OUTSOURCING OF LOGISTIC SERVICES IN THE CLOTHING INDUSTRY

DARIUSZ MILEWSKI,¹ BEATA MILEWSKA²

¹ University of Szczecin, Faculty of Management and Economics of Services, POLAND
e-mail: dariusz.milewski@wzieu.pl
² WSB University in Poznań, Faculty of Finance and Banking, POLAND
e-mail: bmilewska@wsb.szczecin.pl

JEL classification L20, L91, M20

Keywords logistics services, garment industry, outsourcing, logistics services, transport, warehousing

Abstract The issue of the paper concerns the range of outsourcing of logistic services in the clothing companies. The paper presents the results of research carried out in Polish companies. The range of outsourcing is influenced by place of a company in a supply chain (a production or a distribution company) and specificity of manufactured goods (clothes on hangers or folded, mass or individualized product). In some cases, companies only outsource transport services, in others also storing (in whole or in part), supply and e-commers service.

Introduction

The aim of the paper is to present the scope of outsourcing in Polish clothing companies and factors affecting this scope. The authors presented the results of own research concerned both production and logistic processes in clothing companies. The research was carried out using the direct methods – interviews and observations.
As part of the research, from August 2017 to November 2018, one of the authors visited 16 Polish clothing industry companies. These were enterprises of various sizes – both the largest Polish clothing company LPP SA and very small, such as Keia – operating on a local and specialized market segment. These companies were also diversified in the scope of their business. Part of these companies only design and sell products in their own showrooms, and outsource production to other companies. The other part of firms either produce garments according to their own designs, like for example Unikat or on order and according to projects of other companies, like it is in case of the so-called processing companies.

In the studied companies differed with the type of production – in most cases it is mass production but there are also companies with highly individualized production, e.g. Macaroni Tomato company. Other companies cooperating with the garment industry were also studied, which produce knitwear, deal with specialized production services, e.g. embroidery, as well as a logistics operator providing services dedicated to clothing companies (Spedimex company).

Transport and Logistics services market in Poland

In the market of logistic services in Poland, which is relatively young but already developed (Placzek, 2017; Placzek, 2012), there are tendencies towards specialization and close, integrated cooperation with customers.

The leading industries using services of logistic operators include consumer electronics and household appliances, household chemicals and cosmetics, and Automotive Subsequently – branch office, pharmaceutical, textile, sports and footwear industries. Specialization plays a very important role and not only on the market of logistic services (Walewski, 2009, p. 35). Specialization strategies are also applied by companies providing traditional transport and forwarding services both by larger and smaller service providers. Many years of research and contacts with the transport and logistics industry in Poland, lead the authors to the conclusion that specialization is a very important factor of the economic efficiency of logistics processes and of the service quality.

However with a very high degree of specialization, the tendency to outsource logistics function may decrease.

Logistics challenges in the clothing industry

The clothing industry has its own specificity – short product life cycles, high volatility and low predictability of demand, a wide range of clothes combined with a variety of colors, sizes or models, long production cycles (Marufuzzaman, Ahsan, Xing, 2009; Battistoni, Colladon, Mercorelli, 2013; Nenni, Giustiniano, Pirolo, 2013; Vedel, Ellegaard, 2013). Difficulties in predicting demand force companies to improve supply chain flexibility (De Carlo, Tucci, Borgia, 2013; Rayman, Burns, Nelson, 2011).

According to the opinion of experts, companies face not four but six seasons of clothing sales, which is associated with shorter product life cycles (Hoch, 2017). The market is evolving towards the so-called “fast fashion” (Kolata, 2018) and growing importance of the e-commerce channel, which enforces increasing flexibility in responding to customer orders. And yet still big companies order production in the low-cost countries, what makes it difficult to react quickly to the changes of consumer demand.

---

1 Research conducted as part of the research project: “Modern methods of managing production and logistics processes and their impact on competitiveness on the example of the clothing industry” at the Faculty of Finance and Banking of the WSB University in Poznań.
An additional challenge is the cooperation with large retail chains that expect from suppliers frequent deliveries in strictly defined quantities and in precisely planned time windows, often at night. A specific problem, especially in e-commers, is also the return management.

The role of modern technologies (e.g. automated processes in warehouses and distribution centers) will be growing (Kunert, 2018; Żurek, 2018).

The specificity also relates to a product itself because clothes require proper conditions in the distribution process. For example, too low temperature can damage the fibers. Carrying some clothes, such as suits in the folded state, causes them to crumple and creates the need for ironing before selling, for this reason companies storage and transport of clothes on hangers.

Logistics operators offer specialized services for their customers from the garment industry – including quality control, cataloging of articles, sending samples for photo studios, labeling, preparing sets, ironing and refreshing clothes, sewing, foiling, hanging on hangers, fixing price tags, RFID markers, security tags (Haber, 2017).

The use of solutions dedicated to the clothing industry may result in lower efficiency of equipment – e.g. in distribution centers of logistics operators. Storing and transporting clothes with other goods creates the risk of dusting, moisture or taking on foreign smells (Haber, 2017). According to the opinion of some logistics managers, such a risk also occurs in the transport of goods in containers by sea.

The strategy of ordering production in low-cost countries can also create a need for specific services. For example Logistics operator FIEGE (Fiege Far East), as a part of their services, can collect goods from the sewing factories, e.g. in Bangladesh and control quality of clothes on site.

Summing up, serving the clothing industry by logistics and transport service providers requires a logistics system adapted to the specificity of this industry. However, the question arises here, what should be the scope of the logistics services and what are the factors that affect it.

**Clothing processing companies**

Clothing processing companies sew clothes ordered by other companies, according to the project of their customers and usually from the materials delivered to them. Companies of various sizes were studied, employing from several to several dozen employees.

None of the surveyed companies in this group are responsible for transport – it is a customer, which orders sewing, chooses a carrier and organizes transport. From the point of view of sewing companies, it is important that finished products are picked up as soon as possible – these companies usually have relatively small storage space, so they have no place to store products for longer. In their warehouses also materials for fulfilling current orders are stored. In general, production takes place immediately after the materials are delivered. For relatively longer time materials like for example threads or packaging are stored.

**Companies producing according to their own projects**

This group of companies produce clothes according to their own projects and under their own brand. The sale takes place either in outside stores or in own showrooms. These companies choose suppliers themselves and order necessary materials, accessories and packaging. However, a way of performing warehouse and transport processes depends on a scale of operations and on whether a company produces typical or individualized goods. Individualized production is usually performed on a small scale.
The example of a company of a middle size, which produces typical products according to their own projects and under their own brand is Unikat company. It produces underwear for stock and keep a big amount of it in its own warehouse, located close to a sewing factory. This company also store materials for production. The sales of clothes take place in outer showrooms, to which Unikat organizes transport performed by a few transport companies.

Another company Keia, which is a small producer of medical and protective clothes, is an example of a company that produces customized garment for a specific order. The company has very small inventories, because it orders materials in required quantity for a specific order and after sewing, the goods are immediately delivered to customers, such as hospitals, while individual customers pick up the goods at a showroom.

Outsourcing of logistics processes in this group concerns only transport.

Companies dealing with design, distribution and sale of clothes

These companies design products, order production to domestic or very often foreign sewing factories, and then they sell products under their own brand, usually in their own showrooms. In this way, the largest Polish clothing companies operate, but not only. For example small, but thriving Macaroni Tomato company outsources production and designs and sells exclusive suits under its own brand, in its own showroom in Warsaw. Companies from this group focus on what is the most profitable in the clothing industry. They outsource sewing, because it gives lower income. Logistics processes are also outsourced, but to a different extent, which will be shown on the example of the two tycoons in the clothing industry – LPP SA and Vistula Group SA.

LPP SA

LPP SA, owner of the Reserved, Cropp, House, Mohito and Sinsay brands, has about 1,700 showrooms in Poland and twenty other countries, mainly European ones. All production is transferred to subcontractors located mainly in Far East, especially in Bangladesh. In the resent years part of the production is coming back to Poland. Logistic processes are only partially outsourced – mainly transport processes.

Clothes produced on behalf of LPP SA in Far East are transported by sea in containers to the port of Gdańsk, and from there to the own Logistics Center in Pruszcz Gdański. It is a modern facility with an area of 70,000 m², in a large part automated (stacker cranes, automatic conveyors, sorters), what ensures high processes efficiency. In addition to the Logistics Center, there is another own warehouse under construction. In this Center most of finished products are stored, except for elegant garments sold from hangers as ironed clothes.

In cases where the priority is short delivery time from a producer, LPP also uses air transport – in this way, about 10% of goods from Far East are transported. Apart from this, also garments sewn in Poland and Turkey are delivered by road transport to the Logistic Center.

Deliveries of goods from the Logistics Center in Pruszcz Gdański to showrooms are performed by express couriers with the use of road transport. LPP cooperates with four carriers in Poland and four in international transport. Deliveries to each store take place according to a schedule, at night. The transport reaches the showrooms in a timely manner – LPP is the most important customer of these carriers, so the logistics service of LPP is treated as a priority. To the showrooms in the Near East goods are transported by planes.

In a slightly different way the logistics service for garments transported and stored on hangers is organized – like part of the “Reserved” brand lady collection. The logistics service for this group of goods is outsourced to a logistics operator Spedimex. The company offers full service – picks products, transports them to its warehouse in
Stryków near Łódź, where the goods are ironed and refreshed. Then, Spedimex delivers ironed clothes to individual showrooms on hangers so that the clothes could be ready for sale without ironing.

As for the e-commer LPP partially outsources this service to Arwato company. This company stores LPP products for online sales in its warehouse. Arvato serves online sales of Reserved, Mohito and Sinsey brands, while LPP deals with the sales of other brands by internet.

**Vistula Group SA**

Logistics processes at Vistula company is organized in a slightly different way. It is divided into two groups – the distribution of hanging clothes (suits, jackets, coats, trousers, tuxedos) and folded clothing (shirts).

The production of hanging clothing is entirely outsourced to Polish sewing companies. Vistula outsource transport and storage services of finished clothes, cooperating with the logistics operator Spedimex. Apart from this Vistula has two own warehouses for keeping materials for production.

Because the production facilities have small storage areas, sewn clothes have to be quickly picked up. Spedimex must be informed about it 2 days in advance. Hanging clothes are transported from production plants to the Spedimex warehouse in Stryków on hangers, because transporting this group of clothes in the folded state would not only cause its deterioration, but also additional costs associated with subsequent ironing would have to be incurred. One vehicle with a load capacity of approx. 90m³ can transport from 2,000 up to 4,000 pieces of hanging clothes, which depends on an assortment – for example coats take up more space than pants, because they can be transported only in two levels, while the pants in three. Spedimex generally transports goods from various sewing factories by one transport. Clothes are stored in the warehouse of Spedimex in Stryków, where a part of the storage space is reserved for Vistula. Vistula pays a fixed rate for the reserved space, regardless of how many clothes are stored. Storage is often long-term, because a lot of clothes are sewn in advance. Then, according to the demand, the goods are delivered to individual showrooms. Deliveries are carried out 6 times a week, at night.

Apart from Spedimex Vistula cooperates also with several small transport companies for transporting small amount of garment, e.g. between showrooms in Warsaw. As for the e-commer, Spedimex deals with dispatch of clothes to customers. In case of returns, these clothes are delivered to sewing factories, where their quality is checked, clothes are washed if needed, ironed and folded.

**Conclusions**

The research showed three main factors influencing the scope of outsourcing of logistic services of clothing companies and types of these services outsourced:

- position of a company in a supply chain, e.g. a production or distribution company,
- type of production - mass or individualized,
- type of a product produced (clothing on hangers or in folded condition).

Production processing companies do not deal with transport, they store goods in short-term in their own small warehouses located near production, and usually buy only accessories and in some cases packaging by themselves.

Companies producing according to their own designs and under their own brand outsource transport, but they deal with the organization of supply and storage. In these companies, a level of stocks depends on whether production is customized for a specific order or it is typical “Make To Stock” Production.
The companies, which design and distribute their products outsource transport. The storage is outsourced either entirely, as in the case of Vistula, or only partly (e.g. only products on hangers), as in the case of LPP SA.

In all of the surveyed clothing companies, the transport functions were outsourced, regardless a size of the company, its place in a supply chain and a type of clothes. The only difference is that the contractors of the processing companies are responsible for transport, while companies that sew according to their own designs order themselves transport services.

Storing is outsourced mainly in cases requiring specialized equipment and know-how, as is in the case of transport of clothes on hangers.

Generally it can be concluded that in the clothing industry, as in many other branches of the economy, there is also a tendency to outsource transport and logistics services and to increase the degree of specialization of logistics service providers. More and more logistics operators offer highly specialized and dedicated services for the clothing industry.

References


