



SHOULD VALUE TRUMP COST

WHEN CHOOSING A BRANDED CLOTHING SUPPLIER?

Screenworks

INTRODUCTION

VALUE IS “ONE OF THE MOST OVERUSED AND MISUSED TERMS IN MARKETING AND PRICING TODAY” (MCKINSEY AND COMPANY).

According to the Oxford English Dictionary, the word “value” means: “The material or monetary worth of something; the amount at which something may be estimated in terms of a medium of exchange, as money or goods, or some other similar standard.”

But “value” is increasingly being used as a synonym for “low cost; cheap”.

Supermarkets offer “value” ranges of discounted goods; airlines offer passengers “great value” with budget flights; companies sell their goods and services at reduced prices to attract customers with the promise of “value”.

And while price is an important factor in a buyer’s decision, when it becomes the sole driving factor quality can be compromised.

There is a risk of industries engaging in a “race to the bottom” as they cut costs to offer the lowest price to customers.

So why is this happening?

What are the forces that are prompting the drive to get more for less?

And what are the results?

This eBook will investigate the changing meaning of the term “value”.

It will delve into the consequences of buying on price alone and will look in detail at the impact on the promotional and branded clothing industry.

Finally, it will explain why seeking value - rather than cheaper prices - is the best way of securing long-term success for your business.



**VALUE IS INCREASINGLY
BEING USED AS A
SYNONYM FOR LOW
COST; CHEAP.**

WHAT IS VALUE?

WE'VE ESTABLISHED THAT "VALUE" IS THE "MATERIAL OR MONETARY WORTH OF SOMETHING".

But how do you decide on the value of a product or service?

Value is created by a number of factors, including the cost of raw materials, the amount of labour and the profit margin – as well as more abstract features like customer service and brand reputation.

Writing in the Houston Chronicle, Dennis Hartman says: "Real and perceived value are two different ways to measure the value of a product."

Real value refers to the actual cost of manufacturing a product, or creating a service, and delivering it to the relevant customer.

Perceived value is more conceptual – it's what something is believed to be worth. Perceptions can be affected by things like brand reputation or market bias, driving prices either up or down accordingly.

For example, within the fashion industry, elite designers sell their clothing and accessories at prices that are inflated far above their real value – such as the cost of the fabrics and labour involved in creating them. They are able to do this due to their brand's reputation for excellence; because their products are seen as the cream of the crop; and because people like to be seen wearing their designs.

By contrast, within the promotional merchandise industry, items such as cotton shoppers and pens are often sold at a lower cost than their real value. Over the years technology and competition have driven prices down to the extent that these products are perceived as easy to produce and two-a-penny. This has developed into a market bias that makes it difficult for customers to see greater value.



THE EROSION OF THE TERM "VALUE" OVER TIME

DESPITE THE COMPLEXITY OF DEFINING VALUE, IT IS OFTEN USED SIMPLY TO MEAN "LOW PRICE" OR "BUDGET". THIS RESULTS IN THE BUYER EXPECTING MORE FOR THE SAME PRICE OR LESS.

In the eighteenth century, economist [Adam Smith](#) said: "[Human] labour is the real measure of the exchangeable value of all commodities."

This translates, for example, to the time it takes for a qualified screen printer to decorate your t-shirt. A more intricate design would require more hours of work and would therefore be more expensive.

This theory goes some way to explaining how a product or service accrues value, but it fails to take into account other factors, such as the individuality of your product or the customer service you receive.

In today's environment the concept of value has been impacted by technology, which has seriously disrupted most industries.

On the one hand, technology brings with it many benefits, such as "increasing labour productivity, reducing wage costs, increasing profit margins and also filling labour shortages" (Source: [Euromonitor.com](#)).

On the other hand, technology is replacing human skill and expertise, meaning that more and more products and services are being viewed as commodities to be bartered over.

Because competing businesses produce the same results, there is no unique selling point between companies. Therefore, they seek to differentiate themselves by slashing their prices; by offering great "value".

For example, within the promotional merchandise industry, there are many companies offering products such as mouse mats or USB sticks. These are mass-produced, machine-made items and companies struggle to differentiate themselves from their competitors.

So they cut their prices to attract customers.

PRICING TACTICS

However, the downside to this is that "price wars" can break out, as businesses drop their prices lower and lower - to the extent that value goes out the window.

They use a number of tactics, from "penetration pricing"- which involves setting prices artificially low to drum up interest in the product - to "loss leader" pricing, which prices goods and services so low their suppliers or manufacturers actually make a loss. In this case, the suppliers want to encourage visitors to their website, or through their doors, in the view these customers will help to recoup their shortfalls by spending more money in the future, or on other products.

A bit of healthy competition is a good thing - but price wars can have devastating consequences on industries. Suppliers that fail to retrieve the real value of the goods and service they sell risk cutting corners and sacrificing quality.

Someone at some point has to pay; whether it is the consumer who buys a below-par product, a company along the supply chain that is squeezed to uncomfortable proportions, or, far worse, the worker who suffers injury or even death due to sub-standard health and safety measures.

It could be argued that there are no winners in price wars; supply chains can be devastated and even the most basic standards compromised.

CASE STUDIES

1. Supermarket battles

In January 2015, The Telegraph reported that more than 100 food and drink manufacturers were at risk of collapse because of the “brutal price war being fought between Britain’s major supermarkets”.

Julie Palmer, partner at Begbies Traynor, who gathered the research, said: “With the battle lines drawn, the supermarket price war is intensifying and it looks like the UK’s smallest food suppliers are bearing the brunt.

“A perfect storm is brewing for SME food suppliers at the bottom of the food supply chain, with many suffering a double hit from larger suppliers demanding ‘loyalty payments’ as well as vanishing margins as a result of the inevitable aggressive supermarket price way.”

2. Fast fashion

The growing “fast fashion” phenomenon is leading to a ferocious price war on the UK’s high streets. While the West enjoys cheap clothing, the pressure on overseas workers is enormous – with sometimes fatal consequences.

In June 2012, more than 300 factories in Bangladesh shut down for almost a week as workers demanded higher wages and better working conditions.

Then, in the following November, over one hundred workers died when a fire broke out at a textiles factory outside the country’s capital, Dhaka.



**A PERFECT STORM IS
BREWING FOR SOME FOOD
SUPPLIERS AT THE BOTTOM
OF THE FOOD SUPPLY CHAIN.**

PRICE'S PLACE IN BUSINESS

HAVING EXAMINED THE DEVASTATING IMPACT A PRICE-DRIVEN CULTURE CAN HAVE ON INDUSTRIES AND THE KNOCK-ON EFFECT THAT THIS BREAKDOWN CAN HAVE ON THE VALUE OF THE PRODUCTS AND SERVICES YOU RECEIVE, IT SHOULD BE ASKED: IS THERE EVER A CASE FOR BUYING ON PRICE ALONE?

The answer is yes, but as a customer, you need to be prepared to make sacrifices.

STRIKING A BALANCE

In the promotional clothing industry, like many others, projects and customer jobs are constrained by what can be produced, within what timeframe, and for how much money. These are usually expressed as:

1. Quality
2. Delivery time
3. Price

The Project Management Triangle illustrates these constraints. Within this diagram you are invited to "choose any two" but never all three of the variables to apply to your project:



Simply put, if you want something made quickly and cheaply it won't be very good quality; and if you need something of high quality as soon as possible, you will pay a lot for it.

Suppliers can deliver within two of the constraints, but those offering all three will likely fall short. And it is usually quality or timeliness that suffers in those instances - because the price has already been set and agreed upon.

Therefore, buying on price alone only makes sense if you are prepared to forgo higher quality products or faster delivery times.

In some cases this is not a bad thing.

For example, if you order 10,000 promotional pens you are unlikely to choose the highest-quality versions on offer. You probably want a basic but functional pen that will build awareness of your brand and can be delivered in a short time frame. Therefore, it makes sense to prioritise price when selecting a supplier.

It is also possible to buy high-quality products for a low price if you order many months in advance.

For example, if you place an order for 2,000 t-shirts, full-colour printed on both sides, 10 months before you require them, the price is likely to be more agreeable than if you request them two weeks before you need them.

THE IMPACT ON THE INDUSTRY'S SUPPLY CHAIN

THE BRANDED CLOTHING INDUSTRY HAS NOT BEEN TOO SEVERELY DISRUPTED BY TECHNOLOGY – BECAUSE MANY OF THE TECHNIQUES AND PROCESSES INVOLVED CONTINUE TO REQUIRE A SIGNIFICANT AMOUNT OF HUMAN SKILL AND ARTISTRY.

Therefore, individual companies are still able to differentiate themselves by their design expertise and aestheticism.

Nevertheless, it is still impacted by the continuing association of value with price.

The sector has long benefited from an established supply chain. Brand buys from distributor; distributor buys from their local branded clothing supplier; branded clothing supplier buys from manufacturers.

It is a tried and tested formula where expertise, experience and the trust accumulated through long-standing partnerships are passed through the pipeline. This creates a level of excellence – and therefore adds to the “value” of the products produced.

For example, suppliers have long-established relationships with skilled manufacturers, while distributors are dedicated to securing the best available

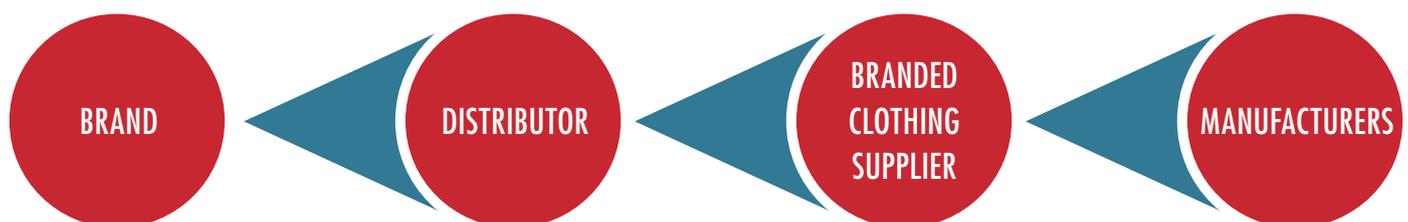
products for their customers. Together, a supplier and distributor can work to create branded clothing that offers real value.

The distributor will know exactly what their client wants, having liaised with them directly and gone into detail about their needs. They can then take the resulting design brief to their supplier, who will employ their expertise to bring the idea to life. The supplier will also know the right questions to ask and which manufacturer is best suited to the job.

By forming a partnership, not only do both distributor and supplier benefit from one another's specific knowledge, but they also gain more time to focus on their own areas of expertise. The distributor can concentrate their efforts on selling remarkable products to brands, while the supplier can focus on using their skills to create those products.

This all contributes to creating value.

TRADITIONAL “VALUE DRIVEN” SUPPLY CHAIN MODEL IN BRANDED CLOTHING MANUFACTURE AND SUPPLY



BREAKDOWN OF THE SUPPLY CHAIN

However, the increasing tendency to drive hard on price is causing the supply chain to break down. Companies at various stages are “going direct” and cutting out the “middle man” in a bid to reduce margins.

This does often lower prices, but it also damages trust and dilutes knowledge; it weakens value.

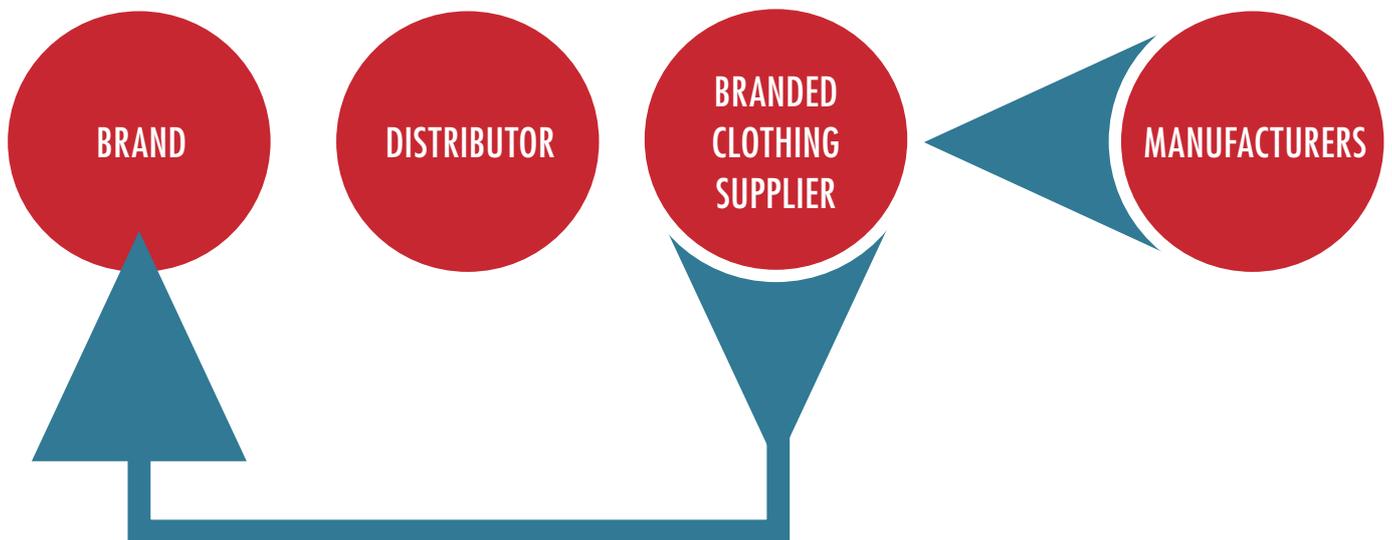
For example, some suppliers are bypassing their distributors and selling straight to the brands. This enables them to reap larger profits.

But it means “trade only” promises offered from branded clothing suppliers to distributors are compromised.

And it also means that instead of having a select number of trusted distributors, suppliers have a variable number of customers. Therefore, they spend more time selling - time that could be spent honing and improving their products.

All of this contributes to reducing the overall value of the final products. They come at a cheaper price – but they’re actually worth less too.

THREAT TO ‘TRADE ONLY’ SUPPLY MODEL



An even more extreme situation that is occurring as a result of price-wars is that brands are attempting to buy direct from the manufacturer. Although the customer may be able to reduce margins, they may also find that reaching out to unknown manufacturers, often overseas, can be risky.

EXTREME PRICE-DRIVEN PURCHASING MODEL



It takes time to build up a trusting relationship with a manufacturer – branded clothing suppliers have spent years doing so – and this means it can be difficult for brands to forge the same relationships, and ultimately the same service.

It is often necessary to request samples and make amendments before you place your final order – a process which can span weeks or even months. And many factories require minimum order quantities (MOQs), so the initial costs can be high.

Furthermore, while there are safeguards in place, there is always the risk of brands laying themselves open to fraud or scams.

They may also unwittingly enter into a partnership with a factory that operates unethically – for example, by employing child workers, or failing to ensure it meets fundamental health and safety requirements.

So while prices may be lower, value is potentially lost – whether through increased production time, an unsatisfactory final product or unethical practices.

THE SEVEN VALUE COMPONENTS IN BRANDED CLOTHING SERVICE

AS HAS BEEN DEMONSTRATED, VALUE IS ACCRUED THROUGH VARIOUS FACTORS – OF WHICH PRICE IS JUST ONE.

As a branded clothing distributor looking for real value rather than simply low prices, there are several areas where suppliers can deliver.

1. EXPERTISE

Your supplier's expertise will ensure you get the best product for the campaign you have in mind. The methods used to decorate clothing are different to most other promotional products, so it is important for your own clients to be made aware of any limitations as early as possible.

A good supplier can advise you on the wide range of garments available and help you choose those which best fit your criteria.

And their knowledge of products and processes may also help you save money – particularly through their ability to suggest alternative options that you may not have considered. This not only enables you to cut costs, but may also help you to discover materials that better suit your needs.

Value points of selecting a partner with expertise:

- The chance to take your supplier's knowledge to your own clients
- The confidence that your garment will turn out the way your clients expect it to or exceed their expectations
- Opportunities to up-sell new ranges
- The potential to save money

2. TRUST

Trust: it's the bedrock of a good business relationship. A solid relationship between you and your branded clothing supplier will bring with it many benefits. The confidence that grows as a by-product of a trustful relationship will bring you peace of mind - and it may even give you a competitive edge.

Knowing that your order is in safe hands saves you precious time that might otherwise be spent worrying or checking up on things – therefore giving you the freedom to improve your own customer service, the space to attract new business and the time to strengthen internal processes.

Value points of building a trustful relationship:

- The opportunity to negotiate more favourable business terms
- The peace of mind to help you improve your own operation

3. TRANSPARENCY

Suppliers that hold certifications such as ISO, OHSAS and SEDEX have demonstrated a high level of transparency and ethical best practices to auditing bodies.

Such accreditations will reassure you that the firm - and its supply chain - complies with industry standards and that they take their obligations seriously.

Value points of seeking transparency from your supplier:

- The confidence to sell through an established supply chain that will not fall short or break down
- The knowledge that workers' wellbeing and safety are maintained at all stages
- Time saved through not having to undertake your own checks and audits

4. LONGEVITY

In the turbulent business environment of recent years, only firms that have forged trust through providing good customer service have stood the test of time. It may be reassuring to opt for a supplier with a long track record - but that's not to say that newer businesses cannot also be trustworthy.

Gathering references from potential suppliers is always a wise precaution - especially if the firm is one of the newer kids on the block.

Value points of engaging with an established partner:

- The opportunity to capitalise on your supplier's proven experience by passing it on
- Benefitting from the long-term partnerships your supplier has with their own suppliers



ONLY FIRMS THAT HAVE FORGED TRUST THROUGH PROVIDING GOOD CUSTOMER SERVICE HAVE STOOD THE TEST OF TIME.

5. RELIABILITY

Working with an unreliable supplier can undermine your own firm's reputation. Yet, unreliability is one of the most overlooked attributes in business today.

Getting what you want when you want it is the key to building your own operational success, so if your supplier makes a habit of letting you down then it's time to look elsewhere - even if it means paying more.

Value points of reliability in business:

- Improved customer service - delivering and often surpassing their expectations
- The ability to plan your firm's time effectively and maximise productivity

6. PROCESSES

Your supplier will have a strong network of reliable partners, as well as the processes in place to get you the product and quantities you want.

They may come back to you and suggest alternative products or adjust delivery times depending on how far afield they have to go.

Value points of streamlined processes:

- Increased efficiency and reliability, helping maximise output and, ultimately, margins
- Increased client satisfaction - smooth processes mean fewer errors

7. EQUIPMENT

Is your supplier investing in the systems they require to keep up with the times? The right technological expertise will bring value by streamlining output and providing you with a level of consistency that will give you the confidence to sell on to your own customers.

A supplier that is investing in its future will also be investing in your future; they will offer value through helping you stay competitive in your own field.

Value points of a supplier with modern technological capabilities:

- The ability to maintain a competitive edge with new products and services
- Increased efficiency and, therefore, productivity through automation
- Assurance your supplier is looking to the future

CONCLUSION

VALUE IS THE “MATERIAL OR MONETARY WORTH OF SOMETHING” – BUT THE CRITERIA THAT DEFINE THIS “WORTH” ARE COMPLEX. FROM THE COST OF RAW MATERIALS, TO THE LEVEL OF HUMAN SKILL INVOLVED, TO THE UNIQUENESS OF A PRODUCT, VALUE IS ACCRUED IN DIFFERENT WAYS.

Industries that recognise this fact allow their supply chains to thrive at every stage, from the manufacturing of products to the fulfilment and distribution of orders.

But the increasing tendency to prioritise price above everything else, means that many companies are engaging in price wars that end up driving down the quality of their goods and services.

Within the branded clothing supply chain, different types of knowledge and expertise are accumulated at each stage and passed down the pipeline, which adds to the value of the final product.

For example, suppliers have long-established relationships with skilled manufacturers, while distributors are dedicated to securing the best available products for their customers. Meanwhile, brands trust their distributors and manufacturers prioritise the needs of loyal suppliers that regularly use their services.

However, in some instances, both suppliers and brands are attempting to cut out the “middle man” to reduce margins. Suppliers sell straight to the brands and brands go direct to the manufacturers.

These actions ultimately remove some of the integral layers of knowledge and trust; they decrease the overall value of the final product.

In order to secure a bright future for your business, it is important to seek value by pursuing trusted partnerships, as opposed to the lowest price deals.

As a branded clothing distributor, building a relationship with a trusted supplier provides you with the time and peace of mind to concentrate on other areas of your business.

And it means you can be assured that the products you sell to your own clients really do provide great value.

ABOUT SCREENWORKS

SCREENWORKS IS THE UK'S LEADING PARTNER FOR PROMOTIONAL MERCHANDISE DISTRIBUTORS.

We honour a strictly Trade Only policy for volume supply of professionally screen printed, digital direct to garment printing and custom embroidery goods. We take pride in the partnerships we build with our clients, which are founded upon a commitment to quality and service in equal measures.

Our custom made division, Screenworks Bespoke, offers a one stop shop bespoke branded clothing and textile solution. Our exclusive agreements with suppliers based offshore ensure your customer good quality at a competitive price on products such as sportswear, headwear and bags.

If you would like to discuss your promotional clothing or textile project, please contact us directly. We'd be delighted to hear from you.

Screenworks
0845 366 9757
sales@screenworks.co.uk

SIGN UP TO THE SCREENWORKS
NEWSLETTER, THINK THREADS [HERE](#)

SHARE THIS EBOOK

