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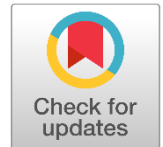
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From Fabric Consumption to Warehouse Optimization: Unravelling the Strategic Journey of Gul Ahmed

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ABSTRACT

This case study explores the challenges faced by Gul Ahmed, a leading textile company, in managing its raw material and finished goods inventory. The company encountered issues related to excess fabric consumption, resulting in surplus inventory and limited warehouse space. Additionally, the rejection of garments during the manufacturing process added to the inventory dilemma. The company's management team, realizing the need for a sustainable solution, convened a meeting to discuss potential strategies to address the storage and inventory management issues. This case study highlights the critical importance of efficient inventory management, space utilization, and the need for proactive planning to mitigate future threats. The findings emphasize the significance of analysing and optimizing raw material consumption and devising strategies for utilizing excess inventory, ensuring long-term profitability and sustainability for the company.

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1. INTRODUCTION

History

The story of textiles in the subcontinent is the story of Gul Ahmed. The group began trading in textiles in the early 1900s. The group entered the field of manufacturing with the name of Gul Ahmed Textile Mills Ltd in the year 1953. Since its listing on the Karachi Stock Exchange in 1970, the company has been making rapid progress and enjoying a leading position in the world of textiles. With an installed capacity of more than 51,840 spindles, 300 state-of-the-art weaving machines, and the most modern yarn dyeing,

processing & stitching units, Gul Ahmed is a composite unit – making everything from cotton yarn to finished products. In 2013, Gul Ahmed started its apparel division that exported garments to Europe and USA. Mr. Muhammad Hassan was appointed as the Director of Gul Ahmed's Apparel division. In January 2016, the head of the Warehouse department, Mr. Mohan intimated to Mr. Hasan about the low storage capacity of the warehouse for the finished goods as well as for Raw materials in the upcoming month. The report was an issue for him to understand the figure from 2013 to 2016 (Exhibit 1).

Mr. Hassan could not comprehend how a warehouse with a storage capacity of more than 1 million garments cannot have space for its monthly inventory of up to 0.5 million garments and raw materials of the same ratio of finished goods. He immediately called a meeting with Mr. Mohan (Head of the Warehouse to get a briefing on the issue. In the briefing, Mr. Mohan told Mr. Hasan that since the inception of the Apparel division in 2013 they had not been consuming all the fabric being acquired for the manufacture of each article, and the buyer POs are not 100% shipped. By having excess raw materials and leftovers, the inventory went too high and there was not any plan and timeline

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defined by the management to utilize excess raw materials and leftover garments. This is an alarming situation by foreseeing the business and inventory data from 2013 to 2016.

Year	2013	2014	2015	2016	Total
Sales (US\$-million)	175	208	207	189	779
Export (pcs)	430,000	535,000	510,000	470,000	1,945,000
Leftover finished goods inventory	21500	26750	25500	23500	97,250
Leftover fabric inventory	38700	48150	45900	42300	175050

Exhibit. 1. Manufacturing Process Cycle

Mr. Hassan had two main challenges in inventory. One of the Raw materials includes fabric and trims however; the other part is leftover garments. It is important to review the cycle to identify the issue.

The Issue with Raw Material

Once the buyer places an order with the marketer, he has only a Tech Pack which has styling detail, Measurement and quantity for the whole order. Marketers share those detail with the GGT who take out tentative consumption for fabric ordering by assuming the ratio (Size wise) against the order qty.

Marketer order fabric which takes 50 days to be ready at the mill. Meanwhile, Marketers receive the complete qty break up on which GGT makes a cutting Marker through a very competitive system called GERBER. It was observed that while proceeding with cutting markers through Gerber System against the final ratio the efficiency of the marker was found very good and the consumption going to decrease in comparison to the initial consumption. This was saving them a lot of fabric and all the leftover fabric was being dumped in the warehouse for the past 3 years. Now, this extra fabric had consumed so much space. In the upcoming month if the fabric was not utilized by any means, then it is a big challenge to keep raw materials running for production and space for the finished goods.

The Issue in Finished Goods Leftover

The buyer agrees with the company to ship 100% of goods according to the buyer purchase order with a clause of acceptance +3%. Due to multiple operations involved in manufacturing the company cut 3% extra (risk percentage) goods to meet the buyer’s 100% order quantity. During the process of manufacturing, processed garments, that did not meet the standards of quality got rejected. These were the garments that are not saleable to buyers as per their quality standards may increase the rejection % from 3%. All the rejected goods are moved into a warehouse because as per Law the foreign buyer articles cannot be sold with their branding in the local market for a certain time duration.

Mr. Hassan and Mr. Mohan were in perplex as to what could be done with this extra fabric. Mr. Hassan called the meeting and asked Marketing HOD, Financial controller, and Warehouse head in order to join this meeting to have a discussion on this issue. They reviewed all the scenarios and calculate the cost of existing materials and foresee the cost and space challenge in the upcoming month/year. The agenda for this meeting was the sustainable solution with maximum profit. By concluding the meeting, they had the following options proposed by the HOD.

Analysis of Raw Material Utilization

Since all fabric costs were already absorbed in costing earlier so the fabrics lots can be sold out in the open market to a max bidder. By investing some money, the fabric can be used for making new design garments and sale into a local market to regenerate the revenue which is higher as compared to the sale of fabric at lots of the cheaper rates in the open market. Reoffering the final garment quantity to foreign Brands against those lots which have a higher quantity to get the export edge, but all inventory figures show lower yardages that cannot offer to a foreign brand.

Analysis of Raw Finished Goods Utilization

First, control the process where rejection got increases in either the stitching, washing or finishing stage and lock the cut to Ship ratio to have a better figure for making a strategy on leftover goods. It is suggested that the first step is to make a category of leftover garments (which is fresh), (which has minor defects) and (has major defect) and sale in the open market to the max bidder.

Then the next part is to put some money and rebrand the leftover garment and export to South Africa, UAE, Utopia, etc. in order to ensure to have a better revenue and export edge. The next suggested step is to Open a factory outlet and sell garments by identifying the nominal price of exported leftover. Donate leftover garments to NGOs for the sake of noble Causes.

Products

The apparel division of Gul Ahmed is based on a wide range of products of various different categories, as it is an active manufacturer and exporter of garments for men, women, and kids including long sleeves shirts, short sleeves shirts, polo shirts, denim pants, and trousers. The manufacturing wing is an essential component of Gul Ahmed’s operations. The manufacturing cycle of the apparel division includes cutting, designing, and stitching of fabric which results in an end product that is tailored to the most stringent customer requirements. The main raw material of the apparel department is Fabric which makes up 45-55% of the raw material used in a garment.

Organizational Structure

The organizational structure of Gul Ahmed’s apparel division is functional as it is based on a brief structure of the divisions that have 5functional areas: (Exhibit 2)

Marketing Department

This department is considered the backbone of the company and is responsible to fulfil the capacity of the company and generate sales and revenue.

Research and development Department

It is the department that is responsible to foresee the international fashion trend that would be followed in the future, and it also develops products to fulfil future demands of industry and end consumers by involving the sustainable product.

Finance Department

It is responsible for handling and managing the finances and helps to taking the decision on investment

Human Resources Department

Core responsibility of recruitment and training the workforce to get maximum advantages.

Operations Department

It is responsible for Industrial engineering, Production, Quality control, warehousing, and logistics of the apparel division.

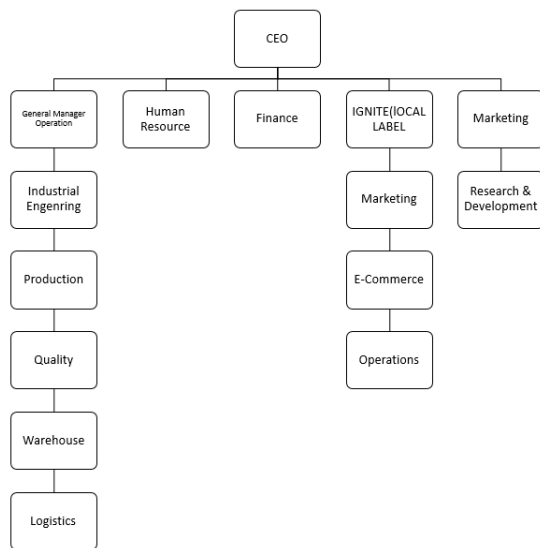


Exhibit. 2. Company Hierarchy (Company document)

Environmental Analysis

Pakistan is the 8th largest exporter of textile products in Asia. Cotton is the basic Cash crop of Pakistan. Cheap labour and raw cotton are easily available in Pakistan which creates a highly favourable business environment for textile businesses. However, the proportion of skilled labourers is very less compared to that of unskilled labourers that makes it difficult for companies in Pakistan to find employees matching the required skill set.

Target Market

The apparel division of Gul Ahmed manufactures garments for men, women, and kids and exports them mainly to European regions including Italy, Germany, Portugal, Poland, the UK, and Spain also exports to the USA market. The Major revenue generates from Europe since Europe is the fastest-growing fashion industry which has huge potential and their fastest fashion trends allow exporters to grab maximum business from there.

Industry Profile

The textile industry is an ever-growing market, with key competitors being China, the European Union, the United States, and India. China is the world and the 39, leading producer and exporter of both raw textiles and garments.

The United States is the leading producer and exporter of raw cotton, while also being the top importer of raw textiles and garments. The textile industry of the European Union comprises Germany, Spain, France, Italy, and Portugal at the forefront with a value of more than 1/5th of the global textile industry. India is the third-largest textile manufacturing industry and is responsible for more than 6% of the total textile production, globally. The rapid industrialization in developed and developing countries and the evolving technology are helping the textile industry to have modern installations which are capable of high-efficient garment production. These factors are helping the textile industry to record great revenues.

Strategies

Gul Ahmed is in textile since 1953 and producing yarn to finish products as home textile products for Europe and USA markets. They have a competitive advantage on prices due to vertical setup. In2013 they have been into to Export apparel division by using a related diversification strategy and mainly focused to produced apparel products in their own developed fabric. IDEAS by Gul Ahmed already existed but that was only for domestic although export apparel was the additional SBU.

Marketing Positioning



Competitors

Nishat Apparel

It is the value-additive portfolio of Nishat Mills Limited set up in 2007. They have a production. The capacity of 1.2 Million pieces per month. Their products include Denim and Twill bottoms for men, women, and kids. They have state of art garment manufacturing facilities both for men and women. The Apparel division has deployed 2900 high-end sewing machines such as Vibe Mac, Juki, Mitsubishi, and Brother. The Apparel division has the capacity to produce 14.40 million garments per annum. They export their garments throughout the world.

Siddiqsons

Siddiqsons established its garments unit in 2004 with the vision of delivering the highest quality garments and apparel all over the world. They have state-of-the-art facility is equipped with the latest machinery and a highly professional workforce; enabling them to compete in an increasingly competitive global marketplace. They have a production capacity of 1 million garments per month. Most of their garments are exported to European and American markets. They are mainly focused on Denim however non-denim is a minor part of their product category.

Artistic Apparel

Artistic Apparel started its small business in 1969 in clothing manufacturing which grew with the passage of time. Garments capacity has increased to 1 million pcs / month and captured major brands in Europe and the USA. The company focused on prices, services, and high customer satisfaction. The main target is to keep updating machinery with the latest trends and techniques to have a better command of Jeans and other apparel products. To make the environment better, the company installed eco-friendly equipment and invest a lot of money in automation.

Adopted Solution

In order to obtain the solution to the problem that was being faced in the form of warehouse management and spacing due to the leftover finished goods and raw materials that were used for the process of manufacturing, the strategy of market development was adopted. According to this strategy the garments that were being exported from the US, UK, and Europe are now being produced locally. As the leftovers were now being manufactured into new manufactured goods under the label of 'Ignite' under the Gul Ahmed Apparel Export Division. It leads to an effective consumption and utilization of leftovers.

2. CONCLUSION

The low storage capacity of the warehouse not only for the finished goods but also for the raw material was not only the issue that affected the storage but could have affected the inventory management in the long term. With the persistent issue of storage, it was hard to comprehend how to work over the issues of the warehouse with the storage capacity of more than one million garments was unable to accommodate a monthly inventory that was not even more than one million. The monthly inventory was just 0.5 million of the finished garments and the same ratio of the raw materials. I was very clear that there was no issue with space or accommodation. Figuring out the real issue was the actual problem. After the meeting and compilation, it was figured out that since the inception of the apparel division in 2013, there had not been consumption of all the fabric used for manufacturing each of the articles and that the buyer's POs are not shipped completely. With complete access and information, it was noted that the inventory is going high, and there is no plan and timeline defined by the management to utilize excess raw material and leftover garments, it was a major threat in the future.

Competing Interests

The authors have declared that no competing interests exist.