-to-end supply chain costs. Reprocessing garments in the UK can work out cheaper overall and is often faster," he says.

However products are transported, retailers also have to decide where ticketing and labelling should be carried out. TNT Fashion Group development director Philip Bracken says logic dictates it is cheaper to do these tasks overseas, but there are certain challenges that must be overcome. Retailers must transport or print the labels overseas and the source countries may not have an established base for such activities. Businesses must also decide whether to add the price label to garments at that stage.

"Retailers have to ask themselves whether their business model will allow them to price

something three to six weeks before it reaches the store. Some retailers would be happy to do this, but others would say no," says Bracken.

Mark West, principal of logistics consultancy PPS, adds: "Whatever retailers do at source, they have to be careful that they won't have to redo it at some stage in the UK."

For large retailers, the priority is often to maximise the use of their UK distribution centres to create a smooth flow of products.

Mosaic Fashions, owner of Principles, Warehouse, Oasis, Coast and Karen Millen, sources product to ensure it arrives as close to floor-ready as possible at its warehouse at Stanton Harcourt in Oxfordshire. Group distribution director David Roberts says: "In my view, the more pre-retailing that can be done away from the distribution, the better – it avoids taking up space, time and people. Anything that increases dwell time and complexity cannot be good for the business."

Sometimes slightly more work in the UK is necessary at the premium end of the market, where presentation is paramount. High-end fashion retailer Jaeger prints labels at its distribution centre in King's Lynn, Norfolk. These are then sent to its suppliers, who despatch the product using tissue paper to protect non-hanging product and plastic over-bags for hanging garments. Product passes through the warehouse in this state until it arrives at the store. Any final touches, such as steaming or putting garments on high-quality hangers, are then carried out.

Jaeger retail director Mike Thompson says: "The warehouse acts as a trans-shipment centre. Finishing is done at the store to ensure the product looks great when it goes on display."

Jigsaw takes a similar approach, with tickets placed on the garments at source but with the final touches added at the store – each outlet has its own steamer, for example.

IT and operations director Paul Owers says: "We label the products in factories or close to the point of production but, ultimately, some effort is needed in the store to make the products look their best. As store staff are inspecting a new allocation of stock to see if the products need steaming, they are able to get to know the merchandise."

The decision on whether retailers send garments already hanging may depend on the product type. Bracken says that in some cases it is possible to use a flat-to-hanging operation without the need for steaming. Sometimes all that is required is to place the products on a rail, perhaps using a hanger packed flat by the supplier with the garment.

"Textile technology has improved greatly and many fabrics are nowadays more resilient, so that even those shipped flat need much less refreshment," says Bracken.

Sometimes it is necessary to reprocess only a proportion of the garments, according to Clipper Logistics Group business development director Tim Robinson. "For every shipment, you can carry out quality assurance to decide

SEA FREIGHT: THE HIDDEN COSTS

The decision of whether to send products hanging or flat is greatly influenced by shipping costs, which have risen significantly in the past year. For example, the Far Eastern Freight Conference (FEFC), which sets prices for several leading shipping lines, has announced two increases of US\$300 (£148) for each 40ft container this year.

This means the cost of shipping a single container from the Far East now costs between US\$3,000 and US\$3,200 (£1,481 to £1,580), although major retailers with greater volumes and regular business are able to negotiate discounts.

On top of this, there is also a peak surcharge of US\$270 (£133), payable from August.

There is also competition for certain routes, caused by the growth in global trade – overall shipping volumes from the Far East rose 19% on last year.

Rod Riseborough, chief executive of the London branch of the FEFC, says: "The



Trade winds: competition is fierce for certain shipping routes

situation is very tight, with our members running at 97% to 98% of capacity. Our experts say this will continue for the rest of the year. During the peak season from August to November there is expected to be a shortage of space."

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Mark West, PPS

what needs work and what doesn't. What often suffices is to unpack and hang the garment and wait for creases to drop out," he explains. "This won't work for certain fabrics, which will still need to be steamed, but it means you only need to steam a small proportion of the garments."

Many companies that process garments in the UK use specialist firms. This can be on a planned basis, but they are also needed for emergencies, perhaps caused by supplier mistakes. "There is a remedial side when, for example, products may have arrived wrongly labelled or without labels at all," says Cann.

Another alternative is for a company to install a steam tunnel. Fashion brand Ben Sherman chose this strategy at its warehouse at Radlett, Hertfordshire, which is run by DHL, and serves both its wholesale and retail operations. The company converts products from flat to hanging for two major wholesale customers, John Lewis and Debenhams.

The steam tunnel, which was installed three years ago, paid for itself in 18 months in terms of transport costs to and from processors. It is now used to raise revenue by serving other customers. Group logistics director Alan Higgins says: "As well as saving money, we are saving time as well."

Ultimately, the decision of where to carry out certain pre-retailing tasks will depend on volumes, value and type of product. "There isn't one way of doing things that suits everybody," says West. "Each company needs to decide what's right for them."