



Performance Measurement Tools

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MERCHANDISING



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ABOUT STITCH DIARY

Stitch Diary is an educational blog by industry expert Mausmi Ambastha.

This is an attempt to educate people about the global apparel industry concepts.

What is the difference between SMV and SAM?

How can you optimize WIP in your industry?

What does NAFTA hold for the apparel industry?

All this and a lot more on www.stitchdiary.com

ABOUT MAUSMI

Mausmi, is an established expert in the garment industry with over 13 years of experience. Her brain child

ThreadSol is a practical reflection of her ideology – “Buy what you need, use what you have!”

Mausmi, holds a Masters degree in Fashion Technology from NIFT, Delhi (India) and is also B.Tech in Computer Science. She has written over 20 publications for several leading apparel magazines like Stitch World and Fibre2Fashion.

Prior to ThreadSol, Mausmi did apparel consultancy and training with Methods Apparel in South-east Asia. She has also worked as a faculty at NIFT and loves to teach whenever she gets an opportunity.



INTRODUCTION

Merchandising activities primarily involved direct interaction with buyers and co-ordinating with multiple in-house departments.

Performance measurement is a process for collecting and reporting information regarding the performance of an individual, group or organizations. Fundamental purpose behind measures is to improve performance.

In an order execution cycle $\frac{3}{4}$ th of the time is spent on merchandising activities and rest $\frac{1}{4}$ th on actual manufacturing of the merchandise. The most interesting characteristics of merchandising activities are human-oriented task, completion of which is based on network of activities, i.e. if one task is delayed due to any reason, multiple tasks succeeding that may get delayed. Unlike manufacturing cycle where task cycles are short enough to have repeatability, thus follows work measurement principle, merchandising tasks are long duration and follows project management logic. Measuring performance in such scenario is primarily time and right first time.

It is also seen that if merchandising activities are stretched due to any iteration or non-conformance, the manufacturing activity cycle is eventually to be compressed to accommodate the loss of time and meet the overall delivery date. Therefore, performance of merchandising department is critical to the overall performance of the organization. It is important to keep a close look at the speed and accuracy of response by the merchandisers and at the same time keeping an eye on the business target of the organization.



ENQUIRY RESPONSE TIME

This is the time taken to respond to the buyer about an enquiry or email. This is the percentage of enquiries responded within the specified time frame. A response must be sent within 24 hours or by the next working day, of receiving the request. A costing request should be replied within 48 hours with possible alternatives.

$$\text{Enquiry response time} = \frac{\text{Enquiry replied with in time frame} \times 100}{\text{Total enquiries replied}}$$

These timeline targets may vary from one organization to another and each company should define their own standards.

EXAMPLE

If Rita had to answer 40 enquiries within a month (8 for costing, 9 for patterns, 6 for fabric, 7 for styling, 4 for samples and 6 other enquiries) and she successfully answered 35 of these enquiries within the stipulated time frame, then the enquiry response time is accurate 85.7% of the time. Further investigations on the late responses reveal that out of 5 enquiries that were delayed, 4 were related to costing. Analysis must be done to identify the reasons for delay in costing and improve it for future.



FILE HANDOVER SCHEDULE ACHIEVEMENT

This is a measure to keep a check on timely handover of files by the merchandising to the production. The goal should be to deliver files on the exact date as decided. Early handover can be as difficult as a late one. Any change in the schedule majorly disrupts planning schedule

**File handover schedule achievement =
(Number of on time deliveries / number of planned deliveries) * 100**

This can be calculated as per week or per month average. This value can also be used to find out performance of merchandisers, buyers, etc. An analysis of reasons of delay may highlight lead time bottlenecks. A file handover is only considered complete if all the responsibilities of the merchandiser have been fulfilled and the order is ready for production.

EXAMPLE

Rita had to handover 10 complete files in a month to the production department and was able to handover only 8 on time. This means she is achieving only 80% of file handover schedule.

In factory XYZ, it was found that file handover schedule achievement was 63% and a major contributor to the delay was buyer as they were making major changes in the style late in the production cycle which resulted in file handover schedule delays and further late deliveries and huge overtimes. This was highlighted to the buyer and rules were set to maintain file handover schedules.



SAMPLE DELIVERY PERCENTAGE

The time taken from the date of request to the delivery of samples.

Sample delivery percentage =

(Number of samples sent on or before time/ total number of samples sent)* 100

Every company has their policy of delivering samples within a certain time period. A proto should be sent within 4 days or a fit sample within 5 days. These are the maximum time limits promised to give a quick response to the customer.

It is important for every company to keep a tab on these timelines. This information can be valuable in following areas:

1. It helps in judging the performance of merchant.
2. In case of delay from customer's end, the company can show evidence when questioned on their delivery delays.
3. Good delivery record can be presented in business meetings to establish performance while asking for future businesses.

EXAMPLE

Rita delivered 10 samples in a month. Each sample was sent within the factory stipulated timeline of 4 working days after receiving complete information for production of sample. Therefore, the factory's sample delivery percentage is 100%.



SAMPLE REJECTION RATE

Sample rejection rate is a very important parameter for merchandisers, both at buyer's as well as manufacturer's end. It shows the performance of pattern makers and ability of merchandisers to interpret tech packs. A lower rejection rate not only shortens development cycle but also instils confidence in the buyer regarding the capability of the merchandising team.

The number of samples that are rejected out of total number of samples sent. This can include proto, fit or any other type of samples depending on factory requirement. Factories may also wish to have different sample rejection rate with each type of samples. This is a very important figure for merchandisers, both at buyer's as well as manufacturer's end. They show the performance of pattern makers and ability of merchandisers to interpret tech packs. A lower rejection rate not only shortens development cycle but also instils confidence in the buyer regarding the capability of the merchandising team.

Sample rejection rate = (Samples rejected / samples sent) * 100

In cases where high rejection rate is due to frequent changes by the buyer or errors of the merchant at the buyer's end, the manufacturer can use this information as proof to safeguard them.

EXAMPLE

Rita delivered 10 samples in a month (four proto samples, three 1st-fit samples, two 2nd-fit samples and one production sample.) Out of these, three samples were rejected by the buyer and further changes were suggested (one proto sample and samples). Therefore sample rejection rate is 30%.

Further investigation reveals that proto sample was rejected due to costing issues; one fit sample was rejected due to incorrect patterns and another one due to style change by the buyer.



SAMPLE ADOPTION LEVEL

This represents how accurate is the manufacturer's design team understanding the buyer's tastes, costs and the trends of the current season.

**Sample adoption level =
(Sample adopted by buyer / Samples presented to buyer) * 100**

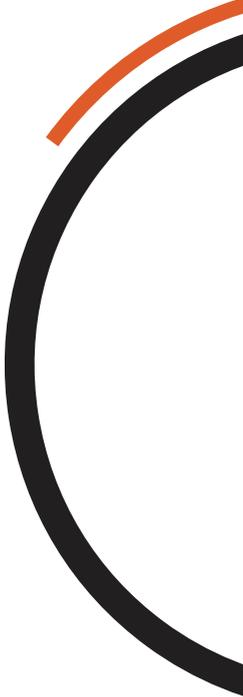
A higher adoption level goes a long way in creating a good relationship with the buyer and higher chance of receiving production orders for the styles selected from the manufacturer's range.

EXAMPLE

Rita with the help of the factory's design team created a range of 20 new samples for the buyer. These were presented and 5 of them were selected by the buyer for sampling of next season's collection. This states that Rita had 25% success with sample adoption. Another merchandiser Raj created 50 samples and 5 were adopted by the buyer. Raj had only 10% success with sample adoption.



The number of orders handled by a merchant in a season, month or year, roughly represents the amount of work the merchandiser had to do in that period. Each order requires same amount of sampling exercises whether it's a small order or a large one. This measure can help us judge the workload and performance of the merchandisers





SAMPLING HIT RATE

This represents the conversion rate of sampling to actual buyer orders.

Sampling hit rate = (Number of styles ordered / Number of styles sampled) * 100

Lower hit rate adds significant cost to the manufacturer, resulting in time delays. If a low hit rate is seen, it should be thoroughly analysed to see the reasons for dropped styles.

EXAMPLE

Rita received 8 tech packs of Spring/Summer collection from the buyer. She created proto samples, costing, etc. If the factory finally gets orders in 4 of these styles, this means that sampling hit rate is 50%.



ORDERS HANDLED PER UNIT TIME

The number of orders handled by a merchant in a season, month or year, roughly represents the amount of work the merchandiser has had to do in that period. Each order requires same amount of sampling exercises whether it's a small order or a large one.

This measure can help us judge the workload and performance of the merchandisers.

EXAMPLE

Rita received 4 orders in the month of June (10,000 pieces each) whereas Raj received 10 orders (4,000 pieces each). Both of them handled the same quantity of 40,000 pieces, but Raj had to do a lot more work to achieve the same quantity.



VALUE HANDLED PER UNIT TIME

EXAMPLE

Rita's orders had average value of \$ 10. Therefore, she brought \$ 4,00,000 worth of business.

Raj's orders had average value of \$ 6. Therefore, he did \$ 2,40,000 worth of business.

It should be noted that although Raj handled more orders but generated the same amount of business in terms of quantity and lesser business in terms of value as compared to Rita.

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90+ customers in **13** geographies plan **2.5** million pieces with ThreadSol products.

Every day.