



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Factors Affecting Supply Chain Management Efficiency in Cross Border Outsourcing:

A case study of H&M and its Outsourcing Operations in Bangladesh

Md. Rajib Hasan and Mohammad Abdul Alim

Graduate School
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Supervisor: Leif Enarsson

Abstract

Background: Outsourcing has been emerged as an important business and economic strategy for achieving competitive advantage to multinational companies these days. The comparative advantages of different countries and companies' intention to maintain increased focus on their core businesses drive them to go for offshore production sourcing their needs by utilizing an effective supply chain system. Although global outsourcing enables companies to achieve competitive advantage but the outsourcing operations is not easy to perform. Several factors are involved which ultimately affects the efficiency of the entire Supply Chain system and global outsourcing firms in different locations could face problem that make it challenging for managers. Therefore, it is important to consider these inefficiency factors while conducting outsourcing operations in Global market.

Purpose

The purpose of our thesis is to investigate how inefficiency factors affect the Supply Chain system of Multi National Corporations (MNC's) during outsourcing process. With that view we have analyzed what implications of these factors in overall efficiency in entire value chain System, how these factor affects Supply Chain efficiency and, in particular, which factors are significantly responsible for inefficiency. We will also analyze probable solutions to minimize inefficiency in Cross Border Outsourcing.

Case Study

We have selected the Ready Made Garments industry (RMG) of Bangladesh to investigate our problem. Ready Made Garments industry (RMG) in Bangladesh has emerged as the main export earning sector in Bangladesh and in 2008-2009 financial year 79.33% of its total export income from this sector. We have selected H&M as our case company as it has been sourcing in Bangladesh since 1981.

Research Findings:

Study finding shows that some factors acting as a hindrance to this smooth operation in cross boarder outsourcing. Finally we analyzed several factors and find out the potential ways to minimize the effect of these inefficiency factors and recommended some probable measures to increase overall supply chain efficiency in total value chain system.

Key Words: Global Outsourcing, Supply Chain efficiency, Ready Made Garments Industry, H&M,

Foreword

This thesis concludes our Master's degree studies in Logistics and Transport Management Program at School of Business, Economics and Law, Gothenburg University. It is our pleasure to conduct the research on Global Outsourcing, especially to discover the case of Ready-Made Garments industry of Bangladesh. Ready-Made Garments industry is not only the main source of export earning but also creates millions of job for Bangladeshi people who are involved directly or indirectly with this industry. Our research work will be successful if it contributes to increase the supply chain efficiency in Ready-Made Garments industry. We would like to thank the readers for their patience and interest on our research topic.

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Md. Rajib Hasan

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List of Abbreviations

BD	Bangladesh
BEPZA	Bangladesh Export Processing Zone
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BOI	Board of investment
BTMC	Bangladesh Textile Manufacturing Corporation
CBM	Cubic Meter
C&F	Clearing and Forwarding
CHB	Custom House Brokerage
CO	Certificate of Origin
CoC	Code of Conduct
CPD	Center for Policy Dialog
CSR	Corporate Social Responsibility
EDI	Electronic Data interchange
EPB	Export Promotion Bureau
EU	European Union
FCR	Forwarder cargo receipt
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	Generalized System of Preferences
H&M	Hennes and Mauritz
ICT	Information and Communication Technology
ILO	International Labor Organization
ISO	International Standard Organization
IT	Information Technology
MFA	Multi- Fiber Arrangement
MOU	Memorandum of Understanding
MNCs	Multi National Corporations
MPS	M Power system
PO	Purchase Order
POD	Purchase Order Date
RFID	Radio Frequency Identification
RMG	Ready Made Garments industry
SA 8000	Social Accountability 8000
SWBL	Sea Way Bill of Lading
UN	United Nations
USA	United States of America
USD	US Dollar
WTO	World Trade Organization
WRAP	Worldwide Responsible Apparel Production

1. Introduction

The aim of this chapter is to give a general view of our thesis and make the readers familiar with our research topic and purpose. The problem discussion would lead us to formulate one main research question and two specific sub questions. Finally, present the delimitation of our thesis work.

1.1. Background

In a global marketplace an increasingly huge competition forces companies striving to find strategies that give them competitive advantage over the competitors. (Christopher, M., 1998). Outsourcing has been emerged as one of the most important business and economic concepts for achieving competitive advantage. Outsourcing can be defined as ‘the transfer of the production of goods or services that had been performed internally to an external party (Van Weele, A., 2005). Which means the companies transfer its operations to another company to produce goods or services to focus on its core competence by using external suppliers. It can be performed either by local or global outsourcing. Global outsourcing has been expanding rapidly as MNCs have started to source most of their products or services in foreign countries (Greer et al., 1999). The basic reason for outsourcing is the increased trend of globalization (Enarsson, L., 2008, p.33). The drivers behind outsourcing are to gain low production cost by access in low cost countries, utilize local firm’s resources thus avoid capital investment on fixed asset for developing non core products, and to gain access technology, performance through effective partnership. The traditional global outsourcing emphasis on tactical benefits like cost reduction, cheaper labor cost in low cost countries , have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Wild et al., 1999). According to the Outsourcing Institute, on average, companies can save 9% of production costs and increase the capacity and quality by 15% through global outsourcing (Elmuti & Kathawala, 2000). Multinational Corporations (MNCs) use to go for internationalization of their production in low cost countries in order to achieve the competitive advantages in their own business field. The comparative advantages of different countries and companies’ intention to

maintain increased focus on their core businesses drive them to go offshore for sourcing their needs. In third world, the countries especially in Asia are getting more focus on MNCs to get access to low production cost and internationalization of complete production chain has contributed to rapid growth in trade, both among the countries in Asia and Asian trade with the rest of the world by uses of the constant and ongoing outsourcing strategies. Higher economic growth; cheap labor cost, open market and declining attractiveness of Western Europe are causes to becoming most attractive region to trade with. (Enarsson, L., 2008).Being a developing country in third world, Bangladesh has become an increasingly promising choice due to source of various comparative advantages especially to international fashion retailer, for outsourcing. Cheap labor force, better quality, favorable government policies and entrepreneurial skills are mentionable advantage. Ready Made Garments industry (RMG) in Bangladesh has emerged as the main export earning sector since 1990. In 2006, export earnings reached US \$8.9335 billion which has increased by more than 8 times over the past two decades with an exceptional growth rate of 16.5 percent per annum(BGMEA; Mohiuddin, M., 2008). In 2008-2009 financial years, 79.33% of the total export income. A large number of international fashion retailers outsource their production in Bangladesh, Wall Mart, JC Penney, K-Mart, CK, Zara, Tesco, Sears, Primark, Ernsting, Carrefour, Hudson Bay etc. are common Brand. Among which H&M, KappAhl, and Lindex are dominant ones from Sweden. H&M is one of the largest garment products buyers in Bangladesh. It started operation in Bangladesh in 1981 and in the year 1986 it opened its local production office in capital city, Dhaka, Bangladesh.

From the globalization point of view, the success of off shoring depends on its supply chain efficiency in that particular industry. The Different industry has different supply chain structure. Globalization implies functional integration between internationally dispersed activities in which industries and commercial firm have two types of international economic network; one is producer driven and another is buyer driven (Gereffi, G., 1994, 1999).The textile and garments is an ideal industry with the dynamics of buyer-driven value chains. The relative ease of setting up clothing companies, coupled with the prevalence of developed-country protectionism in this sector, leads to an unparalleled diversity of garment exporters in the third world. Furthermore, the backward and forward linkages are extensive, and help to different activities associated with the industry (Gereffi, G. & Memedovic, O. 2003). The value chain is organized into five main parts: raw material supply, including: natural and

synthetic fibers; provision of components i.e. yarns and fabrics manufactured by textile companies; production networks made up of garment factories, including their domestic and overseas subcontractors; export channels established by trade intermediaries; and marketing networks at the retail level(Gereffi, G. & Memedovic, O. 2003). Some influential factors are involved within the chain; geographical location, labor skills, technology, transportation which affect the supply chain efficiencies, buyer market power, profit margin of the buying company in the chain. Moreover, lead time is a most important factor in fashion industry. According to Christopher, globalization also tend to lengthen supply chain as companies increasingly move production offshore or source from more distant location (Christopher, M. 2005). Firms like H&M are able to produce its goods from design to distribution within 90-120 days depending on size of the order. The success of outsourcing depends on a number of factors which can affect the overall efficiency of entire value chain. With the event of global outsourcing firms in different locations could face problem that are important to consider while conducting outsourcing operations. Therefore, to reduce inefficiency factors and ensure smooth operations different actors should have to be aware of impact in order to achieve better performance in whole supply chain.

1.2. Problem Discussion

Outsourcing, regardless a powerful economic and business strategy, does not always ensure success to the actors involved in the entire process. There are many drawbacks in outsourcing operations. The success of off- shore business depends on a number of factors. During outsourcing operations within the Supply Chain system MNCs cannot coop up due to lot of limitations which ultimately affect the efficiency of the entire Supply Chain system of companies. The problems are identified based on the impacts over the Supply Chain which is summarized below:

1. The main weaknesses of Bangladesh lack of vertical integration due to its low production of raw materials in compare with India and China which leads to import fabrics from other countries, ultimately long lead time for order fulfillment. The RMG industry highly dependent on imports and had to spend about 55-75 days to import fabrics from abroad (Nuruzzaman, M., 2007). This backdrop is the main reason for

long lead time and higher material costs. The Present lead time is about 90-100 days, whereas China requires only 30 days (Khan,S., 2007).

2. Productivity is hampered due to Quality Inspection/Compliance Inspection which is a common term in the garment industry.
3. Lack of awareness of upcoming technologies, telecommunications & IT impediments and energy supplies unreliable. Full package production and fast replenishment demands adequate IT systems to connect the buyer and supplier. This requires a modern and reliable telecommunications infrastructure, and back-up from IT professionals.
4. Bangladesh does not have sufficient infrastructure to support this garment industry and poor port facility is another issue. Chittagong is the only port in Bangladesh. The port facilities are not sufficient with increased volume of export. As a result container keep stuck-up at the port and remain container jammed which increase lead time for either in imported and exported cargos.
5. Bureaucratic delays still undermine attempts to shorten lead-times. Customs clearance, port congestion and corruption are all cited by businesses as presenting enormous hurdles.
6. Political instability; is a regular incident in Bangladesh. Strikes and violations are very frequent which affects on productivity a lot.
7. Production hampered due to Labor cohesion in the factories.
8. Cultural barriers to information sharing between buyer and supplier are important issues in global outsourcing. Information sharing is must for good relationship and trustworthiness. Misunderstanding can takes place due to cultural differences.

9. Transportation infrastructure; good roads, railways, ports and airports are needed to facilitate swift order deliveries, especially from countries distant from their buyers destinations.

10. Domestic government policies are important for future development in the industry.

After literature review on global outsourcing, we realized that there is a lack of substantial research that focus on both buyers' and suppliers' perspective. Most of the researches in this field are focused on only the buyer's perspectives not sellers. In our research we developed a number of model, theories and concepts; how a buyer can make decisions while considering outsourcing or how to outsource in an efficient and effective manner. But it was quite less that has been written from the suppliers' perspective. Furthermore, all the research nearly deals with the economic, financial and organizational aspects of a buyer but not that much on suppliers.

1.3. Purpose

The purpose of our thesis is to investigate how inefficiency factors affect the Supply Chain Management system of Multi National Corporations (MNC's) during outsourcing process. With that view we will analyze what implications of these factors in overall efficiency in entire value chain System, how these factors affect Supply Chain efficiency and, in particular, which factors are significantly responsible for inefficiency. We will also analyze probable solutions to minimize inefficiency of supply chain in Cross Border Outsourcing.

1.4. Research Questions

In this thesis we will conduct a case study on the Swedish fashion retailer H&M and its outsourcing operations in Bangladesh to investigate how Supply Chain inefficiency factors create problem for the off-shore operations, and how they are handled by the companies. As Sweden and Bangladesh stand in two different locations, poles of culture, problem may frequently arise in different stages in supply chain. During the study period with this case, we have found the following one main research questions on the basis of problem discussions. To be able answered our main research question; we addressed two more research sub-questions:

Main Research Question:

What are the probable solutions to minimize the effect of inefficiency factors in cross border outsourcing in Bangladesh?

Sub questions:

1. What are the factors affecting the Supply Chain Management (SCM) efficiency in Cross border outsourcing in Bangladesh?
2. How these factors affect the Supply Chain efficiency and what are the impacts of inefficiency factors on the entire Value Chain system?

1.5. Delimitations

1. This research will be on Swedish fashion retailer H &M as a buyer perspective not the supplier perspective.
2. It will be just limited only Swedish company cross border operation in Bangladesh. It will not be generalized outsourcing any other cross border operations.
3. The study contains the facts and figures of Sweden and Bangladesh only.
4. The focus of the study is about the relationship between H&M's Bangladesh office and its Bangladeshi suppliers. This relationship ultimately determine the relationship between headquarter of H&M in Stockholm, Sweden, and its Bangladesh office in Dhaka.

2. Methodology

In this part, we have discussed briefly on the scientific research methods and different approaches of business research. Here our aim is to present the design of our research process, approach and methods that we have applied in our report.

2.1. Doing research in a scientific way

Research is a systematic inquiry process that is used to interpret or discover the facts in an area of interest. The main objective if research is to understand the theories or events or behavior, or to justify the applicability of theories in the practical field. The objective of a business research is to gather the knowledge that assists in business decision making. The validity and reliability of a business research would be questionable if it is not scientific. It is important to know about science before explaining how a research could be scientific. According to the Princeton University Thesaurus (2004), *“science is a domain of knowledge accumulated by systematic study and organized by general principals”*. Kerlinger (1973) thinks, science is a method of collecting information on a particular subject or activities and to obtain knowledge from it. Kerlinger, F.N. (1969) defines scientific research as – *“Scientific research is systematic, controlled, empirical and critical investigation of hypothetical propositions about the presumed relations among natural phenomena”* (Kerlinger, F.N., 1969, p. 13).

2.1.1. Scientific approach

There are two basic ways for the creation of knowledge in accordance with the philosophy of science- the positivist approach and the hermeneutic approach. Scientific methods of creating the knowledge are based on either of these approaches. The concept “positivism” refers to the knowledge that is extracted from the observable data available in the reality (Alvesson, 1994 in Behumi, V., Holten, C., 2004). Positivists assume the truth as knowledge, rely on the findings of experimental facts and their relations. They also reject human ability to know what is absolute (Mårtensson & Nilstun, 1988 in Mihalache, S., Vukman, P., 2005) and denies the

influence of society, culture or interaction with human cognition on truth. By the use of quantitative methods, it seeks to discover the laws (Silverman, 1993). This approach helps to assume that there is objective truth in the world. In order to reveal that truth, positivism puts an emphasis on the measurement of relationships between events or variables and this measurement is done in a systematic and statistical way. Moreover, positivism relies on prediction, observation, explanation and the test of hypothesis. Under this approach knowledge is developed through induction and hypothesis are developed and tested scientifically. As more and more facts are developed and gathered, they are used to develop explanatory theories (Rapoport 1997).

Hermeneutic approach involves both analysis of existing theories and experiential knowledge. According to Crotty 1998, scholars started to use hermeneutics method of research by the interpretation of Bible. Hermeneutics is the “*study of understanding*” (Powell, 1999) or the “*art of interpretation*” (Inwood, 1998) which assumes that meanings are neither fixed nor rigid to any specific point, but gradually changes or develops as researchers come across different situations or perspectives to interpret it (Snodgrass, A. and Coyne, R., 1997). Unlike positivism, hermeneutic approach considers the importance of history and culture and believes that better understanding could be reached as “*historically and culturally located beings*” (Rundell in Crotty, 1991). Hermeneutics is concerned to qualitative analysis of situations and events through the interpretation of texts, questionnaire or interview responses etc. to develop a better understanding of certain phenomenon of interest (Behumi, V., Holten , C., 2004). It emphasizes constructivist approaches, which means that there is no clear-cut objectivity or reality (Cassell & Symon, 1994). Our research is based on case study. We have also used a few theories and concepts to clear the knowledge, on which our findings will be interpreted. Our study involves a qualitative research. So we think that, hermeneutic approach of knowledge development best fits to our study.

2.2. Research Design:

A research design can be defined as the framework or structure of a research. Providing the consistency, a good research design holds the research project on the right track. In order to find answers to research questions, it determines and explains the method of collecting and analyzing the data. The topic or nature of a research study determines to a significant extent

how the research will be designed (<http://www.hhs.gov>). We would like to put forward a short discussion on different types of research designs before explaining our research design. According to Bryman (2001), there are four types of research designs-

- Cross-sectional design
- Longitudinal design
- Case study design
- Comparative design

In a *cross sectional design*, information are collected on different cases or objects at a specific time and they are verified afterward to see the patterns of association. *Longitudinal design* is an extended form of social survey. It is similar to *cross-sectional* design and it uses “*self-administered questionnaire or structured-interviews*”. In the *case study design*, researchers conduct on single or multiple phenomena with an objective to create theory or to establish the validity of a theory. In *comparative design*, analysis and comparison are conducted between two or more contrasting cases or phenomena to extract a better understanding of social happenings.

Our research topic guided us to choose a *case study* with a qualitative approach. We have selected *case study* approach in order to get a better understanding of the supply chain efficiency and the factors affecting this efficiency in cross border outsourcing in light of theories and concepts existing at present.

2.2.1. Case study:

Case studies are mainly done to explore the study results and complex social issues usually add to the knowledge previously established (<http://www.gslis.utexas.edu>). Generally a limited number of issues or events and their relationships are analyzed in a case study. Case studies are conducted mainly to verify the theories (Bryman, 2001) or generating theories (using inductive approach). Case studies are conducted also to establish the scope of theories to see in which conditions they are most or least applicable (www.georgetown.edu).

In our study, we have used a few models to measure the performance or efficiency of supply chain in the outsourcing operation of H&M. These models have also helped us to identify the

factors that are affecting the supply chain efficiency and find out the probable solution to minimize the effect of these inefficiency factors. We selected H&M as our case company and its outsourcing operation in Bangladesh as the area of our case study because the materials we could collect from this company were necessary and suitable to solve our research questions.

2.3. Research Method

2.3.1. Qualitative Vs Quantitative Research

A research can be either qualitative or quantitative in nature. The difference between these two methods lies in the area of

“subjectivity, a holistic view, a concern about validity, the analysis being close to the data gathered, the process being given great importance, the use of practical case studies, a uniqueness of the study, and interests in specific individuals” (Bergström, 1994 in Behumi, V., Holten, C., 2004).

Usually qualitative methods are used when it is not meaningful to express the collected data in numbers. On the other hand, a quantitative method is used to analyze the statistical data (Bryman, 2001). Casual relationships are investigated by the quantitative researches between the events, whereas qualitative researches are aimed at interpreting events. The researcher may also be emotionally involved in a qualitative research (<http://www.gifted.uconn.edu>). According to Ghauri et. al. 1995 some characteristics of a qualitative research in comparison of quantitative research are:

- Rather than testing and verification, qualitative researches emphasis on understanding.
- Qualitative researches focus on understanding from respondent’s point of view.
- Qualitative approach is based on rational interpretation rather than any critical or logical approach.
- In qualitative research “observations and measurements are done in natural settings”, whereas controlled measurements are used in quantitative research.
- Qualitative method is concerned to closeness to data and subjective “insider view”.

- Qualitative method usually does not include any hypothetical tests as it is an “explorative orientation method”.
- Qualitative method is process oriented and has a holistic perspective, whereas quantitative method is result oriented and is an analytical method.
- In qualitative research, generalization is made by comparison of properties and considering the contexts of individual organism.

In fact, to conduct a case study there is no hard and fast rule to follow any particular method (Merriam, 1994 in Brask, C., Jonsson, T., 2002) but choosing a method depends on the nature of problem, and the way data and findings are analyzed and generalized (Behumi, V., Holten, C., 2004). We have analyzed and interpreted our findings of investigation rationally in contrast with the understanding we developed in our frame of reference. In this report, we have tried to sketch a total picture of the problem and its implication through logical generalization and for doing this, we have chosen qualitative method. Because we believe that, qualitative method is more consistent with our study. Here it may be noted that, logical or rational analysis means “*analyzing evidence, using formal logic to deduce conclusions from assumptions*” (<http://www.daviddfriedman.com>). In other words, rational analysis is based on and guided by *intellect* or formal logic and is “*distinguished from experience or emotion*” of individuals (<http://www.thefreedictionary.com>). For the sake of *rationality* we have utilized our common sense and logic in analyzing the findings to draw conclusion and tried always to be free from emotional biasness.

Generally, in a qualitative case study, data are gathered through interviews (Merriam, 1994 in Brask, C., Jonsson, T., 2002), which is reflected in our research. Our data collection and data analysis method do not use any complex statistical procedure; in this sense our study is qualitative. Furthermore, this thesis is qualitative because both of the authors are from Bangladesh and possess a good understanding about the supply chain process of ready made garment industry in Bangladesh. Both the actors (buyer and suppliers) of the case study are operating in Bangladesh and our survey respondents are also Bangladeshi.

2.3.2. How the research is concluded: Induction Vs Deduction

The research findings can be generalized through induction or deduction, or by the combination of both (Hackley, 2003). General rules or theories are developed from a

particular observation in an inductive research. Researchers' approach is to summarize their findings from reality in a specific theory through induction. Thus induction moves to specific fact from the general assumption. To draw generalized conclusions out of a single case is the aim of an inductive research. On the other hand, the aim of a deductive study is to draw conclusions on a single, specific phenomenon by using existing general theories. Researchers formulate hypotheses in deductive studies that are examined by empirical data and then verify the accuracy of a theory. It does not matter that, the hypotheses are rejected or confirmed by the theory because, the theory can be revised according to the need (Bryman, 2001).

We have used deductive approach to conclude our findings. Because we have used theoretical concepts to discuss our case and we compared our empirical findings with the theories to confirm the acceptance level of research results.

2.4. Sources of Data

There are mainly two types of data based on the sources of availability – primary and secondary. Primary data are first hand data. They are the outcomes of interviews, questionnaire, emails, phone calls etc. (Gibaldi, 1999). On the other hand, secondary data collected, stored and used before (Zikmund, 2000) and available in books, articles, journals, other printed materials, internet and so on. We have used both kinds on data in our study. As a lot of work has been done before on supply chain efficiency or performance and the RMG (ready made garment) industry in Bangladesh, we were able to collect some data from secondary sources. Rest of the case specific data were collected as primary data through questionnaires, emails and telephone calls.

2.5. Selection of Data

2.5.1. Selection of Literature

To make a clear understanding about supply chain management and outsourcing, we have gathered a number of definitions together based on importance and relevance to our research topic. Based on the books, articles, journals and internet resources, we discussed about the concept of outsourcing and supply chain management, their operational process, structure,

drivers, motives, contribution to the global economy etc. that can provide a clear concept about our research topic. We also pointed out the factors in light of literature influencing global supply chain efficiency that relates our study with the research topic.

2.5.2. Type of Survey

Our case company is H&M and our survey respondents are H&M's local production office in Dhaka and its two Bangladeshi suppliers. All of them are operating their business in Bangladesh. So it was impossible for us to travel so far and conduct direct interviews due to financial and time constraint. So we decided to send questionnaires and make telephone call to perform the survey.

Questionnaire:

A questionnaire should consist of some characteristics; like- questions should be meaningful to the different respondents, it should be simple and understandable. It should be ensured that, the respondents are qualified enough to answer the questions (Berdie, 1986). We prepared different questions for buyer and suppliers. The questions were prepared and answers were expected in such a way that can solve our research questions. We asked and include those questions in our questionnaire, whose answers are not available in secondary sources. Questions were arranged in different headings and mostly in unstructured manner. This is why; there was freedom for the respondents to answer the questions at their own convenience.

Telephone interview:

According to Cooper & Schindler, 1998, interviews can be either direct, that means face to face or indirect like over telephone, fax, email etc. We conducted several telephone interviews with different respondents of both buyer and supplier company. The questions of telephone interviews were broad and specific regarding the operation with H&M. The respondents were very expressive and comfortable to speak as the telephone conversations were made in our national language "Bengali". The conversations were verified by the respondents later on.

2.6. Validity and Reliability

Numerous evaluation criteria are used to justify the validity and reliability of researches based on the field of research but the credibility can be justified by the readers. The outcome of research is significantly depends on researcher's background when the research is a scientific approach to the knowledge creation. Moreover, it needs a critical approach of researchers that, how they use the theories and empirical findings to analyze and interpret them for drawing a meaningful conclusion.

Validity:

There are two types of validity in a research – internal validity and external validity. Internal validity requires a research to be conducted according to the rules and conditions of a standard research. It also includes researchers' level of understanding to analyze and interpret the study findings in a sensible way. On the other hand, external validity refers that, the findings of research can be generalized in other situations (Bryman 2001).

To establish the validity in this research, empirical findings have been compared to the similar data in secondary sources. Even, to avoid the misinterpretation, the information of one secondary source was compared to those of other sources. To maintain the validity of the answers of our questionnaires, we scrutinized the responses very carefully. In addition, we discussed with the respondents over telephone to clarify the topic and questions. After receiving the answers from both of the respondents (buyer and suppliers), we recorded the findings as our requirements and send back to them for verification and correction. In this way, finally we used the verified data in our thesis.

Reliability:

Reliability indicates the degree of dependability on research findings. It also implies that, if the research is conducted again, the research result will be more or less same (Bryman, 2001). We were very conscious about the matter of reliability during the selection of theories, case company and respondents. The questions included in our questionnaires and respondents' answers were relevant to our purpose and research questions. To maintain the reliability, our survey findings were analyzed and interpreted logically and sent back to the respondents for checking the distortion. In a word, all the data were collected and presented here very carefully to make this thesis reliable.

3. Theoretical Framework

In this chapter we will explain the concept of supply chain management and outsourcing as well as their relationship from the point of view of different available and established theories and literatures. In this section our goal is to explain the effect of supply chain efficiency in cross border outsourcing in a theoretical frame.

3.1. A Brief Overview of Global Outsourcing

With the advent of globalization and enhanced levels of competition, many organizations have started to have considerable difficulties in developing and maintaining the range of expertise and skills needed to compete effectively. The emergence of American, European, Japanese and Third World multinationals has created a new competitive environment, requiring the globalization or at least semi-globalization of corporate strategy. This need has led many companies to engage with various kinds of sourcing; like- outsourcing. (Oshri, I., Kotlarsky, J., & Willcocks, L.P., 2009)

3.1.1. Definitions of Outsourcing

Before starting the discussion on outsourcing, some definitions might be appropriate to mention. Different authors have defined the outsourcing that covers a wide scope to assume the concept of outsourcing. The word ‘outsourcing’ can be split as ‘out’ and ‘source’ that means sourcing externally. Some simple definitions of outsourcing are given as follows-

“...contracting with a third service provider for the management and completion of a certain amount of work, for a specified length of time, cost, and level of service.” (Oshri, I., Kotlarsky, J., & Willcocks, L.P., 2009, p 4)

“Outsourcing can be used to obtain key capabilities to supplement existing capabilities.” (Holcomb, T.R., & Hitt, M.A., 2007)

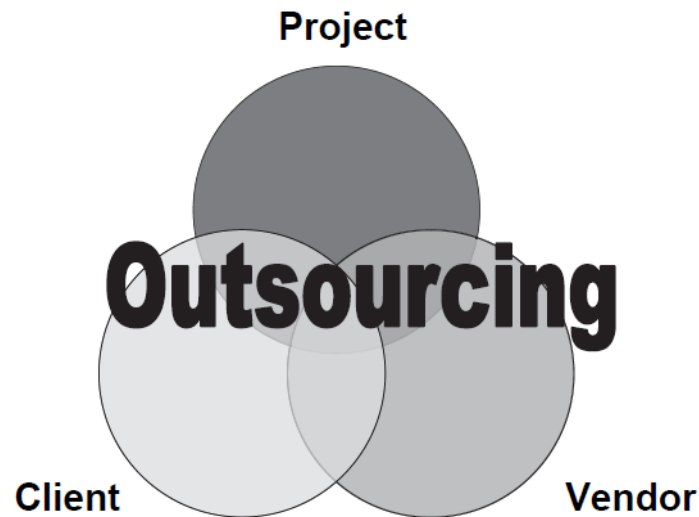
“A contract is the means by which the planning, responsibility, knowledge, and administration of processes is transferred to an external party” (McCarthy & Anagnostou, 2004, Blumberg, 1998)

According to Franceschini, F. et al., 2003, Outsourcing is a managerial approach usually taken for delegating the responsibility to an external source for carrying out the operation of production process or services of an enterprise. According to another author, Kraker, 1995, outsourcing is the process of selecting new suppliers and utilizing their knowledge, creativity and experience to deliver goods, components, or services. In these contexts, it can be summarized that, outsourcing is an agreement between buyer and supplier(s) to avail processes or services that the buyer is providing internally at present; with an intention to reduce cost, increase focus on core business, improve quality of products and services and to ensure more flexibility.

So the core concept of outsourcing is, therefore, locating an expert who can perform a certain business processes or functions outside the firm. So the process of outsourcing involves two main parties – “outsourced” that means buyers or the ones who outsource; and “outsourcer” refers to suppliers or the ones who deliver services. (Saunders and Gebelt, 1997, Franceschini, F. et al., 2003)

3.1.2. Components of Outsourcing

Outsourcing is the act of transferring the work to an external party. An outsourcing initiative calls for the transfer of factors of production, the resources used to perform the work and the decision rights, or responsibilities for making decisions. The organization transferring these is referred to as the client, the organization that conducts the work and makes decision is the vendor, and the scope of the work is captured in a project. (Power, M.J., Desouza, K.C., & Bonifazi, C., 2006)

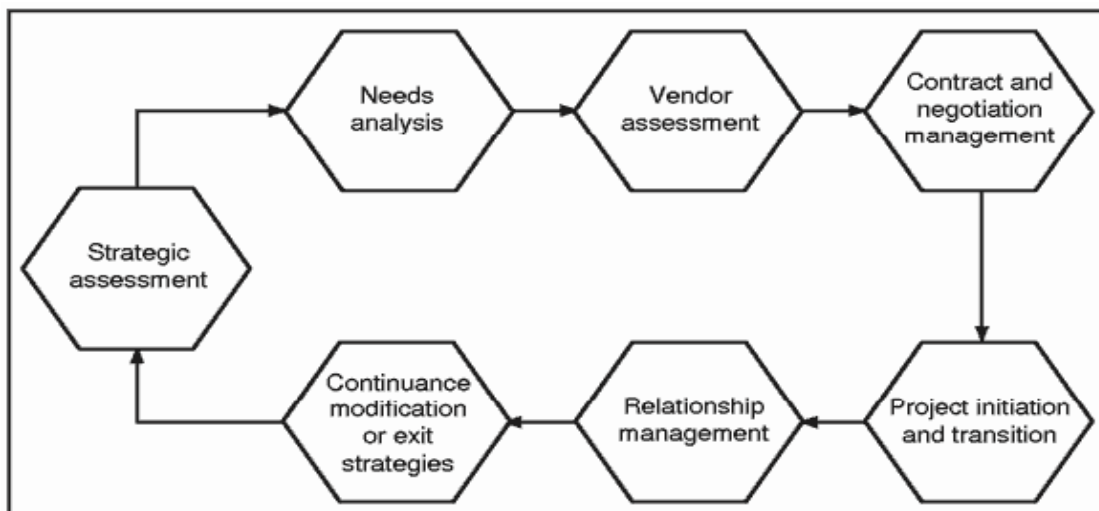


Figur 1: Components of outsourcing

(Source: Power, M.J., Desouza, K.C., & Bonifazi, C., 2006)

3.1.3. Life Cycle and Stages of Outsourcing

An organization needs to maintain an operational cycle to conduct the outsourcing operation. Crossing over the time, experience and practice, an organization adopts the sufficient maturity of how to go through the various stages of the outsourcing life cycle. The outsourcing life cycle is consisted by the following stages (Figure 2).



Figur 2: The outsourcing life cycle

(Source: Power, M.J., Desouza, K.C., & Bonifazi, C., 2006)

According to Power, Desouza and Bonifazi (2006), the outsourcing process is cyclical and it is important to follow through on each stage in the prescribed manner. It will be futile to omit a stage as the organization will miss out any benefits of following a well-organized life cycle.

Strategic assessment

As the first stage of the outsourcing process, strategic assessment is the crucial activity in the whole life cycle of outsourcing. In this stage, the organization identifies a certain business case and assesses the potential benefit of adopting the outsourcing as a strategy. To do this task, the organization analyzes its core competencies, find out the areas that are appropriate for the outsourcing operation, employ an executive team for conducting the various risk assessment. If the organization is agreed up on the business case for outsourcing after conducting the strategic assessment, it gets in to the act of actual outsourcing process.

Needs analysis

After completion of the strategic assessment, the next step for the organization is to define the needs and more specifically areas of the needs that are needed to be focused on. For doing this job, the organization needs to conduct a thorough needs analysis. Although needs analysis is primarily conducted with the first stage of strategic assessment, but in this stage, it is analyzed in more details and concentrated way. Here the organization looks at the peculiarities of the given project, clarification of the requirements, evaluation of the requirements by mapping them to the broader business case that was prepared at the time of strategic assessment and to prepare a proposal to articulate these needs to potential vendors.

Vendor assessment

In the third stage of the cycle, organization goes for soliciting, evaluating and choosing the vendor for its outsourcing needs. Within a structured framework, Vendor selection and contracting phase are conducted that guides the organization through critical vendor selection and contracting activities. Selection of the right vendor is tough as like as to select a good partner. The right selection of the vendor helps to maintain a lasting relationship or the wrong selection may damage the well- planned outsourcing project.

Contract and negotiation management

After selection of the vendor, the next steps for the organization is to be engaged in negotiations (and renegotiations) until an agreement is reached about the details of the outsourcing work. This is followed by the composition of the outsourcing contract- the legal document that indicates the nature and scope of the business relationship. In the negotiation and contract stage, organization focuses on securing a legally binding deal that is documented and not just verbally arranged, and which is best for all parties involved in the outsourcing relationship.

Project initiation and transition

After closing the negotiation chapter, organization is ready to begin the outsourcing project – the project initiation and transition phase. The stages of project initiation and transition are the most influential stages of the outsourcing relationship. In this stage, the client organization slowly starts to hand over the control of the work to the outsourcing vendor. The initial stages of the outsourcing relationship require thorough attention to deal with emergent issues and smooth out any problems that occur. This stage marks the foundation of the continued relationship.

Relationship management

After the initial stages, the outsourcing relationship becomes routine enough to begin managing the day-to-day operations of the relationship, which is also called governance. The focus of this stage is to keep up to date with the outsourcing relationship. The significant activities in this stage include evaluation of the relationship, problem resolution, communications management, knowledge management and process management.

Continuance modification or exit strategy

While management of the relationship is a continuous process, occasionally the client organization may face events that require it to pause and evaluate the future of the relationship. Events could be items such as new strategic alliances, changes to the vendor's business or innovations in the marketplace. Organization must evaluate its current outsourcing contract to see if its best interest lies in continuing, modifying or exiting the relationship. Choosing any one of these alternatives will call for reconnecting to the first stage of the life cycle and reconducting a strategic assessment, to repeat the life cycle.

3.1.4. Global Outsourcing as a Key to Competitive Advantage

When the outsourcing operation crosses the border of the client company's country then it becomes global. A company can adopt the global outsourcing strategy to achieve competitive advantage. Success of company depends greatly on the ability to create sustainable competitive advantage over its competitors (Porter, M., 1985). Sustainable competitive advantage means company's ability to create competitive advantage and hold it for a considerable period of time. McGee et al., (2005) defines competitive advantage as the ability of a firm to deliver a superior value to the customers and thus earning an above-average return. Competitive advantage may be gained when products or services are produced more effectively and efficiently by global suppliers (William, M., et al., 1999). A company can get the cost advantage from a successful global outsourcing. It also provides access to superior quality, i.e. product differentiation or enables the company to focus on specific niche.

3.1.5. Motives for Global Outsourcing

There are some motivational factors that attract a company to go for the global outsourcing strategy. The company gets a number of benefits through a successful outsourcing operation. In fact if the company finds more benefits than the risks in outsourcing then it goes to this process. Some key motivational factors that drive a company to global outsourcing are as follows-

Cost Efficiencies:

Cost reduction has been the prime motive for outsourcing (Ford, D., et al., 1993). The Boston Consulting Group (1991) studied more than 100 key companies with extensive outsourcing practices and concluded that "*most Western companies outsource primarily to save on overhead or induce short-term cost savings*" (The Economist, 1991). To develop a complete product is always expensive for a company as it needs huge investment to improve products and production process through continuous research and technology development. Outsourcing reduces the cost of the client company in this area as the service providers invest in this area to meet up the demand of the buyers in a large scale. In this way, a company can achieve the competitive advantages in the market reducing the cost through outsourcing process.

Improve Focus on Core Business:

Every company has some activities that are not as essential as compared to its core business functions. By sourcing non-core business activities a company can focus on its core business in a better way. So, the efficiency of a company is likely to increase as more time and resources are focused only on the core business functions (Davis, J., 2002).

Access to World Class Capabilities:

A company can produce standardized products or services through outsourcing (Quinn, J. B., et al., 1990) which is not possible by producing internally. Because service providers have enough expertise or capabilities to meet up the customers demand in a large scale that the client companies may not have. Service providers have to deal with similar events and challenges at the time of working with different companies. As a result buyers can utilize the capabilities of service providers and avoid costs which they would have to incur in terms of investment in research and development, technology etc.

In addition, there are some other driving factors that encourage the buyer company to adopt the outsourcing strategy. Such as- internal scarcity of resources, to accelerate reengineering benefits, unmanageable particular function, which is out of control for the buyer company, sharing the risks etc.

3.2. Supply Chain Management- the concept

The term “Supply Chain Management” was revealed in the late 1980s, and then it was exposed to all in 1990s. Before of that time ‘Supply Chain Management’ was used as different terms like- “logistics” and “operations management” in the business fields. (Hugos, 2006). Once up on a time, supply chain management was considered just like a concept. Implementation of this concept was very difficult as there were some necessary components in the total chain to connect with each other. The focal part of the barrier to full supply chain management was the cost of communication and coordination among the many independent suppliers in each supply chain. An entire supply chain covers the area from the creation of raw materials to the delivery of the finished consumer goods. So, many supply chains are involved in the entire supply chain of a product up to the ultimate delivery stage. This is why; it was difficult to link up actively all the supply chain points. But day by day companies are

being interested to implement the supply chain concept in their business for three environmental changes (Fredendall, L.D. & Hill, E., 2000). First, development of the communication technology has made easier the process to communicate between members of the supply chain. Second, new management models have been developed that are being used by the supply chain members to simplify the coordination of tasks. Third, for the development of highly trained work-force, it has become easier to assume the responsibility, make decisions quickly and take required actions to coordinate the supply chain. These three changes are encouraging the companies to take the challenges in the competitive market through the utilization of supply chain management concept.

Some definitions of Supply Chain are given below for better understanding of the concept-

“A supply chain consists of all stages involved, directly or indirectly, in fulfilling a customer request. The supply chain not only includes the manufacturer and suppliers, but also transporters, warehouses, retailers, and customers themselves...” (Chopra S., & Meindl P., 2003)

“Supply chain management is the coordination of production, inventory, location, and transportation among the participants in a supply chain to achieve the best mix of responsiveness and efficiency for the market being served.” (Hugos, M., 2006)

“A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers.” (Ganeshan R., & Harrison T.P., 1995)

Supply chain management requires considering the organizational structure and identifying all the entities involved in manufacturing and shipping a product or service and connecting all of them with each other so that they can work efficiently as a team. This task involves gathering the customers, suppliers, shippers and more recently competitors into a supply network for the most proper utilization of time and resources. According to Zuckerman, A., 2000, there are

several key functions that make up the supply chain. All functions have their own cycle times and all of them are tend to achieve the cost containment.

- Purchasing of raw materials and components is the first and crucial step for the cost containment. Then the manufacturing process.
- Warehousing and shipping phase of the supply chain which is called as *distribution* or commonly called *logistics*- often ‘third-party logistics’ as much of this work is now outsourced to independent contractors.
- Then the transport and delivery stage of the goods and services, both the finished product to customers and retail outlets as well as shipment of materials required to both support a company and manufacture a product.

3.2.1. Actors and the Structure of Supply Chain

In a usual structure, a supply chain is an arrangement of a company and the suppliers and customers of that company. This basic group of participants forms a simple supply chain. Extended supply chains involve three additional types of participants. First there is the supplier’s supplier or the ultimate supplier at the beginning of an extended supply chain. Then there is the customer’s customer or ultimate customer at the end of an extended supply chain. Finally there is a whole category of companies who are service providers to other companies in the supply chain. These are companies who supply services in logistics, finance, marketing, and information technology (Hugos, M., 2006).

According to Hugos, M., 2006, In a certain supply chain there is some combination of companies who perform different functions. There are companies who are producers, distributors or wholesalers, retailers, and companies or individuals who are the customers, the final consumers of a product. To support these companies there are other companies who are service providers.

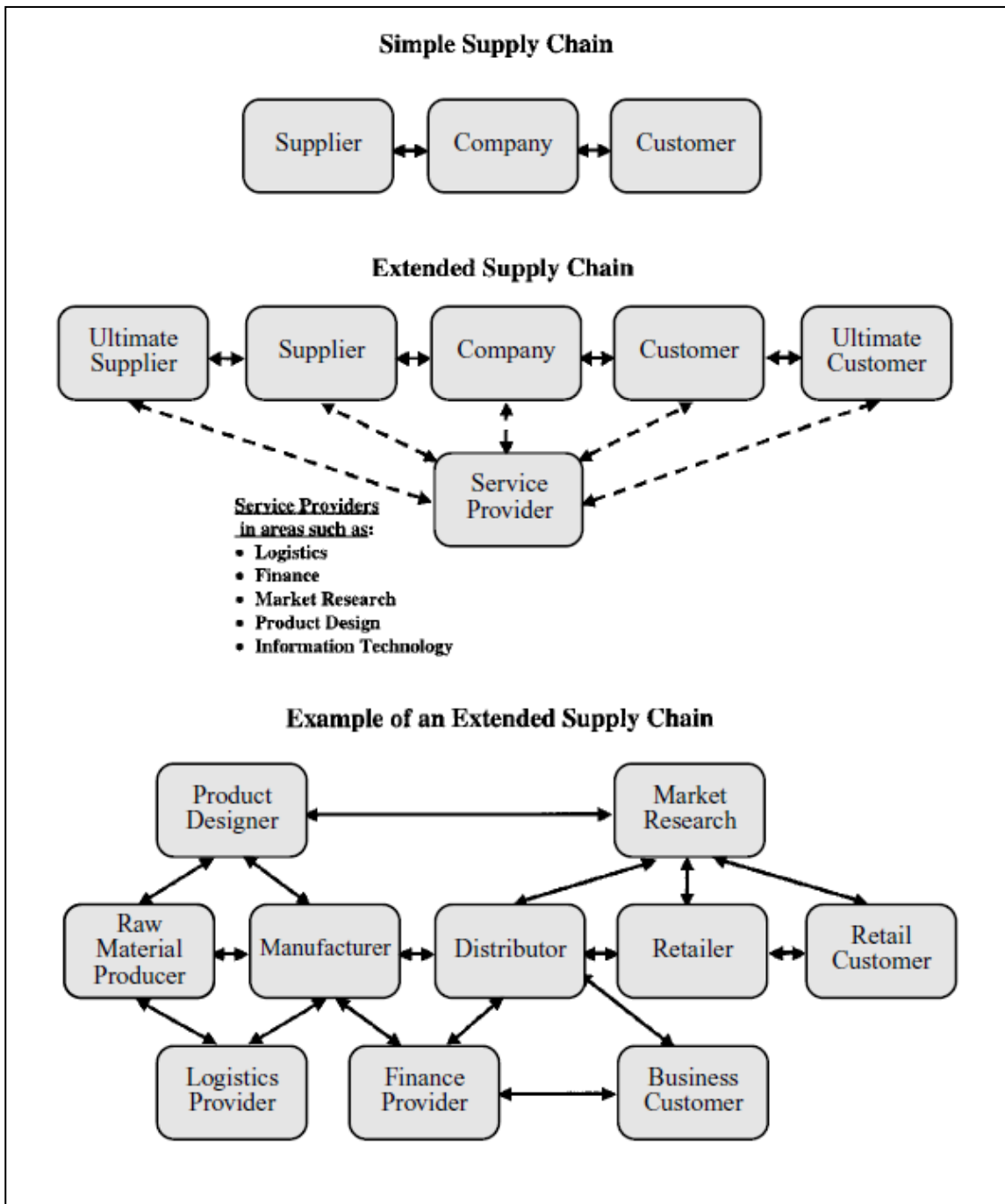
Producers

Producers or manufacturers are the organizations who are responsible for making a product. This includes the companies that are producers of raw materials and companies that are

producers of finished goods. Producers of finished goods use the raw materials and sub-assemblies made by other producers to create their products.

Distributors

Distributors take inventory in bulk from producers and deliver a bundle of related product lines to customers. Distributors are also known as wholesalers. Usually they sell to other businesses and they sell products in larger quantities than an individual consumer would usually buy. Distributors buffer the producers from fluctuations in product demand by stocking inventory and doing much of the sales work to find and service customers. For the customer, distributors meet up the time and place utility. They deliver products when and where the customer wants them. A distributor is typically takes the ownership of significant inventories of products that they buy from producers and sell to consumers. In addition to product promotion and sales, distributor performs some other functions like- inventory management, warehouse operations, and product transportation as well as customer support and post-sales service. Without taking the ownership, a distributor as an organization brokers a product between the producer and the customer. This kind of distributor performs mainly the functions of product promotion and sales. As the needs of customers evolve and the range of available products changes in both of the cases, the distributor as an agent continually tracks customer needs and matches them with products that are available.



Figur 3: Supply Chain Structure

(Source- Hugos, M., 2006)

Retailers

Retailer preserves the inventory and sells it to the general public in smaller quantities. This organization also closely monitors and analyzes the preferences and demands of the

customers that it sells to. It advertises to its customers and often uses some combination of price, product selection, service and convenience as the primary draw to attract customers for the products it sells. Discount department stores attract customers using price and wide product selection.

Customers

Customers or consumers are any organization that purchases and uses a product. A customer organization may purchase a product in order to incorporate it into another product that they in turn sell to other customers. Or a customer may be the final end user of a product who buys the product in order to consume it.

Service providers

These are the organizations that provide services to producers, distributors, retailers and customers. Service providers develop special expertise and skills that focus on a particular activity needed by a supply chain. For this cause, they are able to perform these services more effectively and at a better price than producers, distributors, retailers, or consumers could do on their own. Some common service providers in any supply chain are providers of transportation services and warehousing services. These are trucking companies and public warehouse companies and they are known as logistics providers. Financial service providers deliver services such as making loans, doing credit analysis, and collecting on past due invoices. These are banks, credit rating companies, and collection agencies. Some service providers deliver market research and advertising, while others provide product design, engineering services, legal services, and management advice. Other service providers offer information technology and data collection services. All these service providers are integrated to a greater or lesser degree into the ongoing operations of the producers, distributors, retailers and consumers in the supply chain.

Supply chains are composed of repeating sets of participants that fall into one or more of these categories. Over time the needs of the supply chain as a whole remain fairly stable. In some supply chains, there are few service providers because the other participants perform these services on their own. In other supply chains very efficient providers of specialized services have evolved and the other participants outsource work to these service providers instead of doing it themselves.

3.2.2. Drivers of Supply Chain

Effective supply chain consists of some drivers. Each driver has the ability to directly affect the supply chain and enable certain capabilities. Companies in any supply chain must make decisions individually and collectively regarding their actions in the area of these drivers. Hugos, M., 2006 has described these drivers in the following way-

Production:

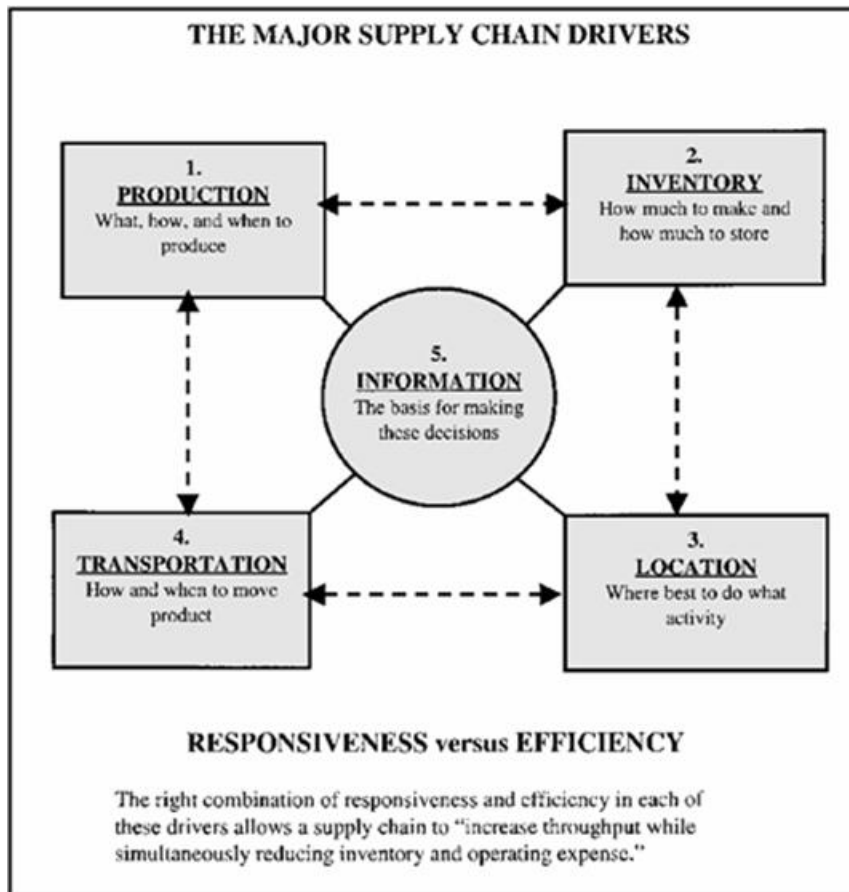
What products does the market want? How much of which products should be produced and by when? This activity includes the creation of master production schedules that take into account plant capacities, workload balancing, quality control, and equipment maintenance.

Inventory

What inventory should be stocked at each stage in a supply chain? How much inventory should be held as raw materials, semi-finished, or finished goods? The primary purpose of inventory is to act as a buffer against uncertainty in the supply chain. However, holding inventory can be expensive, so what are the optimal inventory levels and reorder points?

Location:

Where should facilities for production and inventory storage be located? Where are the most cost efficient locations for production and for storage of inventory? Should existing facilities be used or new ones built? Once these decisions are made they determine the possible paths available for product to flow through for delivery to the final consumer.



Figur 4: The five major supply chain drivers

(Source- Hugos, M., 2006)

Transportation:

How should inventory be moved from one supply chain location to another? Air freight and truck delivery are generally fast and reliable but they are expensive. Shipping by sea or rail is much less expensive but usually involves longer transit times and more uncertainty. This uncertainty must be compensated for by stocking higher levels of inventory. When is it better to use which mode of transportation?

Information

How much data should be collected and how much information should be shared? Timely and accurate information holds the promise of better coordination and better decision making. With good information, people can make effective decisions about what to produce and how much, about where to locate inventory and how best to transport it.

The sum of these decisions will define the capabilities and effectiveness of a company's supply chain.

3.2.3. Global Dimension of Supply Chain Management

"You can't get through a day without the global economy touching you. It's something companies have to be aware of and planning for. Global supply-chain management is key to sustainable competitiveness in a global economy. It's one of the few areas where you can do two things- reduce costs and improve customer service." (Murphy, J., 1999)

To open the business in international market, companies are thinking globally to maintain a competitive edge. But when they move into global arena, their supply-chain problems multiply exponentially. To manage a supply chain across the border and between two continents it is suggested to be highly organized. There is no scope for error at border crossings. In the global operation of supply chain, many new issues arise. Besides the obvious transportation and logistical concerns, there are some hidden forces that should be considered seriously in a global supply chain. (Zuckerman, A., 2000) these factors are discussed as follows-

Cultural and language barriers:

There is no way to overlook or avoid the power and force of cultural differences and language barriers in the global marketplace. To maintain the flow of information and smooth supply chain operation, language barrier must be overcome. Cultural differences should be controlled. Regarding the import/export concern with clients, there can be different values and work practices. In this ground, cultural difference should be removed to succeed in supply chain operation.

Import/Export compliance:

Companies do not have to be directly involved in international trade to find themselves meeting import/export requirements. If they supply manufacturers that sell overseas, they may very well find they have to comply with their own country or foreign regulations. Moreover, considering the chain of responsibility, all parties to an overseas transaction- suppliers, manufacturers and shipping professionals must ensure that regulations are met.

Standards and testing practices:

Standards are the main pillar of manufacturing design. Testing practices provide customer assurance that a product has met health, safety and environmental standards and/or government regulations. If any company fails to meet up the national or regional standards and testing requirements, they are to be terminated from the markets and supply chain breaks down accordingly. For instance, in European market, European Union's CE Mark for health, safety and the environment is now a requirement for market entry. WTO officials are also tagging the ISO 9000 international quality assurance standard and ISO 14000 environmental management system standards for evidence that they are proving to be non-tariff trade barriers in countries that have referenced these usually voluntary standards into government regulations. This is the case in the EU. A related consideration is the international standards and testing practices, which the WTO has identified as an emerging non-tariff trade barrier. Companies that do not comply with foreign standards and testing protocols may find their product entry delayed. Even worse, they may find themselves entirely shut out of foreign markets. And supply chain breaks down. (Zuckerman, A., 2000)

Advanced technology:

Although human interaction is essential to maintain a real global communication and human skills are vital factor to manage information flow of the supply chain, it is not possible to practice global supply chain management without advanced technology. Software solutions also abound for just about every supply chain function, from planning to warehouse inventory management and shipping. The next generation of ERP (Enterprise Resource Planning) products is aimed beyond the single enterprise and manufacturing sector to encompass the entire supply chain and also service companies. And many of these solutions are starting to be offered on the Web through ASP (Application service providers). Most common message set for supply chain information has been electronic data interchange (EDI). EDI allows for transmission of vast quantities of data at high speeds in a secure fashion. With the advent of the Internet and Web, many companies are utilizing the Internet as a transmission tool and for retaining EDI message sets. In time, this combination of EDI/Internet could be replaced by a new generation of Web-enabled ERP software systems and applications that handle all supply chain functions, and provide electronic commerce capabilities. This switchover will promote what experts call "intelligent networking", which will allow flexible intercommunication between global networks. (Zuckerman, A., 2000)

Information management:

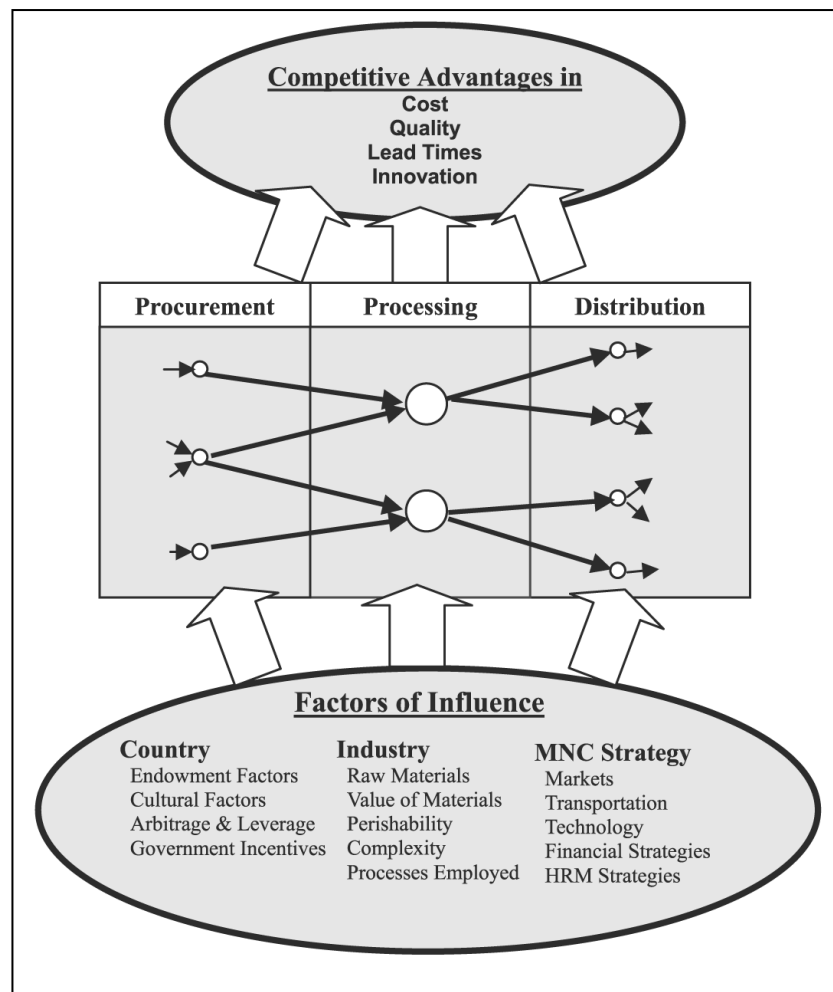
No company can manage a global supply chain without being concerned about how information flows using its applied advanced technology tools. For just-in-time shipping and inventory control, accuracy is very important in particular points. An entire supply chain can be thrown off for inaccurate information and missing data. Employees of the company need to be trained to better management of information although advanced technology can provide some built-in accuracy checks.

3.2.4. Factors Affecting Global Supply Chain Efficiency

To gain the competitive advantage, a company needs to examine its activities in relation to the comparative advantages, which is available in different countries. Corresponding these activities and the sourcing decisions with the imposed conditions of any particular country can lead to gain in cost, quality, lead times and perhaps innovation (Prasad, S., and Sounderpandian, J., 2003). There are some factors that work through the supply chain areas of procurement, processing and distribution to influence the competitive strengths in cost, quality, lead times and innovation. These factors can be categorized into three broad segments; like- role of country, type of industry and the strategy of multi-national corporations (MNCs).

Role of country: This segment consists of endowment factors, cultural variations, arbitrage and leverage opportunities, government incentives and regulations.

Endowment factors: Different countries may provide different kind of opportunities to gain the competitive advantages regarding this factor. Due to its primary, secondary and tertiary factors, a country might be a significant sourcing platform (Porter, 1986). Primary factors include accessibility of low-cost labor, proximity to raw materials and other natural resources (Kogut, 1985a). Secondary endowment factors include the quality of the infrastructure (Nichols and Taylor, 1995). For instance, the accessibility and reliability of telecommunications, ports, roads and airports. Access to skilled labor and scientific personnel relates to other secondary level endowment factors (Porter, 1986). Third level of endowment factors includes the country demands and operating conditions (porter, 1986).



Figur 5: Factors that influence the performance of a global supply chain

(Source: Prasad, S., and Sounderpandian, J., 2003)

Cultural variations: Variations in cultural practices are responsible for errors in the communications between the various nodes in a supply chain (Murphy and Dalenberg, 1989). So differences in social patterns, languages, norms and values etc. may influence the performance of global supply chain.

Arbitrage and Leverage: In the arena of global supply chain, a company can gain the competitive advantage through arbitrage and leverage. A purchasing manager can leverage the changing exchange rates by sourcing from the countries with lower exchange rate. On the other hand, lack of harmonization of tax structures between the countries can provide opportunities to arbitrage tax regimes via transfer pricing and multi-channel remittances (Kogut, 1985)

Government incentives and regulations: Government incentives and regulation covers a lot of factors that may influence the performance of supply chain. Government can provide some incentives to the MNCs to make the country as a sourcing platform. To ensure the smooth supply chain process in the outsourcing operation Government can set up export processing zones to overcome many problems. Government incentives may include promotion of technology (Sum and Yang, 1993) and some kinds of subsidies as well. Regulations may vary from one country to another. They may cover the areas of tariffs, export requirements, import substitution impositions, customs duties, quotas, customs procedures, standards, labor requirements etc.

Industry:

Structure and management of a supply chain can be influenced by the types of industry. Factors affecting the supply chain efficiency include the amount of raw materials and their relative scarcity, value and cost of components, perishability of the products and the characteristics of the process employed (Prasad, S., and Sounderpandian, J., 2003).

MNC Strategy:

The MNC strategies can influence the global supply chain through the following factors-

Markets: for the competitive strategy, some factors should be assessed like- market situation, rate of change toward a market economy, size of the market etc.

Transportation: In the global supply chain strategy, a company is required to explore some issues. They are- cost, accessibility, shipping patterns, on time performance, service, warehouse location, routing constraints, ratio of intra to inter company traffic, types of transportation modes, carrier qualifications, intermodal systems etc. (Prasad, S., and Sounderpandian, J., 2003)

Technology: For gaining the competitive advantage, MNCs employ advanced technology. Technological investment of MNCs can be in terms of machines and equipment or work methods (Sum and Yang, 1993).

Financial: By having a number of suppliers in different countries and sourcing from lower rate countries, MNCs can take the advantage of the exchange rate. Because currency value is fluctuated from one country to another in different time (Kogut, 1985b). A lot of such benefits may be invalidated by the restrictions on foreign direct investment, hard currency transfer, cost of capital, land transportation costs etc.

Human resources: MNCs need to evaluate its employees on a global scale and determine the level and type of education required. Training needs to include language and cultural know-how, technical skills and documentation methodology. Other issues can be included; like- use of work force teams, number of labor grades, number in staff positions (Schmenner, 1991) and the creation of new types of career paths.

4. Overview of Supplier and Buyer Country

In this chapter we have presented empirical data, both secondary and primary. Here we have provided the data in order to make clear the concept about apparel business industry in supplier country Bangladesh. We have started this chapter with a brief country profile of the vendor and buyer company Bangladesh and Sweden.

4.1. Country Profile of Bangladesh and Sweden

Business environment of a country is a significant matter which has a huge contribution in the growth of GDP. There are a lot of fashion houses in Sweden. On the other hand Bangladesh has a numbers of garments manufacturing company and manpower. This is why; apparel business is being operated between these countries for a long time. But there are some other factors that can impact on the business flow of these countries. So it is needed to know about these factors for the better understanding of the cross border business operation between these countries.

4.1.1. Bangladesh

Location: Bangladesh is situated in the north-eastern part of South Asia. The majestic Himalayas cover some distance to the north. The southern part of the country is covered by the Bay of Bengal. Rest of the border sides of the country is surrounded by India and Burma (now known as Myanmar) (<http://www.bangladesh.gov.bd>). The area of Bangladesh is 143,998 sq km (<http://news.bbc.co.uk>). Most of the area is a vast flat land and there are the hilly regions in the southeast and northwest part.



Figur 6: Location of Bangladesh

(Source: <http://news.bbc.co.uk>)

Climate: The climate of Bangladesh is “subtropical monsoon climate”. There is a heavy rainfall in the rainy season (normally from June to October). The summer is hot and humid (March to June). The winter is slightly cold (November to March). Floods, cyclones, tornadoes cause severe disasters in Bangladesh (<http://countrystudies.us>).

Population: The population of Bangladesh is 162.2 million (UN, 2009; <http://news.bbc.co.uk>). As of 2009, the density of population is 1126.55 people living per square kilometer. (<http://en.wikipedia.org>). The average life expectancy of total population is 60.25 years, where male for 57.57 years and female for 63.03 years (2009) (<https://www.cia.gov>).

Religion: The main religion of Bangladesh is Islam. About 88.3% of the total population is Muslim. Second major religion is Hindu, which is about 10.5%. Rests of the religions are Christian 0.3%, Buddhist 0.6% and others 0.3% (<http://www.state.gov>). The different minor religions are scattered in the tribal areas of southern part of Bangladesh; Chittagong Hill-tracts, Bandarban, Rangamati, khagrachari etc.

Literacy and Language: Literacy rate is 47.9%; male literacy rate is 54% and female is 41.4%. Bangla (Bengali) is the official language in Bangladesh. (<https://www.cia.gov>). English is widely used among the educated people all over the country. English is also mostly used in the offices, universities and other institutes.

Economy: Bangladesh is a member of the LDC (Least Developed Countries) with 36.3% of the total population below poverty line (2008 est.) (<https://www.cia.gov>).

	2004-05	2005-06	2006-07	2007-08
GDP at ('95-96) Constant Price (Million Taka)	26697-40	2846726	3029709	3217855
GDP at Current Market Price (Million Taka)	3707070	4157279	4724769	5419188
GNI at Current Market Price (Million Taka)	3896350	4429354	5077524	5853182
Per Capita Income (GNI) (In Taka)	28443	31915	36116	41103
Implicit GDP Deflator	138.86	146.04	155.95	168.41
Real GDP Growth (Percent)	5.96	6.63	6.43	6.21
Total Export (f.o.b) (Million Taka)	532831	691950	850309	
Total Import (f.o.b) (Million Taka)	769944	962345	1118664	
Gross National Saving (Million Taka)	958039	1150360	1354237	1584189

Tabell 1: Major Economic Indicator of Bangladesh, 2004-2008

(Source: National Accounting Wing, BBS-Bangladesh Bureau of Statistics)

Currency exchange rate- Taka (Bangladesh currency) per US dollar: 68.554 (2008), 69.893 (2007), 69.031 (2006), 64.328 (2005). (<https://www.cia.gov>)

Bangladesh exports a lot of goods and accessories but apparel products are the most of them. Ready made garments industry has the biggest contribution as a source of export income of Bangladesh in comparison with other export items. Following table shows a clear scenario of the export condition of Bangladesh-

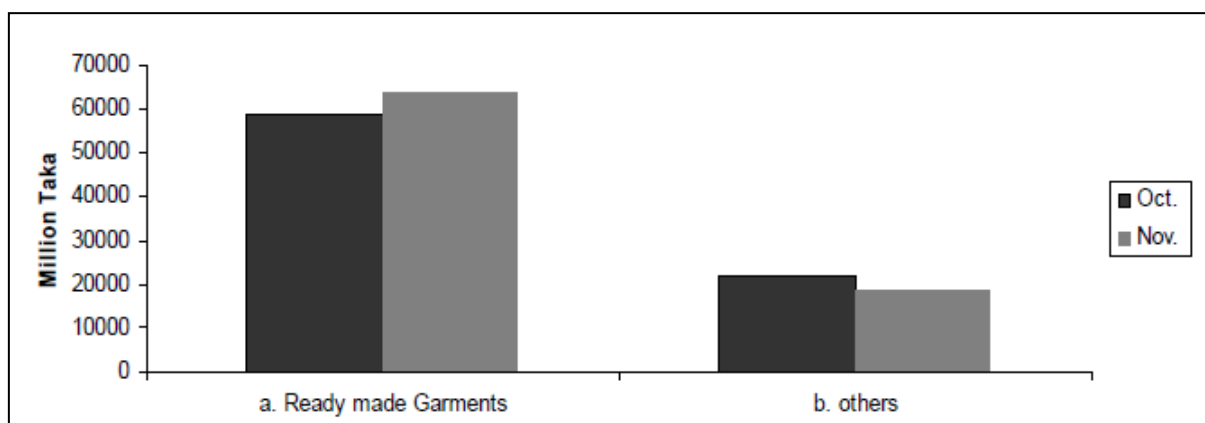
Items	(In Million Taka)		Percent Change from the previous Month
	2009-10		
	October	November	
1. Export (Commodities)	80620.3	82838.3	2.75
of which			
a. Ready made Garments	58605.44	64120.74	9.41
b. Made up textile article	3233.69	2629.91	-18.67
c. Vegetable textile fibre/yarn	4404.63	3594.09	-18.40
d. Petroleum oil /oil bituminous	1301.46	379.09	-70.87
e. Footwear	1170.9	1069.15	-8.69
f. Special woven fabrics	883.75	1055.03	19.38
g. Raw hides, skins & leathers	1057.73	1655.96	56.56
h. Bicycle	823.17	524.85	-36.24
i. Shrimps and prawn	2432.19	1973.61	-18.85
j. Fertilizer	-	-	-
k. Others	6707.33	5835.89	-12.99
2. Import (Commodities)	169030	167243	-1.06
of which			
a. Petroleum product and oil	11526.32	17500.33	51.83
b. Soya bean and Palm oil	12628.45	13072.55	3.52
c. Machinery & parts	13510.41	13094.19	-3.08
d. Electrical Machinery	9292.9	11734.8	26.28
e. Raw cotton	9797.49	8289.99	-15.39
f. Iron and steel	6180.81	7735.19	25.15
g. wheat	12016.44	5599.05	-53.41
h. Fertilizer	7067.18	7693.17	8.86
i. Plastics and articles	5638.95	4798.86	-14.90
j. Ships and boats floating structure	8946.06	4896.73	-45.26
k. Others	72424.76	72827.87	0.56
3. Trade balance(1-2)	-88409	-83404	-5.66

Tabell 2: Export goods from Bangladesh

(Source: National Accounting Wing, Bangladesh Bureau of statistics)

Currency exchange rate- Taka (Bangladesh currency) per US dollar: 69.047 (2009)

(<https://www.cia.gov>)



Figur 7: Export of Ready Made Garments and others

(Source: National Accounting Wing, Bangladesh Bureau of statistics)

In addition, Bangladesh earns a lot of foreign currency as remittance from the people who live abroad. In a statistics, it is found that, in the year of 2006-07, the earning from remittance was US\$ 5.98 billion (*National Accounting Wing, Bangladesh Bureau of statistics*).

4.1.2. Sweden

Location: Sweden is located in Northern Europe, connected with Baltic Sea and situated between Finland and Norway. The area of Sweden is 449, 964 sq km (<http://news.bbc.co.uk/2/2823.stm>) and it is the largest country among other Scandinavian countries.



Figur 8: Location of Sweden

(Source:<http://news.bbc.co.uk>)

Climate: The winter is cold and cloudy, temperature goes below the freezing point and day light is shorter at that time. Temperature is not same all over the country. It differs from north to south. North side of the country is a sub arctic zone; whereas south portion enjoys a cold temperature. The summer is almost rainy and prevails for a short time (normally from June to September).

Population: The population of Sweden is 9.2 million (UN, 2009). About more than 10% of its population are immigrants. The density of population is around 20 people in every sq. km. The average life expectancy for men is 79 years and for women it is 83 years. (UN) (<http://news.bbc.co.uk>).

Religion: Major portion of the population is Lutheran Christians; which is about 87%. Rests of the religions are minor and they are- Roman Catholic, Orthodox, Baptist, Muslim, Jewish and Buddhist that are 13% together (<https://www.cia.gov>)

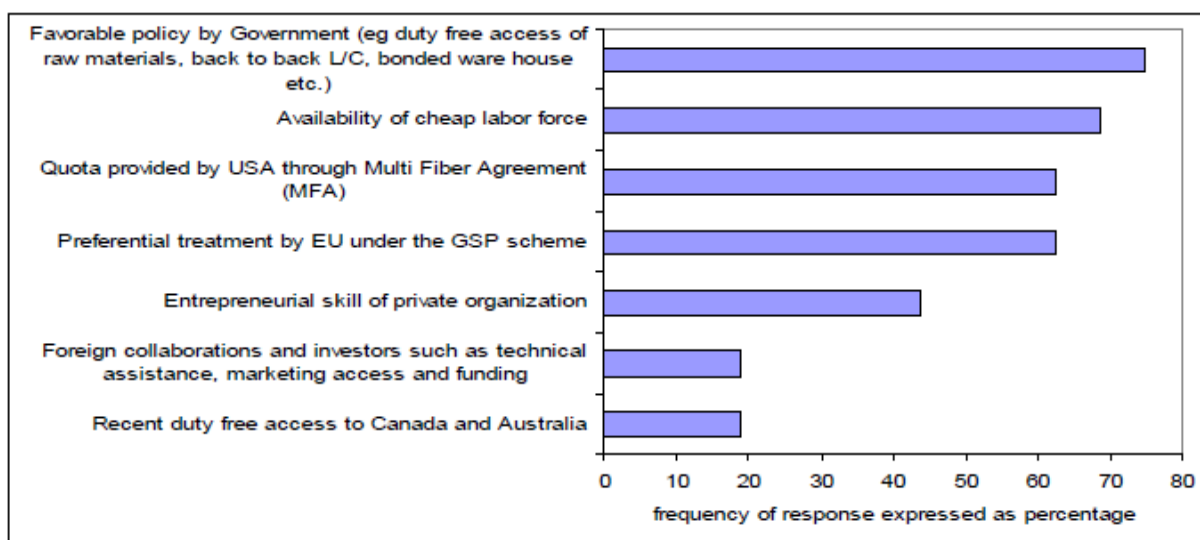
Literacy and Language: The official and widely spoken language is Swedish. Swedish language is closer to Norwegian and Danish language, but the pronunciation and orthography are different. The five minority languages are recognized as Finnish, Meänkieli (Tornedal Finnish), Sami language, Romani and Yiddish. Most of the Swedes can speak in English; especially people below 50 years age. The literacy rate in Sweden is 99% (<https://www.cia.gov>).

Economy: Sweden is one of the most highly developed post-industrial societies which is fundamentally secure. The strong Swedish economy is formed by public-private partnership which is at the core of “the Swedish model”- developed by the Social Democrats, who governed for most of the last 70 years until 2006. (<http://news.bbc.co.uk>). Swedish economy is a mixed system of high-tech capitalism and extensive social welfare system. Timber, hydropower and iron ore constitute the economy heavily oriented to the foreign trade. Privately owned firms contribute in 90% of industrial output, in which the engineering sector accounts for 50% of output and exports. Agriculture contributes for only 1% of GDP and of employment. In 2009, the total GDP of the country was US \$333.5 billion with a real growth rate of -4.4% (<https://www.cia.gov>). In 2008, per capita GNI was US \$50,940 (World Bank, 2008; <http://news.bbc.co.uk>). The main industries of Sweden are iron and steel, precision equipment (bearings, radio and telephone parts, armaments), wood pulp and paper products, processed foods and motor vehicles. In 2009, Sweden exported various kinds of goods of US \$132.8 billion. The export commodities were machineries, motor vehicles, paper products, pulp and wood, iron and steel products and chemicals. Among them, machineries were 35%. In the same year, Sweden imported different commodities, equivalent to US \$ 121.1 billion. The imported goods were machinery, petroleum and petroleum products, chemicals, motor vehicles, iron and steel, foodstuffs and clothing (<https://www.cia.gov>).

4.2. Readymade Garments Industry of Bangladesh

Bangladesh is a common name in the global apparel markets. In the last couple of years, Bangladesh has been introduced as an important supplier of the quality ready made garments in the global market. Now Bangladesh is one of the leading ready made garments exporters in the world. In recent years, the significant growth of garment sector in Bangladesh has changed the total view of the export business in the country. The growth and expansion of this export oriented industry in Bangladesh was the result of an international quota system. For the cause of this system, many companies around the world were obliged to relocate their sourcing and production facilities to the low cost under developed or developing countries. In this consequence, the RMG business started in Bangladesh as a result of a joint-venture between a South Korean and Bangladeshi firm in the late 70s as a negligible non-traditional sector with a small export base. Within five years of the start, it emerged as a promising export earning sector in the '90s (Mohiuddin, M., 2008). RMG export earnings have increased by more than 8 times over the past two decades with an exceptional growth rate of 16.5 percent per annum. In 2006, earnings reached US \$8.9335 billion, which was only less than a billion US\$ in 1991 (BGMEA; Mohiuddin, M., 2008).

There are some competitive factors that contributed to the rise of garment industry in Bangladesh. Mainly five reasons are indentified for the growth of this industry in Bangladesh (Uddin, M., A. 2006; Mohiuddin, M. 2008). These are favorable government policy, cheap labor force, entrepreneurial skills, quota system provided by USA and GSP scheme provided by EU.



Figur 9: Factors contributing to the growth of RMG in Bangladesh

(Source: Mohiuddin, M., 2008)

Bangladesh exports apparel goods to the various countries. Major export market share is occupied by USA and EU. Bangladesh exports more than 90% of its garments to the European Union and USA. MFA of USA and GSP provided by EU was the main reason for this market concentration. Following table gives a clear idea about the apparel export market share of Bangladesh.

	export 2003-04 million\$	% of total of export	Export 2004-05 million \$	% of total of export
EU	3664.427	64.45	3945.653	61.48
USA	1628.588	28.64	2026.091	31.57
Canada	256.4	4.51	307.941	4.80
other countries	113.148	1.99	114.391	1.78
Australia	3.739	0.07	7.299	0.11
Japan	19.786	0.35	16.302	0.25

Tabell 3: Major export destination and their share in total apparel export

(Source: EPB; Mohiuddin, M., 2008)

The RMG sector of Bangladesh was in threat after phasing out the MFA (multi fiber agreement) by USA from 1st January 2005. Then it was predicted that, the RMG sector will fell into destruction. But it was proved as wrong. Although this industry felt shock in the first few months after abolition of quota, it could come back in the good situation after a few days.

The RMG export did not decline that much even the post-MFA; rather it was found that export growth during January-July 2005 was substantial to end the fiscal year 2004-05 with a growth of 13 percent, with knit garments registering phenomenal growth of 31 percent (Mohiuddin, M., 2008).

Year	Woven	Knitwear	Total RMG Export
2002-03	4.28	13.34	7.16
2003-04	8.59	29.88	15.76
2004-05	1.70	31.26	12.87
2005-06	13.50	35.38	23.11

Tabell 4: Growth pattern of woven and Knitwear Categories

(Source: Export Promotion Bureau, Bangladesh)

After suffering from some losses in the beginning stage of post-MFA, RMG sector adopted various safeguard measures and became able to come back as a promising apparel manufacturer and exporter in the global market. In this consequence, Bangladesh became the second largest apparel exporter in volume in the EU market.

Shipper	Knitted Clothing					Woven Clothing				
	2005 Volume Change (%)	2006 Volume Change (%)	2004 Volume Share (%)	2005 Volume Share (%)	2006 Volume Share (%)	2005 Volume Change (%)	2006 Volume Change (%)	2004 Volume Share (%)	2005 Volume Share (%)	2006 Volume Share (%)
China	53.76	-2.00	24.46	33.99	29.92	39.32	4.69	36.03	46.13	45.30
Bangladesh	7.29	16.64	15.57	15.10	15.82	-13.03	23.66	9.29	7.43	8.63
Indonesia	-8.82	23.24	3.00	2.47	2.74	-8.26	17.41	2.22	1.87	2.06
Vietnam	16.21	193.57	1.12	1.17	3.10	12.55	116.06	1.77	1.84	3.72
Cambodia	-7.79	23.48	1.56	1.30	1.44	-10.56	-8.37	0.56	0.46	0.39
India	17.53	4.50	6.01	6.39	5.99	22.04	9.99	3.70	4.15	4.20
El Salvador	39.12	794.17	0.02	0.03	0.21	-	-	-	-	-
Pakistan	-17.77	23.89	3.19	2.37	2.64	-0.48	7.74	3.14	2.88	2.91

Tabell 5: EU Apparel Imports in 2005-2006, Volume (Kilograms) Change and Volume Share.

(Source: WTO database; Mohiuddin, M., 2008)

If we look at the present condition of the RMG industry in Bangladesh, it can be found that, crossing over a lot of barriers and challenges this sector is maintaining a sustainable growth in its business field. The following table shows the present condition of the apparel export from Bangladesh.

(VALUE IN MN. US\$ QUANTITY IN MN DOZEN)

YEAR	TOTAL APPAREL EXPORT IN MN.US\$				TOTAL APPAREL EXPORT IN MN.DZ		
	WOVEN	KNIT	SWEATER	TOTAL	WOVEN	KNIT	TOTAL
1995-96	1948.81	527.91	70.41	2547.13	48.82	23.18	72.00
1996-97	2237.95	566.7	196.60	3001.25	53.45	27.54	80.99
1997-98	2844.43	641.22	296.29	3781.94	65.59	32.60	98.19
1998-99	2984.96	763.32	271.70	4019.98	64.79	36.66	101.45
1999-2000	3081.19	943.15	325.07	4349.41	66.63	45.27	111.90
2000-2001	3364.32	1018.64	476.87	4859.83	71.48	52.54	124.02
2001-2002	3124.82	941.1	517.83	4583.75	77.05	63.39	140.44
2002-2003	3258.27	1075.45	578.37	4912.09	82.83	69.18	152.01
2003-2004	3538.07	1531.71	616.31	5686.09	90.48	91.60	182.08
2004-2005	3598.20	1926.35	893.12	6417.67	92.26	120.13	212.39
2005-2006	4083.82	2772.97	1044.01	7900.8	108.82	165.02	273.84
2006-2007	4657.63	3305.51	1248.09	9211.23	133.08	199.54	332.62
2007-2008	5167.28	4058.43	1474.09	10699.8	147.43	241.60	389.03
2008-2009	5918.51	4570.64	1858.62	12347.77	169.59	290.92	460.51

Tabell 6: Value and quantity of total apparel export-Fiscal year basis

(Source: BGMEA, 2009)

The main apparel items that are mostly exported from Bangladesh to the global market are-shirts, trousers, jackets, t-shirt and sweater. An overview of the export flow of these items is given below-

(VALUE IN MN. US\$)

YEAR	SHIRTS	TROUSERS	JACKETS	T-SHIRT	SWEATER
1995-96	807.66	112.02	171.73	366.36	70.41
1996-97	759.57	230.98	309.21	391.21	196.60
1997-98	961.13	333.28	467.19	388.50	296.29
1998-99	1043.11	394.85	393.44	471.88	271.70
1999-2000	1021.17	484.06	439.77	563.58	325.07
2000-2001	1073.59	656.33	573.74	597.42	476.87
2001-2002	871.21	636.61	412.34	546.28	517.83
2002-2003	1019.87	643.66	464.51	642.62	578.37
2003-2004	1116.57	1334.85	364.77	1062.10	616.31
2004-2005	1053.34	1667.72	430.28	1349.71	893.12
2005-2006	1056.69	2165.25	389.52	1781.51	1044.01
2006-2007	943.44	2201.32	1005.06	2208.9	1248.09
2007-2008	915.6	2512.74	1181.52	2765.56	1474.09
2008-2009	1000.16	3007.29	1299.74	3065.86	1858.62

Tabell 7: Main apparel items exported from Bangladesh

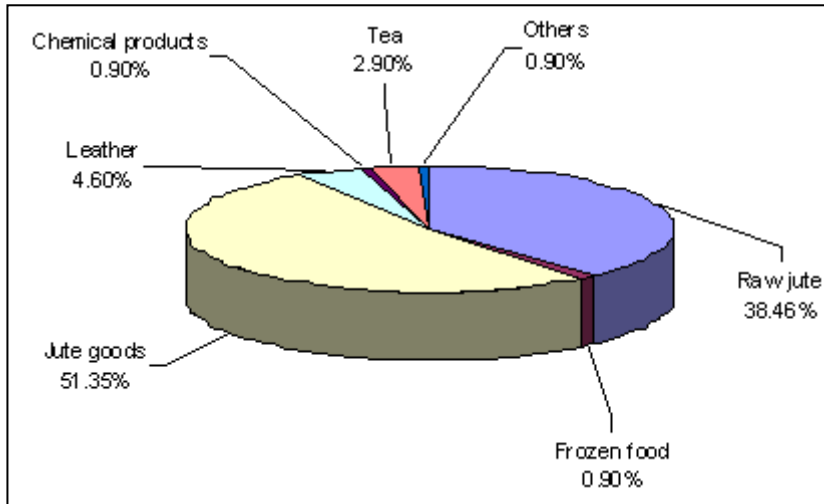
(Source: BGMEA, 2009)

The learning from survival in the immediate post-MFA period helps Bangladesh to take new challenges and to compete in the already established markets and in the new markets. Bangladesh is going forward day by day competing with the apparel giants like China and India as well as some new players such as Vietnam and Cambodia. Despite the technological development, RMG sector in Bangladesh is still highly labor intensive sector. Buyers always buy a bulk of apparel products for cost effective imports. Providing the lower rate with good quality products than other exporting countries, Bangladesh is going to be competitive day by day and striving to achieve a strong position in the global apparel export market.

4.3. Contribution of Ready Made Garment industry to the Economy of Bangladesh

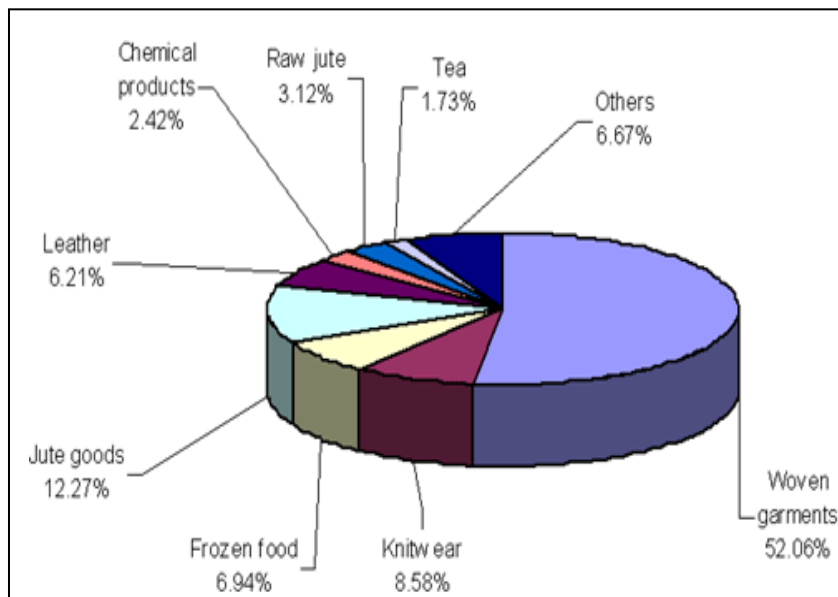
Bangladesh got a distressed economy along with the independence in 1971 after a long period of liberation war. The economy of Bangladesh was in very poor condition at that time. But Bangladesh has passed a long way from that situation. About two-fifths of the economy is now associated with the global economy through the foreign trade or foreign exchange earnings. The degree of share of the exports, imports and remittance in GDP currently stands at 40% (CPD, 2002). “Bangladesh can now rightfully claim that, she has graduated from a predominantly aid receiving nation to a trading nation.” (Bhattacharya, D., Rahman, M., and Raihan, A., 2002).

For a long period of time in the history of Bangladesh economy, it was heavily dependent on the agricultural products for its economic development. Jute-a natural fiber, tea and some leather goods were the main source of foreign exchange. But for globally decreased demand and availability of cheaper substitute products, Jute lost its markets and surprisingly ready made garments (RMG) had become the major source of foreign exchange earnings. A comparative view of the replacement of Jute products by RMG has given below-



Figur 10: Bangladesh Export by Major Products during 1972-1973

(Source: Export Promotion Bureau, Bangladesh)



Figur 11: Bangladesh Export by Major Products during 1992-1993

(Source: Export Promotion Bureau, Bangladesh)

The history of RMG industry in Bangladesh is not so old. It started its contribution to the economy of Bangladesh from the beginning of 1980's. Then each year this sector added value in the growth of economy of Bangladesh and its growth was really remarkable. In the year of 1983-84, the contribution of this sector was 3.89% in export market in comparison with all other export commodities, which was 79.33% in the year of 2008-09 (EPB, 2009). A glance of this successful journey has shown in the following table-

YEAR	EXPORT OF RMG (IN MILLION US\$)	TOTAL EXPORT OF BANGLADESH (IN MILLION US\$)	% OF RMG'S TO TOTAL EXPORT
1983-84	31.57	811.00	3.89
1984-85	116.2	934.43	12.44
1985-86	131.48	819.21	16.05
1986-87	298.67	1076.61	27.74
1987-88	433.92	1231.2	35.24
1988-89	471.09	1291.56	36.47
1989-90	624.16	1923.70	32.45
1990-91	866.82	1717.55	50.47
1991-92	1182.57	1993.90	59.31
1992-93	1445.02	2382.89	60.64
1993-94	1555.79	2533.90	61.40
1994-95	2228.35	3472.56	64.17
1995-96	2547.13	3882.42	65.61
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.20	73.28
1998-99	4019.98	5312.86	75.67
1999-00	4349.41	5752.20	75.61
2000-01	4859.83	6467.30	75.14
2001-02	4583.75	5986.09	76.57
2002-03	4912.09	6548.44	75.01
2003-04	5686.09	7602.99	74.79
2004-05	6417.67	8654.52	74.15
2005-06	7900.80	10526.16	75.06
2006-07	9211.23	12177.86	75.64
2007-08	10699.80	14110.80	75.83
2008-09	12347.77	15565.19	79.33

Tabell 8: Comparative Statement on Export of RMG and Total Export of Bangladesh

(Source: BGMEA, 2009)

In terms of the export products, the value of RMG goods is so higher than the other products. A clear scenario can be found from the following table regarding how the RMG sector is contributing to the economy of Bangladesh.

Value in Million US\$

Year	Product	Export	%
2008-09	RMG	12347.77	79.33
	Frozen Food	454.53	2.92
	Tea	12.29	0.08
	Raw Jute	148.17	0.95
	Chemical Product	421.58	2.71
	Jute Goods	373.18	2.40
	Leather	177.32	1.14
	Agri Products	122.3	0.79
	Others	1508.06	9.69
	Total	15565.19	100.00

Tabell 9: Major product export from Bangladesh (Source: BGMEA, 2009)

The RMG industries in Bangladesh are also contributing in different types of sectors; like-banking and insurance, shipping and logistics, transport communication, contribution to Government Exchequer, professional services, engineering sector, utility services, information and communication technology, real estate, hotel and tourism, waste recycling industry, emerging consumer market etc.

The above analysis of data clearly shows that, the export oriented RMG sector is playing a very significant role in the economy of Bangladesh. BGMEA (Bangladesh Garment Manufacturers and Exporters Association) and Government of Bangladesh are patronizing this industry. If this sector gets all the necessary supports, it would become the main driving force of the economy of Bangladesh in the long run.

5. Overview of H&M's History and Business

In this chapter we have discussed about the business profile and concept of the buying company H&M and a detail description of H&M's outsourcing operation in Bangladesh.

H&M was established by Erling Persson, a salesman from Västerås, Sweden. He visited to the US in 1947 and was attracted by the concept of selling stylish garments products at low prices. Then following the same concept he founded a store in Västerås in 1947 for selling the clothes for women and named it 'Hennes' (hers in Swedish). The low prices attracted the customers within a short time. Persson was confident that, this concept would also work in other countries and based on this confidence company started to venture outside of the country by opening a new store in Norway in 1964. Today this company is operating its business in 37 countries with around 2000 stores and 74000 employees. (<http://www.hm.com>). A preview of this successful journey can be stated as follows-

1947- The first store opens in Västerås, Sweden, selling women's clothing. The store is called Hennes.

1952- Hennes opens in Stockholm.

1964- The first store outside Sweden opens in Norway.

1968- Founder Erling Persson buys the hunting and fishing equipment store, Mauritz Widforss. Sales of men's and children's clothing begin. The name is changed to Hennes & Mauritz.

1974- H&M is listed on the Stockholm Stock Exchange.

1976- The first store outside Scandinavia opens in London, the UK.

1977- Impuls stores are launched. Sales of cosmetics begin.

1980s- Stores open in Germany and the Netherlands. H&M acquires the mail order company, Rowells.

1990s- Progress continues in Europe. Adverts in newspapers and magazines are complemented by billboards using famous models. In 1998 internet sales begin.

2000- The first store to open in the US is on Fifth Avenue in New York. In the same year stores open in Spain. In subsequent years, H&M opens in many new European markets.

2004- H&M initiates designer collaborations starting with Karl Lagerfeld. Further collaborations include Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo and Sonia Rykiel.

2006- A major expansion of internet and catalogue sales begins with the Netherlands as the first market outside Scandinavia. The first franchise stores are opened.

2007- The first Asian stores open in Hong Kong and Shanghai. In the same year, the new store concept, COS – Collection of Style, is launched. Internet and catalogue sales expand with the addition of Germany and Austria.

2008- H&M opens in Tokyo, Japan. H&M acquires the fashion firm Fabric Scandinavian AB with Weekday, Monki and Cheap Monday.

2009- The first store opens in Russia. H&M opens in Beijing and Lebanon gets its first franchise stores. H&M Home is launched. Weekday and Monki open their first stores in Germany. Karl-Johan Persson takes over as CEO.

2010- The first store opens in South Korea. Israel becomes a new franchise country. Internet and catalogue sales expand further with the launch of internet sales in the UK.

(H&M's Annual Report 2009, part 1)

5.1. Business Concept of H&M

H&M's business concept is 'Fashion and quality at the best price'. Design and buying department of H&M gathers the collections and makes sure to offer the latest fashion in the market. H&M can ensure the best price in the market by- having few middlemen, buying large volumes, having a broad and in-depth knowledge within every aspect of textile production, buying the right goods from the right market, being cost-conscious at every stage and having efficient distribution. H&M is driven by some strong values like- salesmanship, simplicity, constant improvements, cost-consciousness and entrepreneurship. H&M considers the quality as the central issue all the way from the idea stage to the ultimate consumer. (www.hm.com) The quality concept includes sufficient testing and ensuring that the goods are manufactured in a good working condition and without the use of environmentally hazardous chemicals or harmful substances. H&M is also controlling the quality standard of their suppliers by imposing the code of conduct theory. H&M's business growth concept is to increase the number of stores by 10-15 percent per year along with increasing the sales in the existing stores. (www.hm.com)

5.2. Sustainability Strategy

H&M's sustainability strategy has made them an economically, environmentally and socially sustainable company. There are three major factors in their sustainable strategy and they are- sustainability vision, sustainability policy and long-term CSR (Corporate Social Responsibility) goals. (H&M's Sustainability Report 2008)

Sustainability vision

H&M's business will be operated in a way which is economically, socially and environmentally sustainable. Here 'sustainable' means that, the needs of both present and future generations must be fulfilled.

Sustainability policy

H&M's business concept is to offer fashion and quality at the best price. To implement the concept, H&M generates all their activities and CSR works through the continuous improvement. H&M is responsible and always conscious to ensure a sustainable standard for both of the manufacturing facilities and products. Under the sustainability policy, H&M ensure the human rights of their employees and other stakeholders. H&M follows the precautionary principle in their environmental work and adopts the substitution of hazardous chemicals. By using the new technologies and methods, H&M always tries to use the resources as efficiently as possible to reduce the climate impact. For the long term success, H&M always stays away from all forms of corruption and keep their activities transparent to all of their stakeholders.

Long-term CSR goals

H&M follows two long-term goals in their CSR work. One is to ensure the respect for human rights, which is an integrated part of company's operations. Another is to ensure the respect for the environment, which is an integral part of H&M's and their supply chain's business practices.

5.3. Code of Conduct

H&M's Code of Conduct was composed in 1997 based on the UN Convention on the Rights of the Child and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. It also specified that, local legislation must be observed. This code of Conduct is applicable to all suppliers, their subcontractors and other business partners that do business with H&M Hennes & Mauritz AB (publ.) or any other company, wholly or partly owned, directly or indirectly by H&M Hennes & Mauritz AB ("H&M"). (H&M's sustainability report 2009)

According to the Code of Conduct, the suppliers of H&M, their subcontractors and other business partners are required to fulfill the commitment to H&M's board of directors, to their employees, customers, shareholders and to other stakeholders. H&M's suppliers and other business partners are responsible to share the Code of Conduct with their subcontractors to ensure that these are implemented in every factory and workplace that produces, finishes

packs or otherwise handles goods or performs services for H&M. H&M uses their code of conduct as a tool to control over their supplier for improving the working conditions and environmental practices. Suppliers run their operation according to the code of conduct and H&M conducts the regular audits to assess level of compliance in accordance with the code. There are eight sections of H&M's Code of Conduct; those cover the areas like- legal requirements, a ban on child labor, health and safety, workers' rights, housing conditions, environment, systems approach and monitoring and enforcement. (H&M's sustainability report 2009).

5.4. The Presence of H&M in Bangladesh

Hennes & Mauritz, familiar as H&M started its operation in 1947 in Sweden with the concept of offering the fashion and quality at the best price. Today this company sells clothes, own-brand cosmetics, accessories and footwear in around 2000 stores in 37 countries (H&M's Annual Report, 2009). H&M does not own any factories. Around 700 independent suppliers deliver their goods. H&M has 16 production offices around the world. Most of the offices are located in Asia and Europe. (<http://www.hm.com>). The task of these offices is to coordinate between H&M's head office in Stockholm and their local suppliers.

H&M's production office in Bangladesh was established in 1982 at capital city Dhaka (Appendix A, Question 1). The total number of employees is working in H&M Dhaka office is 220. Among them 85% is Bangladeshi and 15% is foreigner (Appendix A, Question 2). The main function of this office is to work as a representative of the head office at Stockholm. H&M Dhaka office has a dual internal-external function. First is to coordinate the contact between the internal buying department in head quarter and the independent supplier. This job ensures that, the production office receives the right order from the head office and it is place to the suppliers in right way to make it cost effective and get the perfect quality. Second function of the production office in Bangladesh is to look for the new suppliers and negotiate contracts with them. Production office conducts the sample testing, checking etc. It also checks that, suppliers and their subcontractors follow the code of conduct or not (Appendix A, Question 3).

5.5. Suppliers of H&M in Bangladesh

In this section, we have discussed about two Bangladeshi suppliers of H&M, who have been working with H&M for the long time. H&M is a significant buyer of both of these suppliers in terms of purchasing value. The suppliers are- Hop Lun and FCI (BD) Ltd.

Hop Lun:

Hop Lun was established in 1992 by Erik Ryd. Its head office in Hong Kong and it has several service offices in Europe, North America and Asia. There are five wholly owned factories of Hop Lun are located in China and Bangladesh. There is more than 15,000 employees work in this company. Hop Lun works for some world famous retailers. H&M is one of them. The production capacity of Hop Lun is 10 million pieces per month (www.hoplun.com). Hop Lun (Bangladesh) started its business with H&M in the year of 2000 (Appendix C, Question 1). H&M's current consumption from Hop Lun (Bangladesh) is 0.7 million pcs. per month and approximately 7 million pcs. per year (Appendix C, Question 3). Factories of Hop Lun are certified by WRAP, SA8000 and ISO9002 (www.hoplun.com).

FCI (BD) Ltd.:

FCI (BD) Ltd. Is a British company became listed in DEPZ (Dhaka Export Processing Zone) Bangladesh in 1999. This is a 100% export oriented woven garment manufacturing company. The factory area of this company is 10,000 sq. mts. and the production area is 4,800 sq. mts. Around 2,000 employees work with FCI. From the very beginning, FCI has been working successfully with a lot of challenges. FCI works aiming to build long-term, mutually beneficial and sustainable relationship with the customers. FCI has several world famous customers, like- H&M of Sweden, Kappahl of Sweden, Alexon of U.K. C&A of Germany etc. The monthly production capacity of FCI is 2.5 million pcs (www.fcibd.com). FCI (BD) Ltd. started its business with H&M from 1998 (Appendix E, Question 1). H&M consumes 250,000 pcs. per month from FCI (BD) Ltd. which is 60% of FCI's total export (Appendix C, Question 4 & 5).

5.6. Activities of H&M Dhaka Office with the Suppliers in Bangladesh

H&M designs their collection centrally and production offices are not involved in this function. Decisions regarding the production place, price and time are taken at the time of creating a new design of a particular item. For example, if it is assumed that, supplier of Bangladesh is suitable for the production of an item and they are able to supply the product at cheap rate and on time, then it is assigned to Bangladesh production office. Then the local production office gets the job done by the selected suppliers.

Selection of Supplier: H&M works with approximately 130 direct suppliers and 30-40 sub contractors in Bangladesh (Appendix A, Question 4). H&M gives priority to the existing suppliers but they also involve the new potential suppliers for the production of their goods. In this case, H&M considers three major factors to evaluate the eligibility and suitability of the suppliers; like- price, quality and lead time.

Responsibilities of Merchandisers: The merchandisers in H&M's Dhaka office are guided by an expert merchandising manager. The responsibility of merchandisers is to maintain the communication between production office and the suppliers in Bangladesh regarding the production. After receiving an order from Stockholm at Dhaka office, merchandisers contact with the suppliers. They are also responsible for placing the right order to the right supplier with the required design and accessories, inspecting sample, regular inspection of quality etc. If H&M does not supply the accessories, then respective suppliers are responsible to source the accessories by themselves. Usually, orders are dispatched to the merchandiser of the supplying factories. In this stage communication takes place between the merchandiser of H&M production office and the merchandiser of supplying factories. This is also the responsibility of merchandisers to inspect and monitor the work in progress to ensure that, everything is going in order. They are responsible for pre-shipment inspections (PSI) as well. (Appendix A, Question 7)

Corporate social responsibilities through monitoring code of conduct compliance:

The corporate social activities of H&M in Bangladesh are monitored by the production office at Dhaka. Suppliers are bound to follow the Code of Conduct. There is a Code of Conduct team in Dhaka office that inspects the supplier's factories frequently. The objectives of the Code of Conduct team are to prevent child labor, ensure better working conditions, legal labor wages, and overtime charges etc. (Appendix A, Question 12). H&M started a project in 2004 to persuade the suppliers for providing the maternity facilities to the women labor (www.hm.com). Any serious or continuous violation of the Code of Conduct by the supplier is the cause of termination of relationship with H&M. H&M is conducting several charity programs like- training and educating textile workers; especially females to make them aware on their dignity and rights. H&M is also providing vocational training on swing among young people of Bangladesh by two training centers at Dhaka. These students are paid by H&M during their training period and H&M also ensures the job for these students in its suppliers' factories after completion of the training period. (www.hm.com). H&M donates clothes to the poor people as well through the help of Caritas, a non-governmental organization in Bangladesh (CSR report, 2004, www.hm.com). Besides this, on 26th March 2010, CSR manager of H&M Ingrid Schullström has announced in a press release that, "H&M has decided to dedicate SEK 1 million for preventive fire and safety measures at garment factories in Bangladesh" (<http://www.hm.com>).

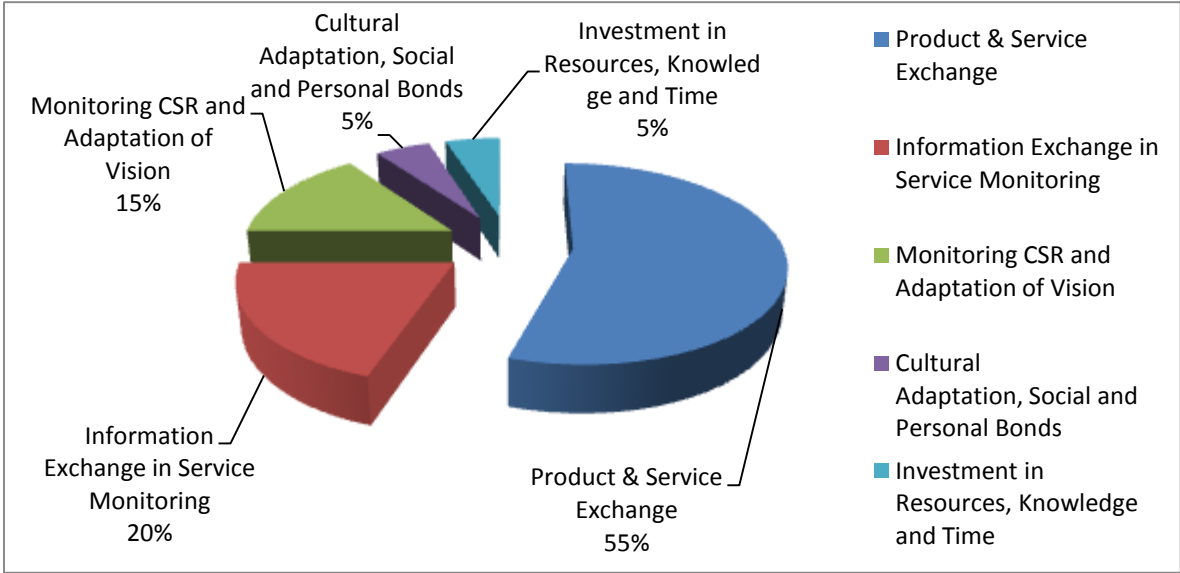
5.7. Relationship between H&M and its Bangladeshi Suppliers

H&M is always intended to build a long term relationship with its Bangladeshi suppliers (Appendix A, Question 4). For the increasing business trend, trustworthiness, reliability, quality and cheap labor cost, H&M opened a production office in Bangladesh in 1982, which is one of the 16 production offices around the world. Although the export volume to Sweden from Bangladesh is comparatively lower than USA and other European countries, the volume is increasing day by day. But in terms of the purchase volume, H&M is the second largest buyer in Bangladesh as a single buyer (Appendix A, Question 5). By placing an order to a supplier in Chittagong (the second largest city in Bangladesh), H&M started its sourcing in Bangladesh in 1981 and the outsourcing value of H&M reached at US \$60 million from

Bangladesh in 1999 (European Commission, 2001). Even during the crisis period of post-MFA impact, H&M was keeping trust on the Bangladeshi suppliers and still continuing the orders. The confidence of H&M on capability of Bangladesh is reflected by the number of its suppliers.

5.8. Areas of Interaction between H&M and Bangladeshi suppliers

Usually buyer and supplier discuss together with the formal and essential matter. Swedish buyers are more free and frank to sit and discuss together with any business related matter (Appendix B, Question 16). The main job of the merchandiser in Dhaka office is to assist and monitor the activities of the local suppliers (Appendix A, Question 7). Although this interaction takes place daily basis between the local staffs of H&M office and Bangladeshi suppliers, local staffs are also guided by and accountable to Swedes who are holding top positions. Between the parties, regular interactions take place through mid and lower level employees. Top level management rarely meets together.



Figur 12 Areas of interactions between H&M and its suppliers

(Source: Empirical Findings)

This pie chart has been developed using the average value of responses from 2 respondents (Mr. Akter Hossain Chowdhury of Hop Lun Bangladesh Ltd. and Mr. Rajib L. Rozario of

H&M). For example- Mr. Akter Hossain informed that, around 60% area of interaction is conducted by product and service exchange activities and Mr. Rajib said that, 50% interaction is occurred in this area. So the average number of these two respondents is 55% and this value has been used in the chart. The chart shows that, most of the interaction takes place in the product and service exchange area, which is 55% of the total interactions. Here, the term 'product and service exchange' covers a several activities, like- facilitation of product creation, receiving order, obtaining samples, negotiation, delivery co-operation during production phase, etc.

The next major portion of interaction area is communication and information exchange in monitoring service, which is 20% of the total interactions. Communication and information exchange takes place between two parties when H&M performs the inspection activities. Usually suppliers carry the responsibility for the production of clothing. But sometimes H&M helps them providing some specialist assistance regarding choice of textile, dyeing, cutting, packaging etc. The merchandisers of H&M inspect product quality, raw materials, clarify the design and provide full time supports to the suppliers.

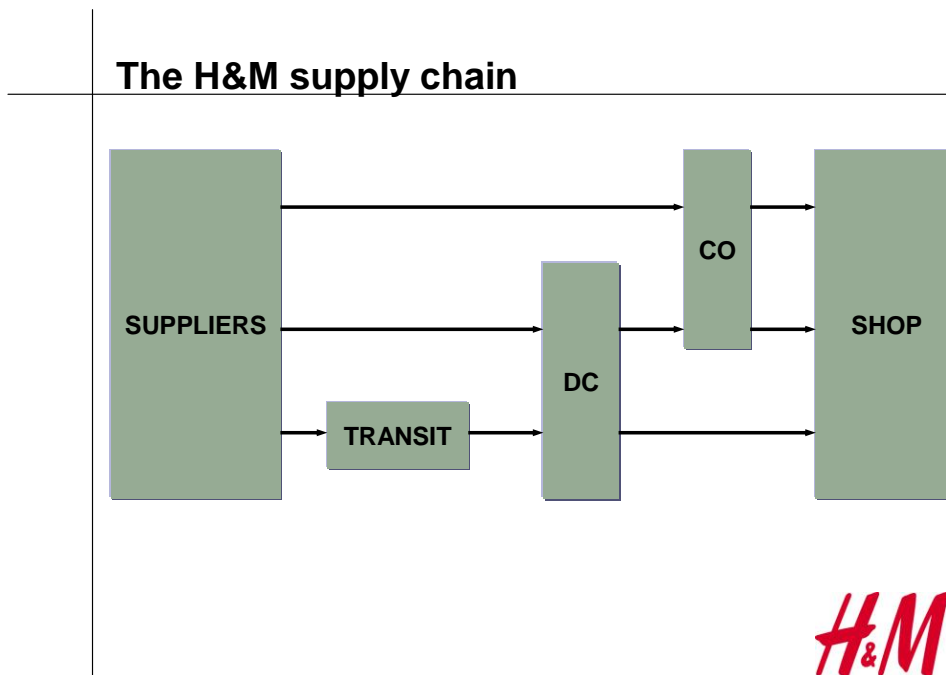
Monitoring corporate social activities and adaptation of vision is the third most frequent area of interaction, which is 15% of the total interactions. CSR manager of H&M, Dhaka office inspects suppliers' factories in irregular basis and the code of conduct inspection team visits suppliers' factories regularly. H&M also makes aware the workers of suppliers' factories. It helps factory owner to know about how to comply with the code of conduct. H&M also runs several training programs for the young people to prepare them for different kinds of jobs in the apparel industry. H&M also runs several educational programs especially for the women and children. H&M is going to make a fund with SEK 1 million for preventive fire and safety measures at garment factories in Bangladesh. (<http://www.hm.com>).

Interaction also takes place in other two areas, like- 'investment in resources, knowledge and time' and 'cultural adaption, social and personal bonds'. These two areas occupy 10% together of the total interactions. So according to the survey, it can be found that, 'product and service exchange', 'communication and information exchange' and 'monitoring CSR and adaptation of vision' are the most significant areas of interaction between H&M and its suppliers (Appendix F).

6. Supply Chain Process of H&M in Bangladesh

In this chapter we will discuss the total supply chain process of H&M's outsourcing operation in Bangladesh, which includes physical flow, information flow, documents flow and transaction flow of the products.

H&M's Supply Chain involves a number of processes which start with demand forecasting by market survey in the existing market. H&M's buying office is based in Stockholm, Sweden, where the designer and buyers, together with pattern makers and the merchandisers in different production offices, create, plan for purchase the collections along with quantity, design, size, color and composition of the product. H&M's collections are designed centrally and production offices in different location are not related to the design functions (Appendix A, Question 8). For a new designed particular item decisions are taken by corporate office in Stockholm where to produce the goods in regards to cost, time and quality. If it is decided that the Bangladeshi suppliers can produce the required goods better quality, relatively cheaper than other and on time, H&M process the order in order to perform the productions by Bangladeshi supplier. The local production office is responsible to monitor local suppliers, corresponding with buyer and other actors involved in the supply chain.

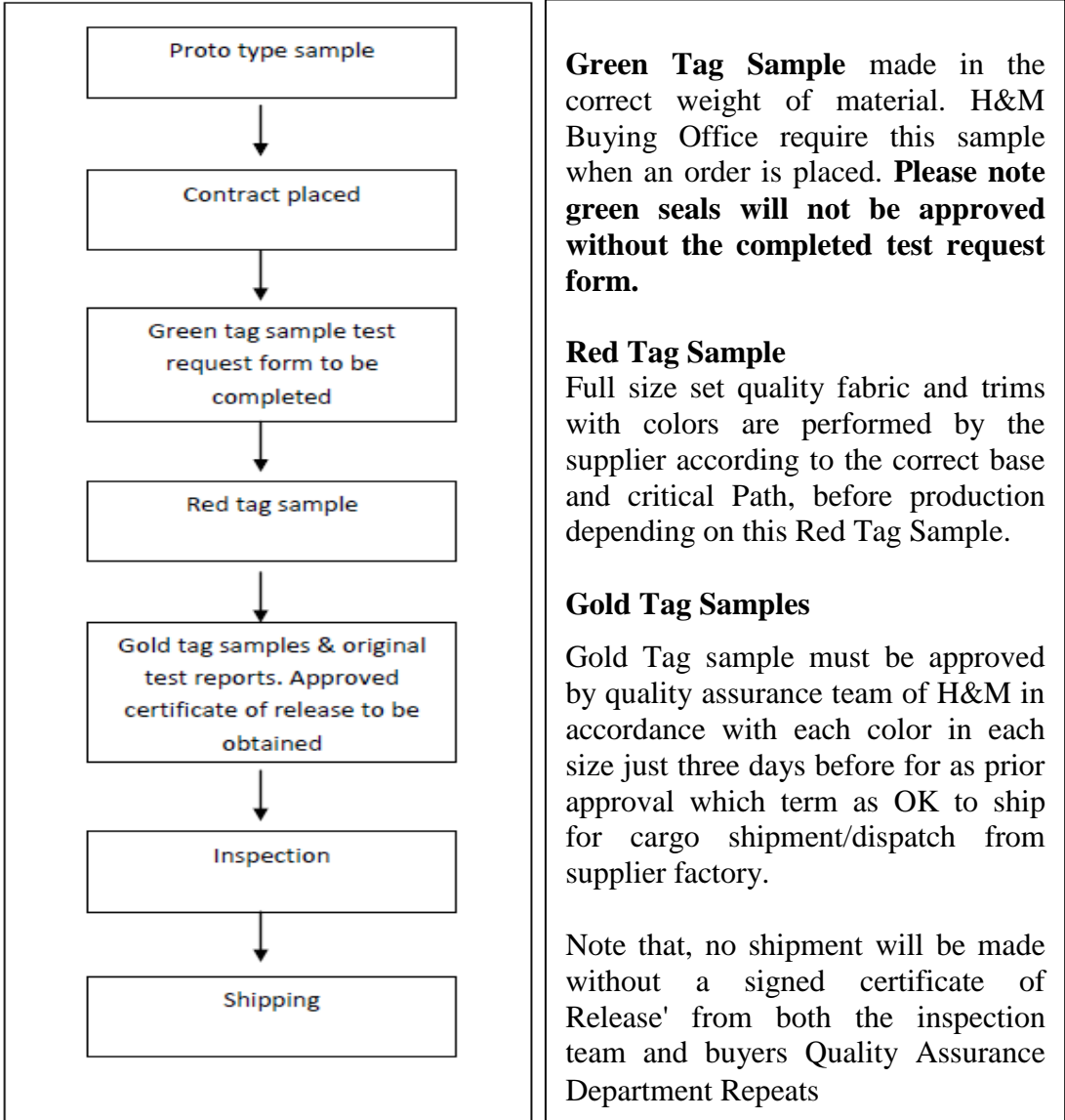


Figur 13: H&M Supply Chain (Source: H&M)

6.1. Sample Development and Approval

In addition to design functions H&M develop a proto type sample for a particular designed item by the designer and buyers, together with pattern makers. And finally forward it to merchandisers in H&M local production office in Bangladesh in order to ask for price quotation and sample from suppliers. In this stage merchandisers in H&M local production office in Bangladesh collect sample from a couple of supplier with prescribed design, fabric composition, accessories, and color. Once Sample collected, evaluated and selected by the merchandiser H&M Bangladesh office at Dhaka and finally approved by corporate office in Stockholm, Sweden. This sample is called Green Tag sample (Appendix G, Question 1). Green Tag Sample developed with the correct weight of material or fabrics. H&M Buying Office require this sample when an order is placed. Comments made regarding fit and size made by quality assurance team. In addition, for example one meter bulk production base fabric must be tested in the lab about the fiber content testing and prepares a Completed test

report (Appendix G, Question 1). In addition to Green Tag Sample; a full size set quality fabric and trims with colors are performed by the supplier according to the correct base and critical Path, before production commences. This is called red Tag Sample. A full size set required all styles, but not all colors. Gold Suppliers implies an approval for bulk production sample just before going to full production in order to fulfilling the order by H&M. Supplier starts with bulk production depending on this Red Tag sample. Gold Tag sample have to sent with each color in each size must be approved by quality assurance team of H&M just three days before for as prior approval which term as OK to ship for cargo shipment/dispatch from supplier factory (Appendix G, Question 1).



Figur 14: H&M Sample Approval Flow Chart

(Source: Own Designed Based on Interview)

6.2. Order Processing, Price setting and Selection of Suppliers

H&M maintain buyer-supplier relation with approximately 130 direct suppliers and 30-40 dyeing, washing, printing suppliers (sub contractor) in Bangladesh (Appendix A, Question 4). H&M prefers to work with the existing suppliers due to long term relationship and trustworthiness. But many new potential suppliers are chosen for their production. In supplier selection process for a new potential supplier, H&M goes through some particular procedures to assess the eligibility of the suppliers i.e. production capacity, technological capacity, quality, past business history etc. production capacity and technical infrastructures are basic requirements for supplier selection whether the suppliers have enough capacity to cope with large volume orders. The monthly order size placed by H&M is 700,000 units (Appendix C, Question 3). Moreover, H&M follows three major important factors (Appendix A, Question 9) in Supply Chain for evaluating the suitable suppliers-

- Price
- Quality and
- Lead time

During the order processing and supplier selection Prices naturally play an important role in supplier selection process, alongside factors such as capacities, lead times, quality and Code of Conduct compliance (www.hm.com). When an order for an item is received from the head office at Stockholm, production office in Bangladesh invites bid for price from several suppliers. In price setting number of quotation are collect, evaluated reasonable market prices and the costs of suppliers by merchandisers in order to mutually agree on a realistic price. H&M follow a guideline of ‘negotiating, not bargaining’. Aspects not negotiable are compliance with the minimum requirements of Code of Conduct and quality standards. H&M do not consider a supplier that does not meet these minimum requirements, regardless of the price which might be offered (www.hm.com). Lower price and less lead time are not always considered as the only factors for selection of suppliers. Sometimes reliability and trustworthiness are also significant factors for supplier selection process in H&M (Appendix B, Question 17). However, finally the price is approved by the corporate office in Sweden.

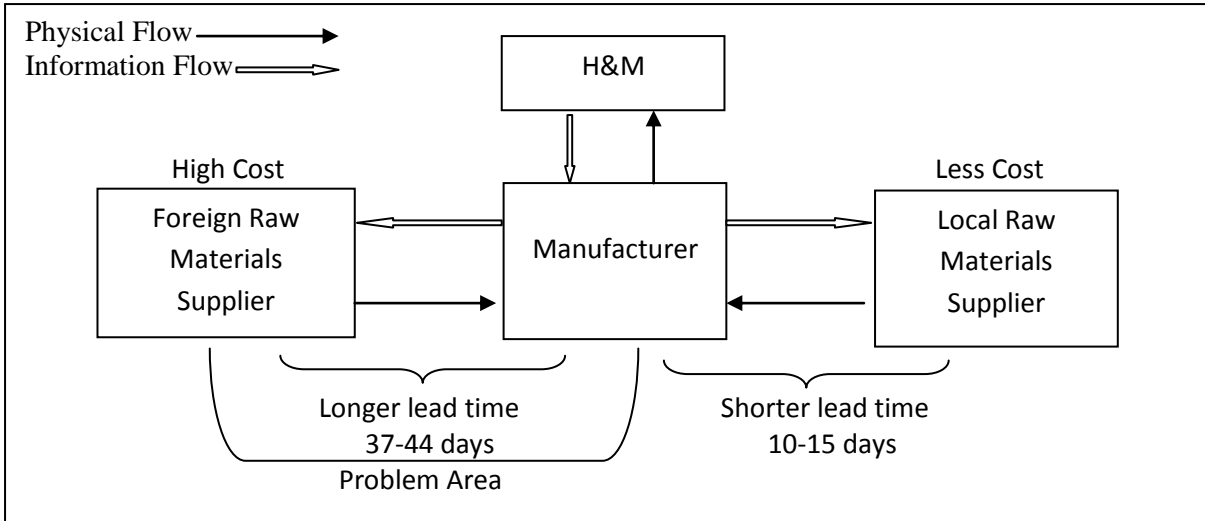
Besides, H&M requires strictly follow the Code of Conduct (CoC) by every suppliers. The Code of Conduct is applicable to all suppliers, their subcontractors and other business partners that do business with H&M has a Code of Conduct inspection team that visits suppliers' factories. The job of the Code of Conduct team is to investigate if the supplier's working environment conforms to the code of conducts of H&M (www.hm.com). Before placing an order to particular suppliers, an screening audit conducted by GPQ (Quality inspection) team through Google search & other sources in order to know about the suppliers capacity and overall quality. Auditors try to identify whether the selected supplier have any shipment cancel due quality, Bad practice with CSR activities which can ultimately affects fulfillment of the Code of Conduct (CoC) (Appendix B, Question 17). Finally a visual audit conducted by compliance auditors to inspects basic CSR activities like low wages, safety, child labor and force labor in supplier's factories before placing an order. On the basis of above mention audits H&M Stockholm office finally selects the suppliers and issues a Purchase Order Delivery (POD) in favor of supplier through H&M Dhaka office in Bangladesh. Purchase order contains order Quantity, Item name, Price, Inco terms, Order & style no:, POD issuing Date, Time of Delivery (Most of the order Lead time is about 90-120 days, depending on order volume) (Appendix D, Question 4), Color, Size and Fabric composition for materials, Discounted Price final destination and order confirmation note etc. After order placement a supplier orientation takes place by H&M in local office in Dhaka, Bangladesh. Every supplier has to sign into the Code of Conduct.

6.3. Materials sourcing by suppliers

The RMG manufacturing units are like tailor's shop; getting order from the foreign buyers and then import raw materials specially fabrics from the foreign suppliers or sometimes buy from the local market as per order, then manufacture garments and supply those to the buyers (Munir, Q. and Salim, R. 2000). In the Fashion industry sector, the Manufacturer - Raw materials Supplier relationship is different from others sector. Fabrics and accessories like zipper, button, lace, collar, label, price tags etc. are used as main raw materials for manufacturing. To carry the orders of H&M, manufactures need to source raw materials from both local and international market. But most of the time, suppliers import the raw materials from abroad due to unavailability in the local market. In some cases, H&M nominates the raw materials supplier. In that situation, suppliers purchase the raw materials from those

nominated sources whether it is local or foreign (Appendix D, Question 2). However, if the suppliers source the raw materials as their own choice, they must inform to H&M about the sources. (www.hm.com).

The raw materials sourcing process shows that about 60%-80% suppliers of accessories are local (Appendix E, Question 18) and accessories sourcing process does not have that much impact on increasing the lead time. The lead time consuming higher due to import of fabrics mainly from Hong Kong, China, Taiwan, Indonesia and India. The total average lead time to import fabrics from foreign market is about 37-44 days (including custom & discharge activities and local transportation up to manufacturer warehouse) to reach into the manufacturer production plant (Appendix D, Question 3). Another study shows that the lead time behind the import fabrics is about 50-65 days which the main reason for overall long lead time (BGMEA research cell). In the process of import of fabrics from the foreign suppliers lies the main reason for long lead time within the Supply Chain process. The process can be illustrated in the following figure.



Figur 15: Raw materials flow

(Source: Modified model by author based on empirical findings)

(Adopted from Nuruzzaman, M., 2007)

However, once the raw materials arrived in the sea port (Chittagong, Bangladesh), imported cargoes are unloaded from the vessel on the port. Then custom clearance and other activities are performed by local C&F agent and finally cargoes are transported to the supplier manufacturing plant by truck or train.

6.4. Manufacturing Process at supplier's production plant

Production process starts with the inspection of Raw materials by supplier's side at supplier warehouse in order to match with quality, color, and fabric composition mentioned in the purchase order. In this phase lead time involved 2-3 days. In addition to inspection fabric goes through cutting section which consumes 1-2 days. Finally, production takes place into different production line in supplier's production Plant. Production process involves cutting, making, trimming for shipment of goods. The production lead time is about 10-15 days for 100,000 Units (Appendix C, Question 6). During production, supplier's merchandiser follow up check with production department and continuous quality inspection are carried out by Supplier's QC Team to perform quality in their product. Moreover, supplier's compliance team monitor & ensure good working conditions, environmental performance, CSR activities and compliance with Code of Conduct by H&M (Appendix C, Question 9).

6.5. Monitoring Supplier's Compliance through Code of Conduct

H&M monitor suppliers' compliance with their Code of Conduct through the local production office In Dhaka, Bangladesh. All suppliers have to sign the Code of Conduct, and H&M monitor supplier's compliance which aims to improve supplier's environmental and working conditions in their operations. In doing so, local Production office in Dhaka has a Code of Conduct (COC) audit team in which auditors conduct the H&M Full Audit Programme (FAP), which includes full audits for potential and existing factories, and follow-up audits (FUP) that assess improvement progress and the implementation of H&M requirements (www.hm.com). It implemented as an audit cycle consisting of one Full audit Programme and three Follow-up audits which done within 18-24 Months (one audit in every six months) (Appendix A, Question 10).

The purpose of audit is to investigate and prevent Child labor, force labor, ensure minimum wage better working environment, and safety measures. The violation may leads to supplier/production unit is rejected for any of the following: denies workers' basic rights; the minimum wage is not paid; factory premises are unsafe; H&M is denied access to factory

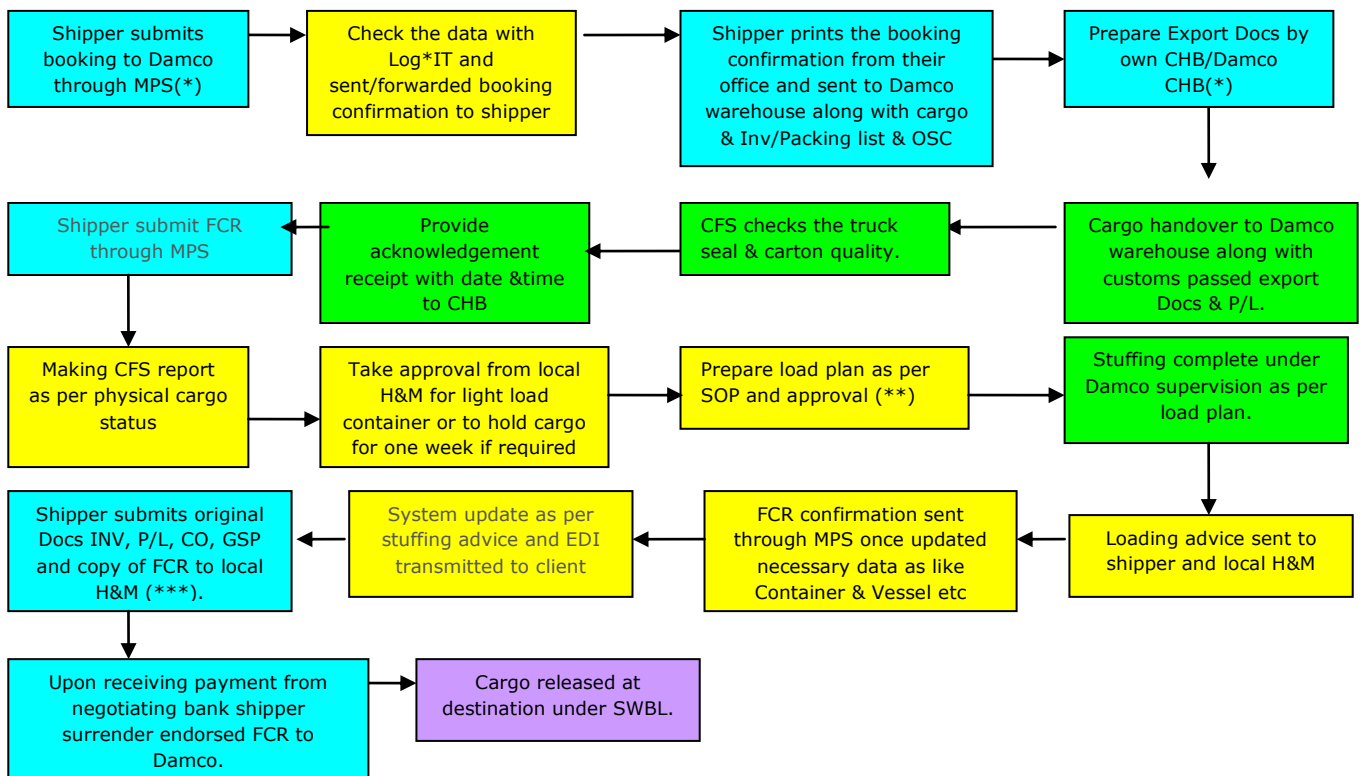
premises; management refuses to cooperate. The supplier/production unit is suspended but can resume business with H&M if the necessary improvements are carried out and verified.

6.6. Monitoring Product Quality through Quality Inspection Audit

Besides, H&M monitor its all supplier by local teams (Merchandisers, Quality Check) who are responsible for doing follow-up checks to make sure suppliers are meeting the requirements in regards to work in progress and product quality. The teams are supported by a central function, where our common standards and requirements are developed (Sustainability Report 2009, www.hm.com). Merchandiser and QC conduct regular inspection of product quality either in the form of line inspection and pre-shipment inspection. Line Inspection is conducted 2-3 times in a week by QC officer of H&M at supplier production plant. Besides, a final pre shipment inspection is done when the goods are ready for shipment. Generally, final pre-shipment quality and packing inspection is done by H&M's QC at the date of shipment or day before shipment date (Appendix D, Question 5). And give a final approval as '**OK TO SHIP**' in the packing list which is work as a Final Quality Inspection Certificate in order to shipment of goods for H&M Order.

6.7. H&M Export Process Flow

Export process flow: H&M export process flow start with booking submission for deliver the goods by supplier and ends with cargo released at the final destination. Goods are flow in the form of Price tagging packages from the supplier warehouse to distribution centre via transit. And finally goods are sent to store via country office. The following diagram represents the export process flows which contain the physicals flow, Information and documents flow and transaction flow.

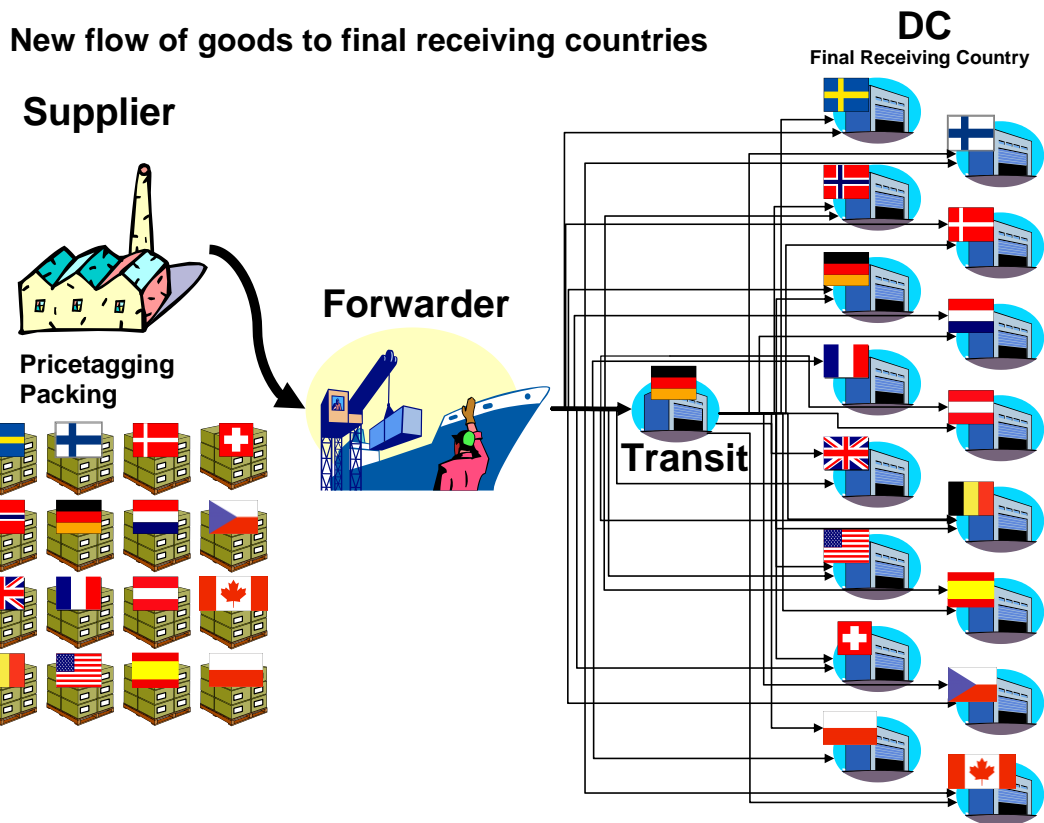


Figur 16: H&M Export Process Flow Chart

(Source: Own design based on empirical findings)

6.7.1. Physical Flow of Goods

H&M goods are flow from supplier warehouse to distribution centre at the final destination in different locations via transit. Cargo released at final destination under Forwarder Cargo Receipt (FCR) and Sea Way Bill of Lading (SWB/L). From distribution centre goods are distributed locally to individual country where they operating. Finally the goods are distributed to stores from their country warehouse.



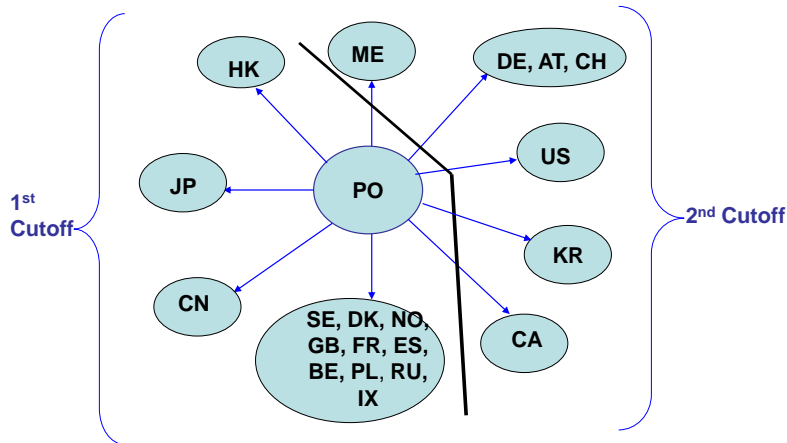
Figur 17: H&M Materials flow to different Final destination

(Source: H&M).

6.7.2. Shipment Booking

H&M export process flow start with the booking submission to deliver the order. Supplier submits booking to Damco Logistics (H&M's nominated forwarder- former Maersk logistics) five days prior to delivery date as per purchase order through forwarder's web system (MPS*) mentioned with destination, quantity in cartons and CBM. Forwarder checks the electronic data with their logistics information system and provides a booking confirmation to the supplier (Appendix H, Question 1).

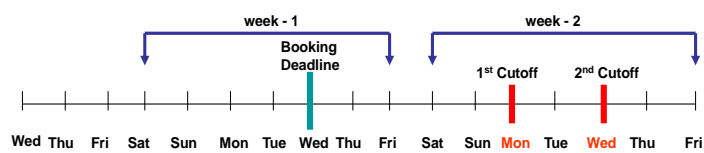
H&M BOOKING (Per PO)



- For Mixed Country Booking, Document must be combined even if roll over from previous week.

H&M BOOKING

- Booking Must be provided at least 5 days before cargo delivery to CFS.



- ± 5% Discrepancy in quantity, cartons is allowed.
- Partial delivery is Not Allowed
- All countries mentioned in booking must be delivered.

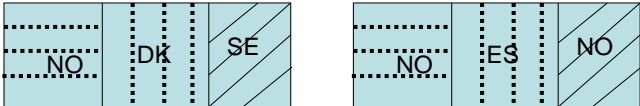
Figur 18: H&M Shipment Booking (Source: Damco)

6.7.3. Cargo Delivery

Once the shipment booking completed, Supplier load the cargo in covered van and forward and handover to Damco’s warehouse in Chittagong Sea port along with booking confirmation, other custom certified export documents (Invoice, Packing list & Original Shipment Certificate) by supplier’s local C&F agent. Upon received cargos at CFS (Container Freight station) forwarder provide acknowledgement with time and date to shipper’s Custom House Brokerage (C&F) by verifying the truck seal, carton quantity, carton quality etc. Supplier submits FCR (Forwarder Cargo receipt) to MPS** on the basis of cargo receipt acknowledgement. At the same time forwarder makes a CFS report to H&M local office as per physical cargo status and take an approval to console the goods (Appendix H, Question 1).

H&M Cargo Delivery

- Cargo must deliver in accordance with the booking.
- Cargo must delivered through covered van.
- Damaged (in any definition) cartons are not allowed to receive.
- Cargo should deliver in a sorted way : Per PO per Country



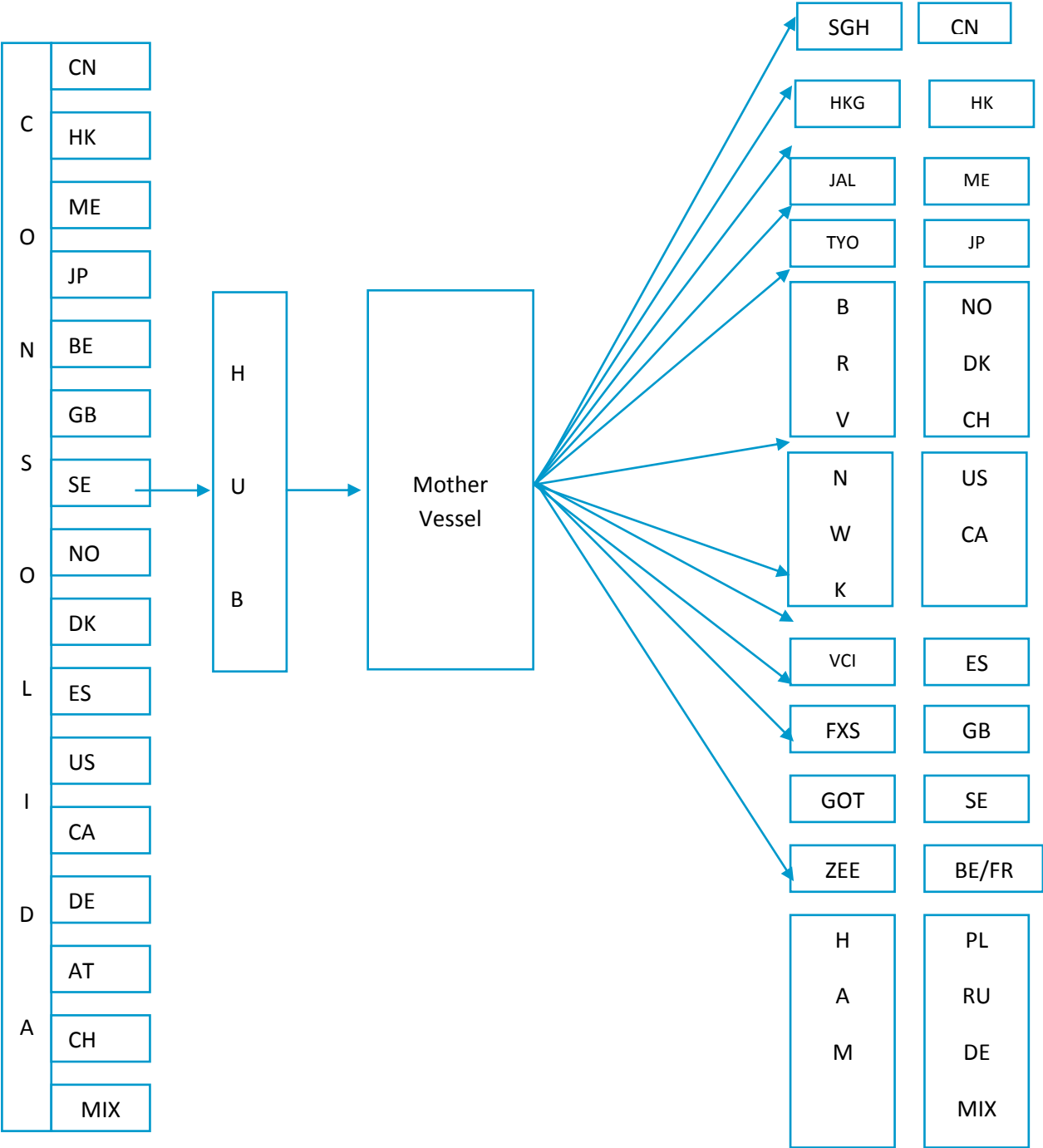
- Complete cargo consist of complete documents.
- Cargo must delivered within cutoff.

Figur 19: H&M Cargo Delivery (Source: Damco)

6.7.4. Consolidation of Goods

Forwarder prepares a loading plan as per their Standard operating procedure (SOP) and approval from H&M. H&M cargo has eighteen final destinations in Asia, Europe, North America, Russia and Middle East. Forwarder consolidated cargos country wise as per buyer instruction in order to smoothness of supply chain. Goods are consolidated according to cutoff date in Container Freight Station (CFS). There are two cutoffs in a week which arranged country specific. Finally, goods are loaded into container and stuffed under supervision of Damco as per buyer instruction, approval and loading plan. In case of light cargo an approval

required from local H&M for light container loading (LCL) or to hold cargo for one week. In addition to stuffing the goods stuffing advice and EDI (Electronic Data Interchange) transmitted to shipper and buyer (Appendix H, Question 2).



N.B: Normally in mixed container 100/200PL, 200SE & RU stuffed. (DISCH/DEL: HAM)

Figur 20: H&M Cargo Consolidation (Source: Damco)

CFS FIXED CUTOFF

- **TWO CFS Cutoff**
- **Cut off are country specific**

First Cutoff

Every Monday (12:00midnight) : CN, HK, JP, SE, DK, NO,
GB, FR, ES, PL, IX, RU

Second Cutoff

Every Wednesday (12:00midnight) : DE, CH, CA, US, ME, KR

6.7.5. Documents and Information Flow:

The document flow and information flow takes place in every stage in supply chain process which can be summarize as follows:

1. Documentation and information exchange between H&M and its supplier during order processing through H&M local production Office in Bangladesh.
2. Shipper submits booking to forwarder's web system through MPS.
3. Supplier received the booking confirmation provided by buyer's nominated forwarder
4. Supplier prepares export docs -Invoice, Packing List, Export Permit, and Certificate of origin (CO), GSP, Export Declaration from Bank etc in order to deliver the cargo
5. **Document Submit to CFS**
 - a. Booking Confirmation (Printed from MPS)
 - b. Packing List and Invoice (Authorized)
 - c. OK TO SHIP Certificate (Original)
 - d. Draft BL
 - e. Shipping Bill
 - f. Truck Invoice (Seal no: must be mentioned)
6. Forwarder provides Cargo receipt to supplier.
7. Shipper submits FCR to forwarder's web system as per PO.
8. CFS report and loading plan forwarded to Supplier and H&M local office

9. FCR confirmation, update stuffing as per stuffing advice transmitted to the client.
10. Shipper submits the original document (Inv, P/L, CO, GSP, Copy of FCR along with Payment invoice (prescribed by H&M) and Local H&M office for payment within 6 working days after stuffing the goods and sailing the vessel from the port of loading.

List of Documents for Booking & Customs Purpose (As per Country)

Country	
1. CN (China)	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
2. HK (Hong Kong)	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
3. JP (Japan)	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
4. ME (Middle East)	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
5. SE, DK, NO, GB, FR, ES, PL, RU, BE	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
6. DE, AT, CH	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
7. CA	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)
8. US	: One Booking + One Set of Documents (Original Shipment Certificate, Export Permit, Invoice Packing List, Bank Declaration)

Original Documents Procedure:

1. CN	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP)
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	Packing List) 2. Packing List 3. Chamber C/O 4. Declaration Letter 5. CIT photo copy 6. FCR 7. SKETCH / M-List
2. HK	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
3. JP	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
4. ME	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
5. DK, GB, FR, BE	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
6. SE	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
7. NO	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
8. ES	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)

9. PL	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
10. RU	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
11. DE	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
12. CH	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin, General Specialized Performed, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)
13. CA	: One Set of Documents (Export Permit, Invoice, Packing List, Certificate of Origin-Metropolitan Chamber of Commerce , Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List, Canada Custom Invoice, B255 Declaration)
14. US	: One Set of Documents (Export Permit, Invoice, Packing List, Metropolitan Chamber of Commerce, Forwarder Cargo Receipt, Payment Invoice, OK TO SHIP Packing List)

Tabell 10: List of documents

(Source: Damco Logistics Bangladesh)

6.7.6. Transaction Flow

H&M office required the original document from shipper (Inv, P/L, CO, GSP, Copy of FCR along with Payment invoice (prescribed by H&M) to Local H&M office. They check and verify the document and forward to the H&M import country office. At the same time the original payment invoice and copy of full set documents send to the corporate office in Stockholm, Sweden in order to make payment. The payment will be made within 20 working days after sending the docs from H&M local office to corporate office in Sweden.

7. Analysis

In this chapter, we will analyze our empirical findings in order to identify the inefficiency factors as the solution of our first research sub question and after that we will solve our second research sub question, where we will discuss on how these identified factors affect the efficiency of supply chain and what are the impacts of these factors on the entire value chain system.

7.1. Identifying the Factors Affecting Supply Chain Efficiency

Analyzing our empirical data we have found some factors that affect the performance of supply chain and work as the obstacles for a smooth supply chain operation. These factors are described below-

Time-consuming sampling process: sampling process is one of the most time consuming stage in the total supply chain process. The sample approval process involves different time in different stages before and after the production of the goods. After assigning the initial design from the head office in Stockholm, primary samples are invited from the suppliers through the local production office in Dhaka. After getting initial approval, supplier goes for the bulk production. But before going to the production supplier has to get the sample approval again for the second time for matching the fabrics and other materials with the primary approved sample. Then after the production and before shipment, supplier has to get the approval on the sample of finished product for third time to make sure that, the finished product is as same as the primary sample. So this long process of sample approval hampers the total lead time of delivery of the goods.

Lengthy process of order issuance: Order processing phase is another time consuming factor that affects the efficiency of total supply chain process. Before issuance the purchase order to the supplier, local production office of H&M conducts some activities. Quotations are invited from the suppliers. A time frame is assigned for the submission of quotation. It is not certain that the lowest rate bidder gets the job. Before providing the job, an inspection team

visits the production facility of the primarily selected supplier. They check the supplier's past records regarding the production of the goods. They also check the eligibility of the supplier to maintain their code of conduct. If the supplier gets the clearance from all sides then the purchase order is issued to that supplier. So this prolonged and complicated system of order issuance ultimately affects the smooth performance of supply chain.

Unavailability of raw materials: After getting the order, supplier needs to source the raw materials to go for production. The main raw materials are fabric, button, Zipper, Lace and label. The required raw materials are not available in the local market, specially the woven fabrics. Most of the cases supplier imported fabrics from foreign market. The lead time of delivery of the goods is increased due to import of the fabrics mainly from Hong Kong, China, Indonesia and India (Nuruzzaman, 2009). The total average time to import the fabrics from abroad is 37-42 days, which is the main cause of the long lead time (BGMEA research cell).

Lack of utilities supply: Most of the garment factories are situated inside the Dhaka city and around the city. In terms of density, Dhaka city is one of the most populated cities in the world. In this situation, providing the sufficient utility to the garment factories is a big challenge for the city after meeting up the demand of huge population. Most the time, garment factories have to suffer from the lacking of electricity, gas and water supply. For the crisis of electricity, production in the garment factories is stopped often. Summer time is the peak season for load shedding in Bangladesh. So apparel production is mostly hampered in this period. Suppliers cannot meet up the delivery time and gradually rest of the steps in the supply chain process becomes affected for the crisis of utility supply.

Inadequacy of transportation facility: As the capital city of Bangladesh, Dhaka is an over populated city. So traffic jam is the most common and regular scenario in this city. Vehicles cannot move freely one place to another. Sending of the goods to any place timely is a big challenge due to heavy traffic congestion. There are some factories, those situated in such a place where the communication facilities are not available. So transportation of goods in these areas is a problem. Besides this, uncertain price hike of the fuel affects the total

production cost estimation of the supplier. Thus transportation infrastructure affects the total supply chain performance.

Bureaucracy: Bureaucracy is a typical culture in Bangladesh and garment industry is not free from this malpractice. Bureaucracy takes place in government, semi government and private organization. Excessive bureaucracy in custom and different organization waste huge time that affect lead time for customer order. Suppliers have run from one office to another to maintain a lot of complicated procedure in order to get different permission. This procedure takes a long time to generate a shipment and as an obstacle, bureaucracy affects the flow of supply chain process.

Port congestion: Chittagong is the second largest city in Bangladesh and it is also called commercial city or port city of Bangladesh. The biggest and main sea port is situated in this city. But the port area is not as big as it is needed. It is a common scenario in the port that, a lot of goods are waiting in the port area for the shipment. For the lack of efficiency and sufficient infrastructural facilities, it takes a long time to unload a vessel. It is seen that, when some vessels are being unloaded in the jetty, some other vessels are waiting in the queue on the deep sea. They cannot drop the anchor in the harbor for insufficiency of places. As a result, a plenty of shipments are stacked in the port area. Suppliers cannot ship the goods in time and ultimately it causes hamper in the supply chain performance.

Political unrest: Bangladesh is a democratic country. Political disruption is a regular incident in this country, especially in Dhaka city. Strikes and violations are very frequent. All the offices and factories are to be closed during the strike. No people and transport can move at that time. So workers and other employees cannot go to the factory and run the production. Sometimes, such kind of situation prevails for a long and unlimited time. In this case, suppliers cannot keep their commitment to their buyers and even they cannot inform any specific date of shipment since the political unrests exist for an uncertain time. In this circumstance, supply chain process loses its flow of continuity.

Labor cohesion: labor cohesion is very often in the garment industry. There are some suppliers or factory owners who always try to deprive the workers from their legal rights.

Workers do not get their wages properly. In many cases they are paid less than that they should get. Most of the time, workers need to work more than eight hours even the whole day. But they get the wages for half day. It also happened that, workers get their wages of one month in the next month or after one or two months. Extra facilities are unquestionable where wages are uncertain. Sometimes, sexual harassments are also happened in case of the female workers. As the workers in the garment industry are very poor and many of them subsist below the poverty level, they go for the strike against their owners to get their legal rights. In this time the production in the factory remain stopped; suppliers fail to meet up the delivery deadline and supply chain performance is affected accordingly.

Time involving Quality check/re-check: Quality checking or re-checking is a common term in the garment industry. It is an obvious thing for the buyer company. Concerned person of the buyer company go to the supplier's factory to check the quality of their goods. In this time production activities get hampered. At the time of checking the quality, almost all the productions are remain stopped. Because, the quality checking officer goes to almost every worker's machine and check the products randomly from one machine to another. It takes a long time. After packing the goods, buyer company runs the quality check again. If they find any discrepancy at that time, they give order to open all the packing, get the products out and re-check. This is a very time consuming job and sometimes supplier fails to deliver the goods in time.

Individual Compliance check: Compliance check is also a cause for breaking the production flow. During the compliance check all the key persons in the factory need to be busy with the compliance checking team. They cannot supervise the production properly. As a result they keep the production activities stopped for a long time. Almost all the buyer company visit a supplier for compliance checking at least once a month. Every time supplier needs to stop the production operation. So it is a time consuming factor and in respect of the supply chain performance, it is an obstacle as well.

Insufficient technological infrastructure: The garment industry in Bangladesh is still in a backward condition regarding the technological infrastructure. There are many suppliers, who are not conscious about the technological support. Mainly two reasons are responsible

for that. One is their negligence and another is lack of knowledge about technology. There are a lot of suppliers who are reluctant to invest money in the technological infrastructure. They only have some computers but do not use any software. There are different kinds of software available now, like- embroider software, knitting and weaving software, warehouse software, point of sale software etc. Some latest technological facility like- electronic data interchange (EDI), bar code labeling, radio frequency (RFID), custom fit clothes technology etc. These all are used for the smooth operation of supply chain and to increase the efficiency of supply chain process. But in Bangladesh, most of the suppliers do not use and even are not familiar with these latest technologies. This is why; better performance is not reflected from the supply chain process for the lacking of facilities in technological infrastructure.

Lack of proper technical knowledge: In many garment factories, operators do not have any technical knowledge about the machineries; even there is no permanent technical person to fix the machines or equipment. If any machine is broken down or any problem is found in any equipment then the supplier needs to wait for the technical person and to hire from outside. Production is stopped for a long time and ultimately delivery deadline is delayed.

Retention of authority: In most of the supplier companies, management power is centralized to owner of the company. Nobody can interfere in any matter or take decision in any situation. The concerned person needs to wait for getting any decision from the top level management regarding any issue in his or her own department. Any person does not have the authority in decision making even if it is an urgent matter. This process wastes the time in production process and even in the delivery phase as well.

Exploited Trade union and labor cohesion: Trade union is established for the welfare of the workers. But at the present time the trade union the garment sector of Bangladesh is corrupted by the influence of political parties. There are two parties in the trade union; one is government supported and another is opposition of government. So the trade union is now controlled by the political leaders and driven for their self interest. In this situation, any political chaos also affects the operation of garment industry and influence to stop the activities of the factory. As the supplier cannot run the production properly, it cannot

be possible to meet up the delivery deadline. So, in this perspective, trade union is a factor that affects the efficiency of supply chain process.

Cultural difference: There are some factors, where cultural conflicts are created in both of the parties of two different countries and finally affect the supply chain performance. These factors are- ethics or trustworthiness, professionalism, timeliness, rituals, religion and language. The buyer and supplier do not run their business with the same level of ethics. If any unethical operation is conducted by the supplier and buyer does not accept it, supply chain process is delayed. Professionalism and timeliness are important factors for confliction. Lacking of these two factors shows the inefficiency and it affects the performance of the supply chain. Ritual and religious occasions are not the same in two different countries. So vacations are also different in both of the countries. The weekly holidays in Bangladesh are Friday and Saturday. But in the western countries these are on Saturday and Sunday. So two days are wasted in the total supply chain process. On Friday, official activities go on in the buyer's side but supplier's side is closed. On the other hand, on Sunday, official activities are closed in the buyer's side but open in the supplier's side. Language barrier is a critical issue in foreign trade. It also causes hamper in the smooth operation of supply chain between two countries.

7.2. How these factors affect the Supply Chain efficiency and what are the impacts of inefficiency factors on the entire Value Chain system

To assess the effect of the inefficiency factors, we have chosen three parameters; those have been used in our analysis as the scale of measuring the impact on the efficiency of supply chain. These parameters are - lead time, cost and quality.

Labor cost is very low in Bangladesh because of its huge manpower and this is the main reason behind the outsourcing of H&M from Bangladesh. As a powerful buyer, H&M never compromises with the quality. So suppliers are bound to keep the quality stable as per the requirements of H&M. Then the most challenging issue is lead time. Longer lead time is the biggest threat in the apparel outsourcing from Bangladesh. Because its impact on the supply

chain efficiency is terrible. This is why; in our second research sub question, we have mostly focused on how our identified factors are responsible for the longer lead time

affecting on lead time we have identified those factors as the inefficiency of supply chain that are mainly affect the lead time of the total supply chain process. So we have mostly emphasized on the decreasing of lead time to solve our main research question.

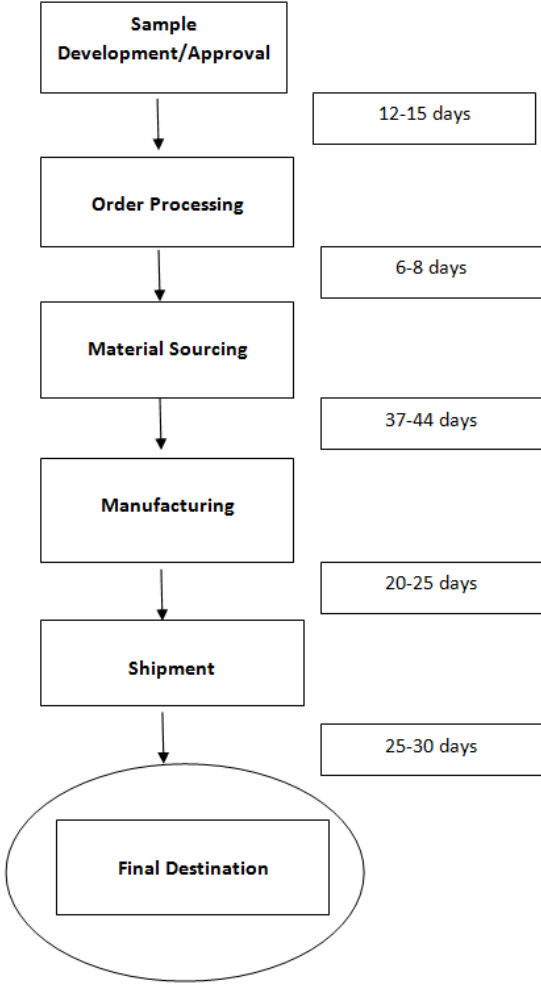
A number of suppliers placed the sample in the first phase in order to get Purchase order. The local merchandiser in H&M office in Dhaka inspects the sample provided by different suppliers. It consumes about 5-8 days to approve by H&M Stockholm office. It is found that the total 12-15 days consumes for approval in different stage of sampling in the H&M supply chain process (Appendix B, Question 8). Higher cost is also involved in this prolonged process.

As mentioned earlier, RMG industry is working like tailor shop. Fabrics and accessories are used as main raw materials for manufacturing the garments in order to fulfill the buyers' demand. The required fabrics are not available in local market to meet huge demand. For example, woven fabrics produced about 20% of its total demand. So the industry is highly dependent on import fabric from Hong Kong, China, Taiwan, Indonesia and India which consumes average 37-44 days and it leads to longer lead time and higher cost (Appendix D, Question 3). Ultimately it causes to fail customer's lead time. As a result the supplier may lose the next order. Since, fashion industry is time sensitive, lead time is most important issues in the entire value chain. On the other hand, knit fabrics and accessories are available in local market that consumes only 10-15 days (Appendix E, Question 8) to reach at manufacturing plant and it is also cost effective than the foreign market. So in case of knit fabrics, it is being possible to save 27-29 days lead time and cost is being decreased as well.

Now a day, international buyers have become very conscious about the compliance with their Code of Conduct issue. Suppliers are required to sign the agreement regarding the compliance for getting the order. Although every supplier agreed up on that before getting the job, they do not want to follow compliance after getting the job as it is cost incurring to maintain. The compliance issue involves improvement of working environment, providing legal rights to the workers, timely payment, ensuring job security, minimum wages, avoidance of child labor,

etc. fulfilling the requirements of these compliance issues impact on the profit margin of the supplier. Moreover, during the production buyer's compliance audit team frequently goes for compliance inspection, which is time consuming and affects the productivity. The empirical findings show that, in the inspection day, 40% productivity is decreased due to compliance audit (Appendix C, Question 10).

There is only one international sea port in Bangladesh. The port capacity is not sufficient and the infrastructural facilities are also inadequate. This is why, it takes a long time to load and unload the cargo, which affects the smooth movement of the cargo in the port area.



Figur 21: Lead time model (Source: owned design, based on empirical findings)

As a result, port congestions are created which ultimately consumes extra 3-5 days to clear the goods from the port (Appendix D, Question 7).

Huge load shedding in Bangladesh terribly affect the productivity of the garment industry. In a statistic it is found that, garment factories in Bangladesh run their production for 10 hours on an average per day and 300 hours in a month. But the suppliers suffer from the load shedding for almost 120 hours per month. For the patronization of Government, the Export Processing Zone (EPZ) is free from this trouble as they have the separate power station. This is why 10% of the total garment factories in Bangladesh are free from the curse of load shedding. But the rest 90% factories do not have any governmental support in this regard. This is why some factory owners arrange power generator by themselves, which incur a huge cost to run the production. The other suppliers, who do not have the capability to arrange the power generator, suffer from the load shedding and fail to meet up the lead time.

In our first research sub question, we have discussed about the technological lacking of Bangladesh garment sector. Many of the suppliers do not have the technological knowledge, whereas the other supplier countries are fully equipped by the technological support. In this regard, Bangladesh is being deprived from a lot of orders by the foreign buyers. For the lack of technological skill, many suppliers cannot communicate with the buyers properly. Technological infrastructures are also in backward condition in Bangladesh. For example- every supplier is supposed to test the fabrics in the laboratory before and ongoing production phase. Although there are some laboratories in Bangladesh, they are not technologically sound to test all kinds of fabrics. This is why, suppliers send their sample to the foreign countries like- China, Hong Kong, Taiwan. This is very costly and time consuming as well. If the Bangladeshi suppliers could be able to do it inside the country, then a huge cost and time could be saved. Another technological factor is digital sampling. If this facility could be available in Bangladesh, suppliers would be able to approve their sample in only one day instead of existing 12-15 days. In this process, suppliers could be able to save huge cost and minimize the lead time as well.

8. Conclusion and Recommendation

In this chapter, we will discuss about the probable solution to minimize the inefficiency factors of the supply chain, which is our main research question. In the later part of this chapter we will put some recommendations to H&M and RMG industry in Bangladesh on the basis of our empirical findings. Finally we will put some recommendation for further study in this area.

8.1. Probable Solutions to minimize the effect of inefficiency factors

The main objective of this study was to identify the factors that affect the efficiency or performance of supply chain in cross border outsourcing. For this study, we chose H&M, a well known Swedish fashion company and its outsourcing operation in Bangladesh. Analyzing the empirical findings of our study, we indentified some inefficiency factors that affect the performance of supply chain. In our analysis part, we have discussed these factors and their impact on the efficiency of supply chain as our research sub questions and there we proved that, longer lead time is the main cause for the inefficiency of supply chain. So, here in our conclusion part, we will discuss about the probable solution to minimize the inefficiency factors and improve the efficiency of supply chain by decreasing the lead time.

Some probable solutions are described below as per the factors indentified in our first research sub question-

Time-consuming sampling process: the existing process of sample development and approval takes a long time that is 12-15 days. But by the implementation of ‘digital sampling process’, it can be done by only one day. So it may be a better solution for the sample development and approval stage to minimize the longer lead time. It also saves a lot of cost involved in the existing process.

Lengthy process of order issuance: A lot of steps are involved in the order issuance process. The concerned authority of H&M should eliminate or integrate some steps with others to accelerate the lead time of total supply chain process.

Unavailability of raw materials: This is the most time consuming factor in the supply chain process of garment industry. Because, in most of the cases suppliers need to source the raw materials from abroad, that demands a longer lead time. To overcome this situation, following steps may be taken-

Bonded warehouse: A common bonded warehouse may be the solution of raw materials' scarcity. If the frequently used raw materials can be stored in warehouse, then suppliers can purchase the materials within a very short time and it helps to decrease their ultimate lead time of the shipment. As the imported materials in bonded warehouse are duty free, so this initiative will be cost effective as well.

Establishment of backward linkage: Although ready made garment sector has been boosted up significantly in Bangladesh, the backward linkage sector, like- textile, spinning and fiber have not been established in that way. If these sectors can be developed like RMG sector, then suppliers will not need to source the raw materials from abroad.

Foreign Direct Investment: To make available the raw materials in Bangladesh, foreign direct investment may be invited by the Government. The foreign buyers of RMG may also invest in the raw materials production in Bangladesh. For example, if H&M establishes raw materials manufacturing plant in Bangladesh and they inform their forecasting to the raw materials supplier in advance, then H&M's supplier will get the raw materials inside the country within a short time and H&M will also get the shipment delivery within a shorter period with lower cost.

Lack of utilities supply: A special zone or area can be built up for all the garment factories in Bangladesh, where all types of utilities supply will be available by the special initiatives. For example- separate or dedicated power station for all the garment factories.

Port congestion: There may be two solutions for this factor. One is to enlarge the port capacity in Chittagong (biggest sea port) and increase the infrastructural facilities also. Another solution is to utilize the second sea port in Mongla. Most of the time, this port cannot be used due to the insufficient depth of the sea. If this port can be used increasing the depth, then port congestion will be removed and lead time will be decreased as well.

Political unrest: Government should take the initiatives to keep the garment sector free from political instability. With the assistance of Government BGMEA can summon a meeting with the political parties and make the decision to keep the RMG production, delivery transportation and any other RMG sector related activities free from the strike, violation or such kind of political incidents.

Individual Compliance check: A unified compliance checking system might be launched to decrease the lead time regarding this factor. Almost every supplier handles a few buyer companies. Different buyer company visits supplier's factory in different time for checking the compliance issue. If all the buyer companies perform the compliance check together in a day, supplier could be able to save a lot of time that will ultimately decrease the lead time.

Insufficient technological infrastructure: First of all, supplier's knowledge should be increased about the technological advantage. To do this, buyers can keep the condition during supplier selection that, suppliers have to have the technological facilities to be selected; like-internet connection in the supplier's plant. Fabric testing technologies are not sufficient in Bangladesh. There are some sophisticated fabrics that are not possible to test by the existing facilities of laboratory. So, laboratories with the latest technology should be set up in Bangladesh. Necessary computerized technology may be set up in the suppliers' plant area to launch the digital sampling system. Besides these, different kinds of software, bar code labeling, EDI and RFID technology should be set up at supplier's own initiatives to decrease the lead time.

Retention of authority: Management and decision making power should be decentralized in the supplier's company. If all the concerned employees get freedom in decision making instantly regarding any problem, then operation becomes faster, which helps in the reduction of lead time.

Exploited Trade union and labor cohesion: To overcome the labor cohesion, factory owners may use the trade union as the bridge between the workers and owners. In this occasion, both of owners and workers should maintain a standard protocol, which should be transparent to both of the parties. Trade union will convey the workers' demands and problem to the managerial body and they will solve it through the trade union. If it can be practiced, then nobody will be able to exploit the trade union in their own interest.

Bureaucracy: Assistance of Government and public awareness are the best protective measure against bureaucracy. Official protocol can be changed or special care to the RMG sector may remove the bureaucracy from this emerging industry.

Time involving Quality check/re-check: Quality inspection team of buyer company may conduct a pre-discussion with the supplier before visiting the factory and fix up a date in the convenience time of the supplier so that productivity in the supplier's factory is not affected.

Inadequacy of transportation facility: To avoid the excessive traffic jam in the day time, suppliers may choose the mid night as the delivery time of the products, when roads are almost free from traffic cohesion. Local authority of government should be aware to the garment factories regarding the construction of road facilities.

Lack of proper technical knowledge: factory owner may engage some people who are technically sound to the machineries and equipment or some people from inside the organization may be well trained up to provide the quick service for avoiding the unexpected production break.

Cultural difference: Mutual understanding between buyer and supplier may decrease the affect of cultural difference.

8.2. Recommendation to H&M

Analyzing our empirical findings, we found that, Bangladesh is a significant outsourcing destination of H&M all over the world. H&M sources about 35% of its total outsourcing from Bangladesh. But Bangladesh has still some limitations in different areas. Despite of having huge opportunity of low labor cost, Bangladesh is facing a lot of problems to decrease the longer lead time due to the lack of proper technological development. Still now Bangladesh needs to go abroad for testing some sophisticated fabrics as there is no laboratory in Bangladesh with the modern technological support. H&M can keep contribution in this sector to get the privilege of shorter lead time. For instance, on the last 28th March, Zara (Inditex) a Spanish fashion retailer already signed in a Memorandum of Understanding (MOU) with Bangladesh Garments Manufacturer and Exporters Association (BGMEA) to set up a laboratory in Bangladesh to boost up the garments industry one step forward. Bangladesh is still suffering from the problem with the backward linkage facilities. H&M can invest in this sector for the sake of their own interest. Sample development and approval is another time consuming factor in the total supply chain process which is responsible for the longer lead time. By the implementation of digital sampling process, H&M can help to ensure the shipment delivery within a shorter period than before. As a powerful buying company H&M can arrange for some training programs for its suppliers to make them expert in garment manufacturing and processing activities. H&M can also arrange some motivational programs for the suppliers to follow their compliances. Considering the above recommendations, if H&M extend their hands to assist the Ready Made Garment (RMG) industry in its development, they will be able to enjoy the opportunity of low labor cost along with the shorter lead time in the long run.

8.3. Recommendation for RMG Industry in Bangladesh

As Ready Made Garments industry (RMG) in Bangladesh has emerged as the main export earning sector in Bangladesh and the economy largely depends on this sector. Therefore proper measures should take into consideration by different actors to boost up this industry. Firstly, shortening the lead time is the most urgent priority task for Bangladesh in production and distribution level. Fabrics need to import from foreign market due to lack of raw materials which ultimately affect order lead time. The best solution is to develop domestic backward linkages with the help of local government, BOI, BEPZA, EPB, BGMEA, and BTMC. It

implies establishment of strong domestic textiles industry. But it is not possible to establish strong backward linkages overnight because it involved huge investment for modern machinery and equipment. Local government can encourage the foreign investors to invest in Bangladesh textile industry sector. Another recommendation is to set up a common bonded warehouse in the private sector to keep raw materials available to meet up the demand for export oriented garment factories. Finally, our recommendations to other concerned actors in this industry to take the necessary initiatives to accelerate the competitiveness of this promising sector.

8.4. Recommendation for Further Study

As our thesis was mainly focused on investigating factors that affects supply chain efficiency in global outsourcing in Bangladesh. The thesis was structured around the research problems describing H&M's supply chain process in outsourced destination, impact on it and then probable measures to minimize the effect of inefficiency factors. We did not focused that much on Information and Communication Technology (ICT) in garments and textile supply chain which could be an interesting topic. We believe that appropriate Information and communication technology can ensure efficient information sharing between buyer and supplier which can give them the opportunity to gain efficiency, competitiveness and even shorter lead time by focusing on development of relationships within the Supply Chain and create trust and co-operation.

In our research we just focused only H&M's cross border operation in Bangladesh not generalized outsourcing any other cross border operations. Research can be made on comparative analysis of H&M's outsourcing operation in low cost countries i.e. India and Bangladesh. Especially, to investigate the comparative advantage of these two countries and how these advantages affect overall supply chain efficiency in regards to lead time, cost and quality.

Finally, Research can also be made on Corporate Social responsibility (CSR) particularly the reasons for violate buyer's code of conduct by the supplier in order to investigate the ethical practices of suppliers in low cost countries, and reason behind that. And how this handled by such a powerful buying company.

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Appendix A

Questionnaire 1

This questionnaire contains 11 open questions. Your free and frank responses would be highly appreciated and helpful for us. Your answers will be used as the input of our thesis and subject to be disclosed for the interested readers.

Respondent : **Tanjila Akter**
Working place : H&M Dhaka office, Bangladesh
Designation : Senior compliance officer

General Questions

1. When did H&M open its office in Bangladesh?

H&M started its operation through the local production office in Bangladesh from the year of 1982.

2. How many employees do you have in H&M Dhaka office? What is the ratio of foreign and Bangladeshi employees?

There are approximately 220 employees are working in our Dhaka office to run the operation of H&M in Bangladesh. Among them 85% employees are local and 15% is foreigner.

3. What are the main functions of H&M local production office in Dhaka, Bangladesh?

The main functions of this office are to coordinate between H&M's head office in Stockholm and its suppliers. Other responsibilities are selection of the suppliers, placing orders to the selected suppliers, monitoring the production, follow up the quality and compliance and so on.

4. With how many suppliers do you maintain direct relation (buyer-seller) in Bangladesh?

H&M always maintains a good relationship with its suppliers in Bangladesh. At present we are working with approximately 130 suppliers and 30-40 sub contractors in Bangladesh.

5. What is the position or place of H&M as a single buyer of apparel products of Bangladesh (in terms of volume)? [Pls. put (√) sign beside the answer]

- | | |
|--------------------|----------------------|
| a) 1 st | b) 2 nd √ |
| c) 3 rd | d) 4 th |

6. What are the motives working behind outsourcing of H&M from Bangladesh? Would you pls. explain briefly?

There are couples of reasons for what H&M is sourcing from Bangladesh. But among them following causes are remarkable-

- *Cheap labor*
- *Less price*
- *Huge capacity of supplier*
- *Vertical unit*
- *Business expanding motive of the supplier*

7. What are the main tasks of the merchandisers in H&M's local office?

Merchandisers play an important role in our office. Their main tasks are- order processing with the required design and accessories, inspecting samples, regular inspection of quality etc.

8. Is the production office involved in the product designing phase?

No. H&M Dhaka office is not involved in the product designing stage; rather collections are designed centrally from the head office in Stockholm.

9. How do you select a supplier?

First of all we collect some information about supplier's production capacity, technological infrastructure, past records etc. by Google search or some other reliable sources. Then we consider three major factors. They are- price, quality and lead time. But lower price and less lead time do not get priority always to select a supplier. Sometime suppliers are selected based on trustworthiness and reliability as well.

Compliance/CSR & CoC related questions

10. How often do you check the compliance/CSR of suppliers? [Pls. put (√) sign beside the answer]

- a) In every month
- b) After every six month √
- c) Once a year
- d) After more than a year

11. How do you conduct the Compliance audit? Would you pls. explain briefly?

An audit team visits supplier's factory and conduct the job in following five steps-

- *Visual inspection*
- *Management interview*
- *Documents check*
- *Worker interview*
- *Assess of the management system.*

12. What are the objectives of Code of Conduct team?

The objectives of the Code of Conduct team are to prevent child labor, ensure better working conditions, legal labor wages, and overtime charges etc.

13. What is the penalty for suppliers if they violate the Code of Conduct of H&M?

Our suppliers are bound to follow the instruction in Code of Conduct. If any supplier violates it, he will get a warning letter from us. If he does this again then that supplier may be penalized by the following way-

- *Order decrease*
- *Temporarily reject*
- *Permanently reject/business terminate*

Appendix B

Questionnaire 2

This questionnaire contains 15 open questions. Your free and frank responses would be highly appreciated and helpful for us. Your answers will be used as the input of our thesis and subject to be disclosed for the interested readers.

Respondent : **Rajib L. Rozario**
Working place : H&M Dhaka office, Bangladesh
Designation : Officer, Shipping Department

Outsourcing related questions

1. How much of total outsourcing all over the world does H&M perform from Bangladesh?

H&M performs 35% of its total global outsourcing from Bangladesh. H&M imports 50% knit items of total global production from Bangladesh. Right now the exact information is not available about woven items.

2. What is the trend or volume of H&M's yearly import of readymade garments (RMG) from Bangladesh (preferably for last 10 years)?

Data is not available.

3. What is the ratio of knit and woven items, that H&M outsourcing from Bangladesh?

H&M imports 70% of knit & 30 % of woven items from Bangladesh.

4. What is the recent value (in international currency) of outsourcing by H&M from Bangladesh?

No comments

5. What is the business growth rate of H&M is increasing each year in Bangladesh?

No comments

Supply chain related question

6. How do you make decisions regarding any issue arise on the way from sample development and placing order to supplier?

In the first phase, sample is approved by the concerned authority of buyer in Stockholm. Then counter sample is approved by Dhaka office.

7. For sample approval and price negotiation, how many quotations do you take from the suppliers?

It depends on order. Usually we invite quotations from 3 to 5 suppliers and choose one.

8. How many days are involved from sample development stage to final sample approval stage?

There is no fixed time but it takes approximately 12 to 15 days.

9. How many days are involved in Price negotiation process?

It takes 15 to 20 days to negotiate the price.

10. How much time is involved in issuance of PO (purchase order) to the selected supplier?

It depends on order. But usually it takes 20 to 25 days.

11. What is the average delivery time mentioned in the PO? (From PO issuance to shipment)

The average delivery time is 9 to 10 weeks.

12. Do you have any specific requirements for the supplier to source the raw materials for manufacturing the products? For example- raw materials supplier nominated by H&M or free choice by supplier?

No. We do not have any specific requirements to source the raw materials. It is a free choice of supplier. They collect the raw materials as their convenience.

13. When and in which stage of the manufacturing process do you check the quality of the product? How many times do you perform this job?

We check the quality of products in three times; like-

- 1. At the initial stage*
- 2. In line during the production*
- 3. At the final stage*

14. Regarding the quality assurance of the product, do you perform the re-check?

Yes, we do this job to re-confirm the quality of our products.

15. What is the solution if the supplier fails to meet up the shipment deadline?

If any supplier fails to deliver the goods in due time, we take the following steps-

- *We charge a discount from the supplier*
- *We change the shipment mode*

16. How do you interact with the Swedish buyer?

Swedish buyers are free and frank to discuss with them.

Appendix C

Questionnaire 3

This questionnaire contains 10 open questions. Your free and frank responses would be highly appreciated and helpful for us. Your answers will be used as the input of our thesis and subject to be disclosed for the interested readers.

Respondent : Mr. Akter Hossain Chowdhury
Working place : Hop Lun (Bangladesh) Ltd.
Designation : Senior Manager, Merchandising

1. From when did Hop Lun start business with H&M, Lindex, KappAhl & Cubus?

Hop Lun (Bangladesh) started business with H&M in 2000 and it started business with Lindex, Kappahl & Cubus in the year of 2002.

2. What is the trend or volume of export of readymade garments (RMG) to each of these buyers (preferably since the beginning of selling to these buyers)?

Export volume is increasing. Now the order volume is higher than that was in the beginning.

3. What is the trend or volume of H&M's monthly/yearly import of readymade garments (RMG) from Hop Lun (Approximate in PCS)?

Now H&M is consuming 0.7 million pcs. per month and approximately 7 million pcs. per year from Hop Lun.

4. Do you have any Sub-contractor for production to carry the order volume and meet up the delivery deadline of H&M? If yes, then how many sub contractors do you have?

No, we do not have any sub contractor for H&M production. Hop Lun has its own capacity to meet up the production volume of H&M.

5. How do you make decisions regarding any issue raised on the way from Sample development stage to receiving the PO (purchase Order)? How much time does it consume?

In this situation, I discuss with concerned merchandiser of H&M and make the decision. Regarding the time, it depends on the issue but I try to make decisions within a very short time.

6. How much time is involved for Cutting, production, Quality Check, packaging for shipment?

Our production lead time is about 10-15 days but including all the above stages it takes around 25-30 days.

7. Do you have any experience to face the re-checking of products by Q.C. (Quality Control) of H&M? If so, what about the financial or productivity loss for re-checking?

Yes, I have the experience regarding this issue. In the re-checking stage, if they find even a single fault in the products, they open all the packaging to re-confirm the quality. It is very time consuming and a financial loss for us. Because, we have to pay the workers extra money for doing the packaging again.

8. When do you receive the Payment for exported goods?

Our Hong Kong head office is involved in the payment issues.

9. How do you maintain the CSR activities required by H&M?

We have a CSR monitoring team in our company and they always monitoring our CSR activities and working environment.

10. How does buyer's compliance check affect in your productivity?

When buyers visit our factory to check the compliance, we have to be engaged with them almost all the time. We stop our production at that time as we cannot supervise the production activities. As a result, our productivity is decreased by almost 40%.

Appendix D

Questionnaire 4

This questionnaire contains 7 open questions. Your free and frank responses would be highly appreciated and helpful for us. Your answers will be used as the input of our thesis and subject to be disclosed for the interested readers.

Respondent : **Mr. Gazi Touhid Jamal**
Working place : Hop Lun (Bangladesh) Ltd.
Designation : Manager, Commercial & Shipping

1. From where do you source the fabric & accessories for H&M order (Local or Import)?
If import, then for which causes do you import the materials? Is it a quality issue or unavailability?

Usually Hop Lun uses the imported fabrics and accessories for manufacturing the H&M products. Most of the time we import for the cause of unavailability and sometimes for the quality.

2. Is there any nominated supplier by H&M to source the raw materials or it is your free choice?

It is nominated for some materials and free for the rests. Nominated sources may be local or foreign.

3. How much time (total) does it take to source the raw materials?

To source the raw materials (including all stages), it takes approximately 37-44 days.

4. What about the total lead time for an order (from sampling stage to shipment)?

It depends on the order volume. But usually it is 90-120 days.

5. For how many times Q.C. officer of H&M inspects the quality and in which stages?

H&M Q.C officer inspects the goods in 3 times. First time is trial inspection at the sewing line, then inline inspection at packing before the final and then final inspection.

6. Do you have any experience to miss the shipment deadline? If so, how did you manage that shipment?

Yes, I have experience to miss the shipment dead line and finally it was arranged with '5% discount or ship by air' condition.

7. Do you face any problem in the port area regarding the shipment?

Yes. Often we face the problem in the port. Our port capacity is not sufficient as per the volume of shipment. This is why, port congestion is almost regular problem in the port area and for this problem we face 3-5 days shipment delay.

8. In case of air shipment, what is the extra cost involved in it?

It involves air freight cost. Full air freight is needed to pay by the supplier.

Appendix E

Questionnaire 5

This questionnaire contains 16 open questions. Your free and frank responses would be highly appreciated and helpful for us. Your answers will be used as the input of our thesis and subject to be disclosed for the interested readers.

Respondent : Mr. Shamim
Working place : FCI (Bangladesh) Ltd.
Designation : Manager, Commercial & Shipping

1. From when did FCI start business with H&M?

FCI started its business with H&M from 1998.

2. With how many buyers do you maintain direct relation (buyer-seller) in Bangladesh?

We are doing business with 16 buyers.

3. Do you have business with other Swedish Buyer like Lindex, KappAhl & Cubus?

We have business with Lindex & Kappahl.

4. What is the trend or volume of H&M's monthly/yearly consumption of readymade garments (RMG) from FCI (Approximate in PCS)?

H&M consumes around 250,000 pcs. per month.

5. What is the portion of FCI's total export consumed by H&M?

H&M consumes 60% of FCI's total export.

6. Do you have any Sub-contractor for production to carry the order volume and meet up the delivery deadline of H&M? If yes, then how many sub contractors do you have?

No, we do not have any sub contractor for H&M production. FCI has its own capacity to meet up the production volume of H&M.

7. From where do you source the fabric & accessories for H&M order (Local or Import)? If import, then for which causes do you import the materials? Is it a quality issue or unavailability?

We use both of local and imported materials. Import quality is better than local. This is why, usually we use imported materials.

9. How much time (total) does it take to source the raw materials?

In case of local materials, it takes 10-15 days and for foreign materials, it takes 40-45 days.

10. Is there any nominated supplier by H&M to source the raw materials or it is your free choice?

It is nominated for some materials and free for the rests.

11. How much time is involved for Cutting, production, Quality Check, packaging for shipment and original negotiable documents for payment purpose?

Cutting, production, Quality Check, packaging for shipment need 15 days and negotiable documents for payment after 15 days of ship on board.

12. What about the total lead time for an order (from sampling stage to shipment)?

It depends on the order volume. But usually it is 90 days.

13. Do you have any experience to face the re-checking of products by Q.C. (Quality Control) of H&M? If so, what about the financial or productivity loss for re-checking?

Yes, I have the experience. Actually it depends on the order volume but usually this kind of incident incurs 2% loss.

14. For how many times Q.C. officer of H&M inspects the quality and in which stages?

Quality is checked in three times – initial stage, inline and in final stage.

15. Do you have any experience to miss the shipment deadline? If so, how did you manage that shipment?

We miss shipment deadline of 4 or 5 orders per year. In this case, we want to extend the delivery time from the buyer. If they agree, we send the goods next week and if we cannot manage them, buyer charges 5% discount from us or combine the shipment mode by sea and air or air only.

16. In case of air shipment, what is the extra cost involved in it?

In case of air shipment, 30% extra cost is involved.

17. When do you receive the Payment for exported goods?

We receive the payment after 15 days from ship on board and 20 days after ship out the goods.

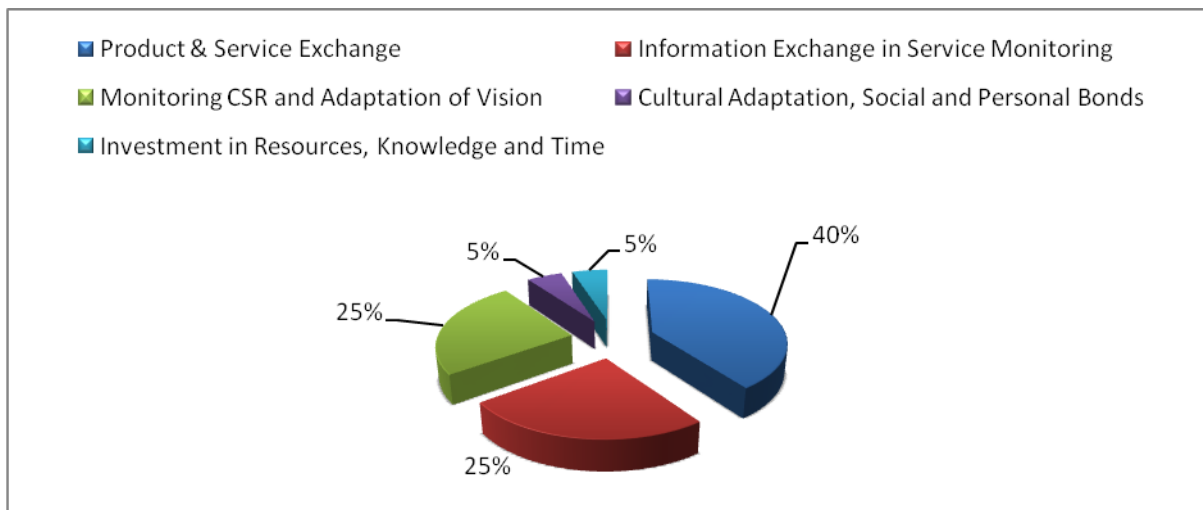
18. How do you source the accessories of RMG products?

About 60%-80% suppliers of accessories are local. So we can source most of our accessories from the local market.

Appendix F

Verified Responses

This document was sent to two respondents- Mr. Rajib L. Rozario of H&M Dhaka office and another one is Mr. Akter Hossain Chowdhury of Hop Lun Bangladesh Ltd. for verification through email. Mr. Rajib corrected it on the table below and Mr. Akter informed us his verification on the rating over telephone and we put it on the table.



Area and degree of interactions between buyers and suppliers

If you find it inaccurate, please give us your rating below:

Area of Interaction	Mr. Rajib	Mr. Akter	Average
Product & Service Exchange	50	60	55
Information Exchange in Service Monitoring	20	20	20
Monitoring CSR and Adaption of Vision	20	10	15
Cultural Adaption, Social and Personal Bonds	5	5	5
Investment in Resources, Knowledge and time	5	5	5
Total	100%	100%	100%

Appendix G

Telephone Interview

Respondent : Mr. Akter Hossain Chowdhury
Working place : Hop Lun (Bangladesh) Ltd.
Designation : Senior Manager, Merchandising

Question 1: Could you pls. describe the sample development and approval process?

Answer: Firstly, H&M develops a proto type sample for a particular item and then it is sent to the local production office in Dhaka, Bangladesh. Concerned merchandisers collect the sample from a few suppliers with prescribed design, fabric composition, accessories and color. The selected sample by Dhaka office is sent to head office in Stockholm. And finally sample is approved by the corporate head office in Stockholm, Sweden. This sample is called Green Tag sample. Green Tag sample is developed with the correct weight of material or fabrics. H&M Buying Office require this sample when an order is placed. Comments made regarding fit and size made by quality assurance team. In addition, for example one meter bulk production base fabric must be tested in the lab about the fiber content testing and prepares a completed test report. In addition to Green Tag Sample; a full size set quality fabric and trims with colors are performed by the supplier according to the correct base and critical Path, before production commences. This is called red Tag Sample. A full size set required all styles, but not all colors. Gold Suppliers implies an approval for bulk production sample just before going to full production in order to fulfilling the order by H&M. Supplier starts with bulk production depending on this Red Tag Sample. Gold Tag sample have to sent with each color in each size must be approved by quality assurance team of H&M just three days before for as prior approval which term as OK to ship for cargo shipment/dispatch from supplier factory.

Appendix H

Telephone Interview

Respondent : Mr. Belal Chowdhuri
Working place : Damco Logistics Bangladesh (Former Maersk Logistics)
Designation : Manager, Sea Export

Question 1: How do the suppliers deliver the cargo for H&M order?

Answer: Shippers submit the booking to Damco through MPS 5 days before to shipment according to cutoff. We give the booking confirmation to shipper upon check and verify the booking about quantity as per order and destination. At the shipment date supplier load the cargo in covered van, forward and handover to Damco's warehouse in Chittagong Sea port along with booking confirmation and others custom certified export documents. Upon received cargos at we give an acknowledgement with time and date to shipper's (C&F) by verifying the truck seal, carton quality and quantity. Supplier submits FCR through MPS** on the basis acknowledgement. At the same time we make a CFS report to H&M local office as per physical cargo status and take an approval to console the goods.

Question 2: How do you console the goods?

Answer: We prepare a loading plan as per their Standard operating procedure (SOP) and approval from H&M. H&M cargo has eighteen final destinations in Asia, Europe, North America, Russia and Middle East. Goods are consolidated according to cutoff date and destination. There are two cutoffs in a week which arranged country specific. Goods stuffed under supervision of Damco as per buyer instruction, approval and loading plan. Please note that, In case of light cargo we take an approval from H&M for light container loading (LCL) or to hold cargo for one week. In addition to stuffing the goods stuffing advice and EDI (Electronic Data Information) transmitted to shipper and buyer. After stuffing goods we is original FCR in favor of beneficiary (here the Bank or supplier) in which supplier negotiate to bank for payment. And cargo released at final destination under Sea way Bill of lading (SWBL).

Appendix I

Sample Purchase Order of H&M (page 1)



Model / Style: 444052 - 3708

Micro hipster black

Supplier's original

Supplier : HOP LUN (HK) LTD
Supplier Code : 3292

Season: 2
Trailing order

Running Item

Our reference :

GRANLUND-DAHLBERG ASA

Delivery From : Bangladesh
Country of Production : Bangladesh

Origin of Material : China
Date of order : 08 Apr 2010

Terms of Delivery: SE, GB, CH, DE, BE, PL, JP, RU, KR Transport by sea / flatpacked. Terms: Free carrier (H&M pay freight) Chittagong Ship by: Maersk Logistics Trade according to Incoterms 2000	Price EU 2,93 Price NO/CH 2,93 Price US Price CA Price ME Price CN Price HK Price JP 2,93 Price RU 2,93	USD 2,93 2,93	Terms of Payment: 20 DAYS SHIP LESS 2%
			Time of Delivery : 17 May 2010: RU 31 May 2010: SE 07 Jun 2010: CH, DE, BE, PL 14 Jun 2010: GB, JP, KR

Colour / Quantity :

H&M Colour Code	Pricetag Colour Code	Colour	Quantity / Colour
09-090	09	Black	10 060
Total Quantity			10 060

Notes:

Brand Name : Micro hipster black
Quality : 86 % polyamide 14 % elastane 108 gsm Charming 36006-1
Construction :
Weight of Garment : 90 gram 2,38 lbs/dz

By accepting and performing under this Order, the Supplier acknowledges:

- (i) that he has received H&M Standard Purchase Conditions including the other standard conditions referred to therein; and
- (ii) that the Conditions apply to the sale and purchase of Goods comprised in this Order; and
- (iii) that the Supplier is bound by the terms set forth in the said Conditions.

Sample Purchase Order of H&M(page 2)



Order No:
444052 - 3708
 Model / Style :
Micro hipster black

Supplier : **HOP LUN (HK) LTD**
 Supplier Code : **3292**

Supplier's original
 Season: **2**
 Trailing order

Destination, Time of delivery & Price :		
Destination country	Time of delivery	Price / Piece
Sweden	31 May 2010	2,93
Norway		
Netherlands/Denmark		
Netherlands/Great Britain	14 Jun 2010	2,93
Switzerland	07 Jun 2010	2,93
Germany	07 Jun 2010	2,93
Netherlands/Belgium	07 Jun 2010	2,93
USA		
Germany/Spain		
Germany/Poland	07 Jun 2010	2,93
Canada		
China		
Hong Kong		
XX/to be confirmed		
Japan	14 Jun 2010	2,93
Russia	17 May 2010	2,93
South Korea	14 Jun 2010	2,93
United Arab Emirates		
IX-65		
DX		
YY/To be confirmed		
ZZ/to be confirmed		
Germany/Monki		
Norway Monki		
Monki Hong Kong		
QQ/to be confirmed		
Sweden/Weekday		
Norway/Weekday		

Sample Purchase Order of H&M(page 3)



Order No:
444052 - 3708
 Model / Style :
Micro hipster black

Supplier : **HOP LUN (HK) LTD**
 Supplier Code : **3292**

Supplier's original
 Season: **2***
 Trailing order

Colour / Country Breakdown :

Supplier colour
 H&M col code 09-090
 Pricetag Colour Code 09
 Colour Black

Country	Total	V Units	P/C	V Units	P/C	V Units	P/C	V Units	P/C	V Units	P/C	V Units	P/C
SE	3 000	8		3 000									
NO													
NL/DK													
NL/GB	1 000	8		1 000									
CH	2 000	8		2 000									
DE	1 000	8		1 000									
NL/BE	2 000	8		2 000									
US													
DE/ES													
DE/PL	1 000	8		1 000									
CA													
CN													
HK													
XX													
JP	19	8		19									
RU	22	8		22									
KR	19	8		19									
ME													
IX													
DX													
YY													
ZZ													
DE/EM													
NM													
MH													
QQ													
SE/EW													
NO/NW													
Total	10 060			10 060									

H & M Buying Office, Sweden

H&M Hennes & Mauritz GBC AB
 Mäster Samuelsgatan 45A
 SE-106 38 Stockholm
 Sweden
 +46 8 7963500
 +46 8 209919

H&M Hennes & Mauritz GBC AB
 Mäster Samuelsgatan 45A
 SE-106 38 Stockholm
 Sweden

Definite
 08 Apr 2010
 12:24
 Page : 2

Sample Purchase Order of H&M (page 4)



Order No:
444052 - 3708
 Model / Style:
Micro hipster black

Supplier : **HOP LUN (HK) LTD**
 Supplier Code : **3292**

Supplier's original
 Season: **2***
 Trailing order

Colour / Size Breakdown :

Colour Code		32	34	36	38	40	42	44									
H&M	Pricing																
09-090	09	10	1 013	1 964	3 291	2 456	855	471									
Total		10	1 013	1 964	3 291	2 456	855	471									

Size Label (Correspondig Sizes):

179 - Ladies Bottoms Singel 32-60

	32	34	36	38	40	42	44										
EUR																	
US	2	4	6	8	10	12	14										
CA	2	4	6	8	10	12	14										
CN	155/60A	160/64A	165/68A	165/72A	170/76A	170/80A	175/84A										
JP																	

H & M Buying Office, Sweden

H&M Hennes & Mauritz OBC AB
 Mäster Samuelsgatan 46A
 SE-106 38 Stockholm
 Sweden
 +46 8 7365500
 +46 8 209919

H&M Hennes & Mauritz OBC AB
 Mäster Samuelsgatan 46A
 SE-106 38 Stockholm
 Sweden

Definite
 08 Apr 2010
 12:24
 Page : 2

Sample Purchase Order of H&M (page 5)



Order No:
444052 - 3708
Model / Style :
Micro hipster black

Supplier : HOP LUN (HK) LTD
Supplier Code : 3292

Supplier's original
Season: 2
Trailing order

Quality/Construction :		
Shell fabric :		
Quality :	86 % polyamide 14 % elastane 108 gsm Charming 36006-1	
Contraction :		
Composition :	86% Polyamide 14% Elastane	
Lining :		
Composition :	100% Cotton	
Wash care instruction: To be confirmed		
Price tag:		
	50	
Self adhesive sticker:		
		X
CA-Number : CA42271		
Packing/Delivery :		
Goods packed in cartons: The gross weight may never exceed 20 KG's (44LBS) per carton		
Size of carton according to packing sheet info.		
Packing: Flat	Hanger NO:HA32-3	
Customs customer group	<input type="text" value="Women"/>	Type of Construction: <input type="text" value="Jersey"/>

H & M Buying Office, Sweden

H&M Hennes & Mauritz GBC AB
Mäster Samuelsgatan 46A
SE-106 38 Stockholm
Sweden
+46 8 7965500
+46 8 208919

H&M Hennes & Mauritz GBC AB
Mäster Samuelsgatan 46A
SE-106 38 Stockholm
Sweden

Definitive
08 Apr 2010
12:24
Page : 3

Sample Purchase Order of H&M (page 6)

ORDER CONFIRMATION NOTE

Recd on 07/4/10

Page

合同號 (Contract No) 008-G-182
 日期 (Date) 9 APR 2010
 日期 (Create Date)
 客戶 (Customer) HOP LUN (HONGKONG) LTD
 日期 (Date) 15 JAN 2010
 日期 (Estimate Date)
 工廠 (Preferred Factory) ABBY WONG
 香港營業組 (HK Sales Team)
 預計批發期 (Estimated Sample Approval Date)
 預計到料期 (Est. Main Material Arrival China/HK)
 東莞辦事員 (CPC Senior Merchandiser) FIYA GAO
 是否翻單 (Repeat Order) NO
 2nd / Special Processing
 附件 (Attachment)

中文款式 Chinese	英文款式 English Description	成品權類 Prod Cat.	款式 Style No	顏色 Colour	數量 Quantity	貿易方式及報價 Terms & Buyer Price	定貨方式 Ship Mode	貨期 (Garment Delivery Date)			備註 Remark
								審期 Cut Off	轉廠期 Expiry	驗貨期 Buyer Insp	

FOB Order										
丁字褲	Underwear	008-E-00417	09-090 black	664PACK(3)	USD 2.33/PACK(3) SEA	17-MAY-10	3-MAY-10	3-MAY-10	444032 - RIJJK	
丁字褲	Underwear	008-E-00417	09-090 black	4,500PACK(3)	USD 2.33/PACK(3) SEA	31-MAY-10	17-MAY-10	17-MAY-10	444032 - SENODKES	
丁字褲	Underwear	008-E-00417	09-090 black	34,877PACK(3)	USD 2.33/PACK(3) SEA	7-JUN-10	24-MAY-10	24-MAY-10	CH.DEBE.PL.XX.ME	
丁字褲	Underwear	008-E-00417	09-090 black	209PACK(3)	USD 2.33/PACK(3) SEA	14-JUN-10	31-MAY-10	31-MAY-10	444032 - JP.KR	
比基尼	Underwear	008-E-00418	09-090 black	422PACK(3)	USD 2.91/PACK(3) SEA	17-MAY-10	3-MAY-10	3-MAY-10	444032 - RIJJK	
比基尼	Underwear	008-E-00418	09-090 black	5,800PACK(3)	USD 2.91/PACK(3) SEA	31-MAY-10	17-MAY-10	17-MAY-10	444032 - SEDKES	
比基尼	Underwear	008-E-00418	09-090 black	22,703PACK(3)	USD 2.91/PACK(3) SEA	7-JUN-10	24-MAY-10	24-MAY-10	CH.DEBE.PL.XX.ME	
比基尼	Underwear	008-E-00418	09-090 black	871PACK(3)	USD 2.91/PACK(3) SEA	14-JUN-10	31-MAY-10	31-MAY-10	444032 - JP.KR	

Export Permit

Ref : DEPZ / CO (E) /

050191

DUPLICATE

Date :
31 MAR 2010



**BANGLADESH
EXPORT PROCESSING
ZONES AUTHORITY**

DHAKA EXPORT PROCESSING ZONE
GANAKBARI, ASHULIA, DHAKA-1349
PHONE : 7701002, 7701012
FAX : 880-2-7701003

HOP LUN (BANGLADESH) LTD.

M/s.
Dhaka Export Processing Zone
Ganakbari, Ashulia
Dhaka.

251530

Sub : Export Permit

Dear Sirs,

With reference to your undertaking no. H2BD/DEPZ/39848 dated 28.03.2010
This is to convey the permission of the Authority to export the items produced in your factory at
the Dhaka Export Processing Zone as mentioned in your invoice no. 39976 dated 15.03.2010
dated 15.03.2010 dated 10

The items specified in the invoice are eligible for exemption from the whole of leviable customs duties, VAT and supplementary duties vide S.R.O. No 88 LAW/98/1739/CUSTOMS dated May 28, 1998 issued by the Internal Resources Division, Ministry of Finance.

This permission is valid for 30
(Thirty) days from the date of issue

Yours faithfully,

General Manager
M. A. Jall
Dy. Manager (C.O.)
Dhaka EPZ

Copy including authenticated copies of the Bill of Lading and the Invoice are forwarded for information and necessary action to :

1. Assistant Commissioner / Superintendent, Customs circle office, DEPZ, Ashulia Dhaka.
2. Security Office, DEPZ, Ashulia Dhaka.
3. Office Copy.

Undertaking for Issuing Export Permit

HOP LUN (BANGLADESH) LTD.
SFB No.3, Dhaka Export Processing Zone
Ganakbari, Savar, Dhaka-1349
Bangladesh
Tel : (880-2) 770 1506 - 9
Fax : (880-2) 770 1445
E-mail : hoplun@hoplunbd.com

Ref.: HLBD/DEPZ/39848
Date: 28.03.2010

To
The General Manager
Dhaka Export Processing Zone
Ganakbari, Savar,
Dhaka. Bangladesh.

Sub: Undertaking and request for issuing Export Permit.

Dear Sir,

We do here by certify that the goods as described in the Invoice No. **39976 10** Dated: **15.03.2010** (copy enclosed) have been manufactured in our factory in the Dhaka Export Processing Zone in accordance with the approval of the authority and now ready for export **GERMANY** at present international market price against L/C or Contract No.**008-G-088**Dated: **24.02.2010** issued by Hop Lun (HK) Ltd. Hong Kong.

We further undertake that we shall abide by the rules and regulations of the government and BEPZA in connection with the export and be hold liable in case of any default.

Being duly authorized by the Board of Directors of our company, the undersigned issues the above statement on behalf of the company.

In view of the above, please issue us the Export Permit.

Thanking You.

Yours Sincerely,



Authorized Signature

MD. NAZRUL ISLAM
Manager (Accounts)

Enclosed: 1. Commercial Invoice
2. Packing List
3. Exp

HOP LUN (HK) LTD TEL + 852 2359 9588 FAX + 852 2781 1345 E-MAIL: hoplun@hoplun.com.hk	HOP LUN FASHION (DONG GUAN) LTD TEL +86 (0) 769 5317 168 FAX +86 (0) 769 5317 750 E-MAIL: hl@hoplun.com.cn	HOP LUN FRANCE TEL +33 (0) 1 44 29 09 20 FAX +33 (0) 1 47 66 43 03 E-MAIL: hoplunfr@aol.com	HOP LUN (UK) LTD TEL +44 (0) 208 947 6812 FAX +44 (0) 208 947 9455 E-MAIL: natasha.sharpe@virgin.net	HOP LUN GMBH TEL +49 (0) 2131 543 317 FAX +49 (0) 2131 543 303 E-MAIL: hoplun@t-online.de
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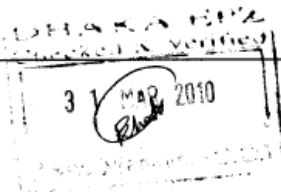
Commercial Invoice



HOP LUN (BANGLADESH) LTD.
 SPB No.3, Dhaka Export Processing Zone
 Ganakbari, Savar, Dhaka-1349
 Bangladesh
 Tel : (880-2) 770 1506 - 9
 Fax : (880-2) 770 1445
 E-mail : hoplun@hoplunbd.com

COMMERCIAL INVOICE

Exporter/ Shipper: HOP LUN (BANGLADESH) LTD. FS SFB (BUILDING) # 3 (2ND & 3RD FLOOR) DEPZ,GANAKBARI, SAVAR, DHAKA 1349, BANGLADESH.		No & Date of Invoice: No. : 39976 10 Date : 15.03.2010				
For Accounts & Risk of Messrs: HOP LUN (HONG KONG) LTD. 32/F, 9 WING HONG STREET, CHEUNG SHA WAN, KOWLOON, HONGKONG.		Contract No : 008-G-088 Date : 24.02.2010				
Notify Party: H & M Hennes & Mauritz GBC AB Rungedamm 38 DE-21035 , Hamburg Germany		Order No.: 444050/3708				
Port of Loading: Chittagong / Bangladesh		EX-Factory Date:				
Final Destination: European Point / Humberg, Germany		Remarks: BL No: Date: EXP No: 28000103 05712 10 Date: 25.03.10				
Carrier:		Sailing on or about: Date:				
Marks & Numbers of pkgs	Description of Goods	Unit(PCS)	CM Price in PCS	Amount(CM)	FOB Price In PCS	Amount (F.O.B)
Marks & nos.	No & kind of pkgs Description of goods Ladies 86% Polyamide 14% Elastan Knitted Hipster (3 Pcs/1 Pack)		US \$		US \$	
To :						
H&M SE 100SEHM	51 ctns SE (5000 PACK)	15000	0.1953	2929.50	0.9767	14,650.00
H&M NO 100NOHM	43 ctns NO (4200 PACK)	12600	0.1953	2460.78	0.9767	12,306.00
H&M NL / DK 100DKHM	33 ctns DK (3200 PACK)	9600	0.1953	1874.88	0.9767	9,376.00
Order No.						
Size :						
Colour :	Total :					
No. of Pcs in Crtn :	127 ctns					
Crtn No.						
Crtn Marmnt :						
Container No.						
	Cat : 13 Tariff Code : 6108 22 00					
Country of manufacture:	Bangladesh					
Country	Net Weight	Gross Weight				
SE	326.28	453.78				
NO	266.60	374.10				
DK	202.62	285.12				
Total	795.50	1113.00				
Dimension:	58*30*40 cm ,58*30*30 cm,58*30*20 cm					
			37,200	7,265.16		36,332.00
OR (12400 PACK/SET)						
Amount Chargeable US DOLLAR THIRTY SIX THOUSAND THREE HUNDRED THIRTY TWO ONLY.						
Declaration: We declare that this invoice shows the actual price of the goods described and that all particulars are true and correct.						
						Signature & Date



For and on behalf of
HOP LUN (BANGLADESH) LIMITED

 Authorized Signature(s)

HOP LUN (HK) LTD TEL + 852 2359 9568 FAX + 852 2781 1345 E-MAIL: hoplun@hoplun.com.hk	HOP LUN FASHION (DONG GUAN) LTD TEL +86 (0) 769 5317 168 FAX +86 (0) 769 5317 750 E-MAIL :hl@hoplun.com.cn	HOP LUN FRANCE TEL +33 (0) 1 44 29 09 20 FAX +33 (0) 1 47 66 43 03 E-MAIL: hoplunfr@aol.com	HOP LUN (UK) LTD TEL +44 (0) 208 947 6812 FAX +44 (0) 208 947 9455 E-MAIL: natasha.sharpe@virgin.net	HOP LUN GMBH TEL +49 (0) 2131 543 317 FAX +49 (0) 2131 543 303 E-MAIL: hoplun@t-online.de
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Export form certified by supplier's bank

goods. An incorrect declaration constitutes an offence under the said Act) (Dealers)

EXP NO	AD's code	Serial Number	Year
	2 B 0 0 0 1 0 3	0 5 7 1 2	1 0

Name and address of the Authorised Dealer **The Hongkong and Shanghai Banking Corporation Limited**
Anchor tower, 1/1-B, Sonargaon Road, Dhaka-1205. Bangladesh

I/We, the undersigned hereby declare that I/we am/are the sellers/consignors of the goods described below in respect of which this declaration is made out and that the particulars given in the following items are true and that the invoice value declared in Sl. No. 5 in case of firm contract is full value as contracted with the buyers/in case of consignment sale, is a fair value of the goods which are being shipped on consignment sale.

I. No.	Items		Particulars (to be filled in by exporter)	Code No. (to be filled in by Authorised Dealer)							
				6	2	1	2	2	0	0	0
1.	Commodity to be exported		LADIES KNITTED HIPSTER	6	2	1	2	2	0	0	0
2.	Country of destination		GERMANY	2	0	0	4				
3.	Port of destination		EUROPEAN POINT/HUMBURG								
4.	Quantity	Unit (bales/tons/lbs. etc.)	PCS.	5	5						
		Volume (weight/number etc.)	37,200								
5.	Value	Currency in which value is declared	U.S.DOLLAR	0							
		Amount of invoice value	CM VALUE \$7,265.16								
		Terms. i.e. c.i.f/c & f/f.o.b/	FOB								
6.	Terms of sale (i.e. firm contract or consignment sale)		CONT NO.: 008-G-088 DATE: 24.02.2010								
7.	Name & address of importer/consignee										
8.	Name of carrying vessel										
9.	Bill of Lading/Railway Receipt/Airway Bill/Truck Receipt/Post parcel Receipt		No. Date.								
10.	Port of shipment/Post Office of despatch		CHITTAGONG								
11.	Land Custom Post		CHITTAGONG								
12.	Shipment date		HOP LUN (BD) LTD. DEPZ,SAVAR,DHAKA								
13.	Name of the exporter (in block letter) with address										
14.	CCI&E's Registration Number and date of the exporter		BEPZA: IP-M-DEPZ-01 ()/99/595 DATE: APRIL 06,2000								
15.	Sector (Public or Private) under which the Exporter falls		PRIVATE							2	

Photocopy Attested Only
For The Hongkong & Shanghai
Banking Corporation Ltd., Dhaka

Authorized Signature
FOR H & M HENNES & MAURITZ GBC AB
Evans Gomes
038373
Tel: (880-2) 7702156. Fax: (880-2) 7702157

H & M HENNES & MAURITZ GBC AB
RUNGEDAMM 38
DE-21035, HAMBURG
GERMANY.

39976 10
DATE: 15.03.2010

For and on behalf of
HOP LUN (BANGLADESH) LIMITED

Authorized Signature(s)

Authorized Signature & Stamp
of the Exporter with date.

Coded by _____

Checked by _____

(Signature of authorised official of the bank).

.....Contd.....P/2

Payment Invoice



HOP LUN (BANGLADESH) LTD.
 SFB No.3, Dhaka Export Processing Zone
 Ganakbari, Savar, Dhaka-1349
 Bangladesh
 Tel : (880-2) 770 1506 - 9
 Fax : (880-2) 770 1445
 E-mail : hoplun@hoplunbd.com

INVOICE

Exporter: Supplier name & address HOP LUN (BANGLADESH) LTD. FS SFB (BUILDING) # 3 (2ND & 3RD FLOOR) DEPZ,GANAKBARI, SAVAR, DHAKA 1349, BANGLADESH.		Invoice no and date: Number : 39976 10 SE Date : 15.03.2010	Exporters ref: 008-G-088															
Consignee: H&M Hennes & Mauritz GBC AB Regeringsgatan 48 106 38 Stockholm Sweden		Other reference(s): Article number for H&M Rowells Buyer (if other than consignee)																
Cargo Delivery to : H&M Hennes & Mauritz GBC AB Box 1145 Svista Industriväg 2 SE-631 80 Eskilstuna Sweden		Country of origin of goods : Bangladesh	Country of final destination: Sweden															
Vessel / flight no MCC SINGAPORE V-1020	Port of loading: Chittagong	Terms of delivery: FCA Chittagong																
Port of discharge: European port	Place of delivery European point	Terms of payment: 20 days ship less 2%																
Marks & nos. To : H&M SE 100SEHM Order No. Size : Colour : No. of Pcs in Crtn : Crtn No. Crtn Msrmt : Container No. FRLU9600294 Country of manufacture:	No & kind of pkgs Ladies 86% Polyamide 14% Elastan Knitted Hipster (3 Pcs Pack) 51 ctns SE Total : 51 ctns Cat : 13 Tariff Code : 6108 22 00 Bangladesh	Description of goods Ladies 86% Polyamide 14% Elastan Knitted Hipster (3 Pcs Pack) 51 ctns SE Total : 51 ctns Cat : 13 Tariff Code : 6108 22 00 Bangladesh	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Quantity</th> <th>Rate USD</th> <th>Amount USD</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5000</td> <td style="text-align: center;">2.93</td> <td style="text-align: right;">14650.00</td> </tr> <tr> <td colspan="2">Total=</td> <td style="text-align: right;">14650.00</td> </tr> <tr> <td colspan="2">Less 2% Trade Discount</td> <td style="text-align: right;">293.00</td> </tr> <tr> <td colspan="2">USD Total</td> <td style="text-align: right;">14357.00</td> </tr> </tbody> </table>	Quantity	Rate USD	Amount USD	5000	2.93	14650.00	Total=		14650.00	Less 2% Trade Discount		293.00	USD Total		14357.00
Quantity	Rate USD	Amount USD																
5000	2.93	14650.00																
Total=		14650.00																
Less 2% Trade Discount		293.00																
USD Total		14357.00																
Amount Chargable US DOLLAR FOURTEEN THOUSAND THREE HUNDRED FIFTY SEVEN ONLY.		Declaration: We declare that this invoice shows the actual price of the goods described and that all particulars are true and correct.																
		For and on behalf of HOP LUN (BANGLADESH) LIMITED Authorized Signature Signature & Date																

HOP LUN (HK) LTD	HOP LUN FASHION (DONG GUAN) LTD	HOP LUN FRANCE	HOP LUN (UK) LTD	HOP LUN GMBH
TEL + 852 2359 9568	TEL +86 (0) 769 5317 168	TEL +33 (0) 1 44 29 09 20	TEL +44 (0) 208 947 6812	TEL +49 (0) 2131 543 317
FAX + 852 2781 1345	FAX +86 (0) 769 5317 750	FAX +33 (0) 1 47 66 43 03	FAX +44 (0) 208 947 9455	FAX +49 (0) 2131 543 303
E-MAIL:hoplun@hoplun.com.hk	E-MAIL:hl@hoplun.com.cn	E-MAIL:hoplunfr@aol.com	E-MAIL:natasha.sharpe@virgin.net	E-MAIL:hoplun@t-online.de

Packing List

HOP LUN (BANGLADESH) LTD.

DEPZ, Ganakbari, Savar, Dhaka
H&M PACKING LIST

008-G-088

From : HOP LUN (BANGLADESH) LIMITED. FS SFB (BUILDING) # 3 (2ND & 3RD FLOOR) DEPZ,GANAKBARI, SAVAR, DHAKA, BANGLADESH. COUNTRY : SWEDEN	Shipment to (final receiver) H & M Hiennes & Mauritz GBC AB VASTBERGA ALLE - 25 Box -42079, S-126 13-Stockholm, SWEDEN (Page 1)
Invoice number :	Carton measurements: 58 x 30 x 40 Cms 47 58 x 30 x 30 Cms 3 58 x 30 x 20 Cms 1
Total net weight : 326.28 Kgs	Total gross weight : 453.78 Kgs

TO : H&M SE 100SEHM
 O/N : 444050 - 3708
 SIZE : 34, 36, 38, 40, 42, 44
 COLOUR : BLACK (09),
 NO OF PCS IN CTI :
 NO OF CTNS : 51
 CTN NO : 1 - 51

Solid size/solid colour

Mixed assortment

Assortment

DESCRIPTION : HIPSTER
 SOLID COLOR ASSORTED SIZE

Raning Carton No.	No of Carton	Color Name	Color Code No.	SIZE						Assort Qty.	Assort Pack Per Carton	Pack Per Carton	Total Qty.
				34	36	38	40	42	44				
1 - 7	7	BLACK	(09)	1	1	1	1	1	1	6	16	96	672
8 - 8	1	BLACK	(09)	1	1	1	1	1	1	6	12	72	72
S-TOTAL : 8				124	124	124	124	124	124				744

SOLID COLOR SOLID SIZE


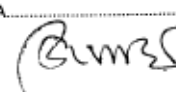
9 - 11	3	BLACK	(09)	102								102	306
12 - 12	1	BLACK	(09)	70								70	70
13 - 20	8	BLACK	(09)		102							102	816
21 - 21	1	BLACK	(09)		60							60	60
22 - 35	14	BLACK	(09)			102						102	1428
36 - 36	1	BLACK	(09)			98						98	98
37 - 46	10	BLACK	(09)				102					102	1020
47 - 47	1	BLACK	(09)				106					106	106
48 - 49	2	BLACK	(09)					100				100	200
50 - 50	1	BLACK	(09)						100			100	100
51 - 51	1	BLACK	(09)					26	26			52	52
S-TOTAL : 43				376	876	1526	1126	226	126				4256

G-TOTAL : 51	500	1000	1650	1250	350	250	5000
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Total Pack.	5000 Pack.

Certificate of Origin

<p>1 Exporter (name, full address, country) Exportateur (nom, adresse complète, pays) HOP LUN (BANGLADESH) LTD. FS 5FB (BUILDING) #3 (2ND & 3RD FLOOR) DEPZ, GAWKIBARI, SAVAR, DHAKA, BANGLADESH.</p>	ORIGINAL R/SBZ 116	<p>3 Quota year Année contingitaire 2010</p>	<p>4 Category number Numéro de catégorie 13</p>
<p>5 Consignee (name, full address, country) Destinataire (nom, adresse complète, pays) H&M HENNES & MAURITZ CBC AB REGERINGSGATAN 45 106 38 STOCKHOLM SWEDEN.</p>	CERTIFICATE OF ORIGIN (Textile products) <hr/> CERTIFICAT D'ORIGINE (Produits textiles)		
<p>8 Place and date of shipment - Means of transport Lieu et date d'embarquement - Moyen de transport CHITTAGONG BY SEA, E/L NO: DQA0278535 DT:08.04.10 VESSEL: MCC SINGAPORE V-1020 FRUJ9600294</p>	<p>6 Country of origin Pays d'origine BANGLADESH</p>	<p>7 Country of destination Pays de destination SWEDEN</p>	
<p>10 Marks and numbers - Number and kind of packages - Marques et numéros - Nombre et nature des colis - 51 CRIN</p> <p>TO: H&M SE 100SEHM ORDER NO: SIZE: COLOUR: NO.OF PCS IN CRIN.: CRIN NO: CRIN. MERMNT:</p>	<p>DESCRIPTION OF GOODS DESIGNATION DES MARCHANDISES LADIES 86%POLYAMIDE 14%ELASTAN KNITTED HIPSTER(3 PCS PACK) ORDER NO: 444050/3708</p>	<p>11 Quantity (1) Quantité (1) PCS 5000 PACK =15,000 PCS</p>	<p>12 FOB Value (2) Valeur FOB (2) US\$ 14,650.00</p>
			
NET.WGT. 326.28 KGS.			
<p>13 CERTIFICATION BY THE COMPETENT AUTHORITY - VISA DE L' AUTORITE COMPETENTE I, the undersigned, certify that the goods described above originated in the country shown in box No 6, in accordance with the provisions in force in the European Community</p> <p>Je soussigné certifie que les marchandises désignées ci-dessus sont originaires du pays figurant dans la case no 6, conformément aux dispositions en vigueur dans la Communauté Européenne</p>			
<p>14 Competent authority (name, full address, country) Autorité compétente (nom, adresse complète, pays) EXPORT PROMOTION BUREAU 1, KWARAN BAZAR, DHAKA, BANGLADESH.</p>	DHAKA 18 APR 2010 At-A..... on - le		
(Signature)	 MD. JOTTURUL ISLAM Assistant Director Export Promotion Bureau Dhaka. (Stamp - Cachet)		

(1) Show net weight (kg) and also quantity in the unit prescribed for category where other than net weight - indiquer le poids net (kg) ainsi que la quantité dans l'unité prévue pour la catégorie si cette unité n'est pas le poids net.
 (2) In frequency of the sale contract - Dans la monnaie du contrat de vente

Forwarder's Cargo Receipt issued by Damco (page1)

SHIPPER HOPLUN (BANGLADESH) LTD. FS SFB (BUILDING)-3 (2ND & 3RD FLOOR), DEPZ, GANAKBARI, SAVAR DHAKA 1349, BANGLADESH.		FORWARDER'S CARGO RECEIPT		
CONSIGNEE UNTO THE ORDER OF:		RECEIPT NO. DQA0278535	DATE OF RECEIPT OF CARGO 06 APR., 2010	
NOTIFY PARTY H&M HENNES AND MAURITZ GBC AB ANDREAS-MEYER-STRASSE 47 D- 22113, HAMBURG, GERMANY.		 c/o APM Global Logistics Bangladesh Ltd. Plot# 76/A (5th Flr), Road # 12, Dhaka-1219, Bangladesh. License Number: 101 This forwarder's cargo receipt is to be used only to aid the consignee in the event of a claim. This document does not grant any credit. This document does not grant any liability to carry due to any reason whatsoever. D/R NO. _____ EXPORT LICENCE NO. _____		
VESSEL & VOYAGE (intended) MCC SINGAPORE 1020	SAILING DATE 08 APR., 2010			
PLACE OF RECEIPT Chittagong	PORT OF LOADING Chittagong	PORT OF DISCHARGE EUROPEAN PORT	PLACE OF DELIVERY EUROPEAN POINT	
MARKS & NUMBERS	NUMBER AND KIND OF PACKAGES	DESCRIPTION OF GOODS	GROSS WEIGHT	MEASUREMENT

Kgs: Cbm:

*** AS PER ATTACHMENT ***

ORIGINAL

CONTAINER NO.
 TINU5235665, SEAU8611648, FRLU9600294

TOTAL: ONE HUNDRED TWENTY SEVEN CARTONS ONLY
 FREIGHT COLLECT

IN ACCORDANCE WITH INSTRUCTIONS FROM THE CONSIGNEE WE HAVE RECEIVED THE FOLLOWING DOCUMENTS:	06 APR., 2010	RECEIVED THE GOODS DESCRIBED ABOVE, IN APPARENT GOOD ORDER AND CONDITION UNLESS OTHERWISE NOTED. THE GOODS ARE TO BE DELIVERED TO THE CONSIGNEE AT THE PLACE OF DELIVERY AND THE CONSIGNEE NEED NOT SURRENDER ANY ORIGINAL OF THE FORWARDER'S CARGO RECEIPT WHEN THEY TAKE CARGO DELIVERY. THE CONSIGNEE HAS THE IRREVOCABLE RIGHT TO DISPOSE OF THE GOODS ONCE THE GOODS ARE RECEIVED BY DAMCO FROM THE SHIPPER.
	ORIGINAL COPY	
1. COMMERCIAL INVOICE	0 1	
2. PACKING LIST	0 1	

IN WITNESS WHEREOF ONE FORWARDER'S CARGO RECEIPT(S) ALL OF THIS DATE HAVE BEEN ISSUED. ALL TRANSACTIONS ARE SUBJECT TO DAMCO'S STANDARD TRADING CONDITIONS, AVAILABLE ON WWW.DAMCO.COM OR ON REQUEST.

For : Damco A/S
 c/o APM Global Logistics Bangladesh Limited


 AUTHORIZED SIGNATURE

DATE: 12 APR., 2010

The above documents plus Bill of Lading will be dispatched to consignee or other designated parties.

Damco is a trading name of APM Global Logistics Bangladesh Limited.

Forwarder's Cargo Receipt issued by Damco (Page 2)

Attachment No.: 1
Receipt No.: DQA0278535
Vessel: MCC SINGAPORE
Place of Delivery: EUROPEAN POINT

*** APM GLOBAL LOGISTICS BANGLADESH LTD ***
*** FORWARDER'S CARGO RECEIPT ***

1020

Marks & Nos.:	Packages:	Description:	Kgs:	Cbm:
To :		Ladies 86% Polyamide 14%		
H&M SE	127	Elastan	1113.000	9.360
100SEHM		Knitted Hipster (3 Pcs Pack)		
H&M NO		No. & Date of Invoice:		
100NOHM		No. : 39976 10		
H&M NL / DK		Date : 15.03.2010		
100DKHM		Contract No : 008-G-088		
Order No.		Date : 24.02.2010		
Size :		Order No.: 444050/3708		
Colour :		EXP No: 2B000103 05712 10		
No. of Pcs		Date: 25.03.2010		
in Crtn :				
Crtn No.				
Crtn Msrmt				
:				
** Total:	127 CARTONS		1113.000	9.360

-----** END OF PCR **-----

ORIGINAL

Sketch Sample Design

H&M

SIZE: 32-46

FOR O/N: 914110-3708 1-2010/20101

MEASUREMENT LIST

NO: NBRIGOTT1A

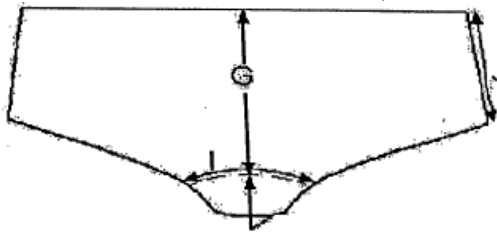
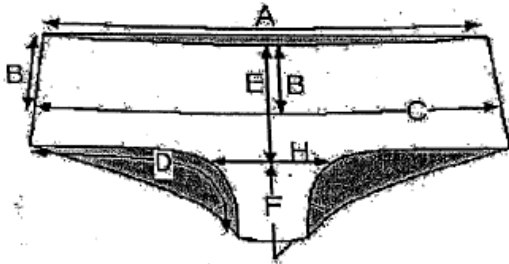
DATE: 3/8/2007 11b5205

1 (1)

BRIGOTT / HOTPANTS

SEE DESIGN SKETCH FOR DETAILS

- Hipster
style# 008-E-00176



*=rev. m-ment	32	34	36	38	40	42	44	46
A. 1/2 WAIST	28	30	32	34	36	38	40	42
B. SEAT POINT DOWN FR. WAIST	5	5.5	6	6.5	7	7.5	8	8.5
C. 1/2 SEAT	30.9	33.1	35.3	37.5	39.7	41.9	44.1	46.3
D. 1/2 LEGOPENING	20	21.25	22.5	23.75	25	26.25	27.5	28.75
E. FRONT RISE	10	10.5	11	11.5	12	12.5	13	13.5
F. CROTCH LENGTH	11.1	11.4	11.7	12	12.3	12.6	12.9	13.2
G. BACK RISE	16	17	18	19	20	21	22	23
H. CROTCH FRONT	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9
I. CROTCH BACK	7.1	7.4	7.7	8	8.3	8.6	8.9	9.2
J. SIDE SEAM	11.5	12	12.5	13	13.5	14	14.5	15

SUMMARY SHEET

SHIPPER/EXPORTER/VENDOR : HOP LUN (BANGLADESH) LTD. FS SFB (BUILDING) # 3 (2 ND & 3 RD FLOOR) DEPZ, GANAKBARI, SAVAR, DHAKA 1349, BANGLADESH.	PORT OF LOADING : CHITTAGONG PORT OF DELIVERY : EUROPEAN POINT.	CONTRACT NO : 008-G-088 DATE : 24.02.2010 L/C ISSUING BANK :
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Order / dept. No: 444050/3708
 Description of Goods : LADIES 86% POLYAMIDE 14% ELASTANE KNITTED HIPSTER(3 PCS PACK)

COUNTRY	VOYAGE NO	SAILING DATE	VESSEL NAME	TOTAL QUANTITY	TOTAL CARTONS	TOTAL NET WET/KGS	TOTAL GROSS WET.
SWEDEN	1020	08-APR-10	MCC SINGAPORE	5000	51	326.28	453.78
NORWAY	1020	08-APR-10	MCC SINGAPORE	4200	43	266.60	374.10
DENMARK	1020	08-APR-10	MCC SINGAPORE	9600	33	202.62	285.12
NETHERLAND							
ENGLAND							
SWITZERLAND							
GERMANY							
AUSTRIA							
FINLAND							
FRANCE							
RUSSIA							
U.S.A							
SPAIN							
POLAND							
CANADA							
IX-65							
CHINA							
HONG KONG							
TOTAL :				12400	127	795.50	1113.00

For and on behalf of
 HOP LUN (BANGLADESH) LIMITED



 Authorized Signature

Stamp/Signature :