

## Q&A Webinar: The fundamentals of garment costings

25 February 2021

Name	Original question	Translation	David Birnbaum answers	Translation into the original language
Шахло Ватанова	А когда мы будем рассчитывать стоимость изделия?	When will we calculate the cost of the product?	This is a fundamental question. We have to provide a cost sheet at the outset in order to quote a price but this is only an estimate. We will actually know the price after we do the job costing, after the order has been produced and shipped.	Это фундаментальный вопрос. Мы должны предоставить смету затрат с самого начала, чтобы указать цену, но это только расчет. Мы действительно узнаем цену после того, как сделаем расчет стоимости работы, после того, как заказ будет изготовлен и отгружен.
Шахло Ватанова	Зачем нам ДНК шерсти	Why do we need wool DNA?	Wool DNA is important only for very expensive fiber such as cashmere, which unfortunately is often adulterated (mixed with cheaper wool fiber)	ДНК шерсти важна только для очень дорогих волокон, таких как кашемир, который, к сожалению, часто фальсифицируется (смешивается с более дешевым шерстяным волокном)
chandan kumar	How much standard wastage %, we should consider for fabric and different trims for initial costing?		Fabric Wastage depends mostly on the size of the pattern pieces. A dress, coat or even a pair of pants will have more wastage than a shirt or a blouse. Think of it this way: a coat or a dress or pants might have pattern pieces of 1.5m. Therefore, anything less would be wastage. Trim is	

			<p>different. Much depends on the item. Two points:</p> <ol style="list-style-type: none"> <li>a. We generally include the entire quantity of the trim item ordered in the cost of the product. Therefore, anything left over is wastage.</li> <li>b. The wastage for a button depends on the button. A 4-hole polyester button will always have less wastage than a diamanté button.</li> </ol>	
<b>Шарифджон Кориёв</b>	<p>При этом цена розничной торговли относительно оптовых цен составляет, от 4 до 6 раз, т.е. оптовая цена 8 долл.США, розничная торговля 50 долл.США, так ли это это мировая практика или только для развивающихся стран?</p>	<p>At the same time, the price of retail relative to wholesale prices is from 4 to 6 times, i.e. the wholesale price is 8 US dollars, retail is 50 US dollars, is this the world practice or only for developing countries?</p>	<p>This is to some degree a matter of geography. For example, Zara prices are generally lower in Europe than in Southeast Asia. Inditex might claim this is because of freight and duty. However, demands of the market also plays a role. 4-6 is little understated. My experience is more like 4-10.</p>	<p>Это в какой-то степени вопрос географии. Например, цены на Zara в Европе, как правило, ниже, чем в Юго-Восточной Азии. Индитекс (Inditex) может утверждать, что это из-за транспортировки и пошлины. Однако, свою роль играют и требования рынка. 4-6 - это немного занижено. Мой опыт больше похож на 4-10.</p>
<b>Anonymous Attendee</b>	<p>Will you agree to burden your P&amp;L with provision for redundancy cost? Can we really achieve 6cs/min if we add the above provision... otherwise, you</p>		<p>This is a common misnomer. Sustainability and social responsibility are not charities. They are two-way costs. There is a cost to be sustainable. There is a cost to be unsustainable. Customers are</p>	

	<p>have problem of sustainability and social responsibility, if you just chose to close down and leave workers on the road.</p>		<p>jumping on the sustainable bandwagon, not because they have discovered G-d but rather that they have discovered that an increasing number of consumers will not buy goods that are polluting or increase global warming.</p>	
<p><b>NADA KMIHA</b></p>	<p>Hello, thank you for your effort. The garment costs should also include the surcharges when ordering less than the MOQ/MCQ for fabrics &amp; trims when producing limited quantity, as well as the leftover values of fabrics/trims. This can be costed separately as well as costed into the unit price of the garments, and this should be communicated to the client from first price offered. Are you agree on this?</p>		<p>No, it is not important for your customer to know about your cost—just your price.</p>	
<p><b>Anonymous Attendee</b></p>	<p>How do you recommend, if the work is done manually, how to count the work, per time or per piece?</p>		<p>The answer is minutes per piece. The real problem is how you arrive at the answer. a. Do you calculate the time for each operation?</p>	

			<p>b. Do you calculate the total wages paid for each order; the wage cost per minute; and divide by the total number of pieces in the order Only b gives an accurate answer.</p>	
<p><b>Sandra Onyemeziri</b></p>	<p>Hi, this is Sandra from Lagos Nigeria.</p> <p>My Question is from the material consumption factors: damage, wastage, shrinkage slide....</p> <p>How does the factory owner incorporate the cost of inspecting 100% of the fabric provided by the client to ensure the level of Damage as opposed to just inspecting just 100% knowing that inspecting 100% is time consuming and time is money!</p>		<p>This is a compound question</p> <p>a. What do you inspect? If the fabric is denim, you must sort 100% of the pieces by color. Normally we inspect perhaps 10%, only more when we see problems</p> <p>b. Who ordered the fabric?</p> <p>I: If the customer designated the mill and the price than the assumption is, you are responsible only for normal inspection. If you need further inspection, you must first notify the customer of the problem. You have partially damaged fabric. What does he want you to do?</p> <p>II: If you placed the order yourself you are responsible</p>	
<p><b>Sara Elhoseiny</b></p>	<p>How cost of granting deferred payment (ex. 90 days) can be calculated?</p>		<p>There are a number of possibilities</p> <p>a. Do you ship D/A 90? Your bank will notify you of the total cost after 90 days. Send the bill to the customer</p>	

			<p>b. Your ship open account 90 days. I would calculate the interest and add 2% service charge.</p>	
<p><b>Mounir KHOUILDI</b></p>	<p>Frais généraux c'est la somme des frais de fonctionnement (charges fixe) et les charges du personel (salaires + autres charges sociaux et fiscal)?</p>	<p>Overhead expenses is the sum of the operating costs (fixed charges) and the personnel expenses (salaries + other social and fiscal charges)?</p>	<p>The textbooks define overhead as follows          We have variable costs: related directly to production. More production = more fabric, more trim, more labor          We have overhead: fixed cost = rent, electricity, salaries etc.</p> <p>In reality, overhead costs do change. More production does increase electricity. At some point, you have to hire more staff and even add more space.          How to deal with this is beyond the scope of the class.          However, simply put variable costs is a line on a graph X axis = sales Y axis = variable cost.          Overhead is like steps. Volume grows overhead remains unchanged until you have to take a big step up.</p>	<p>Les manuels définissent les frais généraux ainsi:          Il y a les coûts variables qui sont liés directement à la production. Plus de production = plus de tissu, plus de coupes, plus de main d'oeuvre          Et il y a les coûts fixes à savoir le loyer, électricité, salaires, etc...</p> <p>En réalité, les frais généraux peuvent changer et évoluer. Une production accrue implique plus d'électricité par exemple. A un moment donné, vous allez avoir besoin d'engager plus de main d'oeuvre et pourquoi pas vous agrandir en terme d'espace.          Comment organiser tout cela sort du périmètre de cette formation.          Néanmoins, pour l'expliquer de façon rapide, si on veut représenter cela sur un graphique:</p> <ul style="list-style-type: none"> <li>- En ordonnée (axe vertical), nous avons les coûts variables</li> <li>- En abscisse (axe horizontal), nous avons les ventes</li> <li>- La ligne du graphique résultant des deux axes représente les frais variables</li> </ul> <p>Les frais généraux sont comme des marches d'escalier. Le volume des frais généraux</p>

				changent de manière significative que si vous effectuez un grand pas en avant.
<b>Shamad Choolun</b>	How about direct labor cost vs indirect labor cost. What difference do you make in the costing? When you referring to the labor cost vs overhead, which labor cost are you referring to?		I define direct labor as wages paid to anyone who physically handles the garment. I include, cutting, sorting, bundling, sewing, special machines such as embroidery inspection and packing. Supervisors, staff and management are indirect labor. I personally include warehouse and cleaning staff under indirect labor.	
<b>Nada Rashed</b>	Hi, do you have recommendations for any costing system for cotton yarns?		Standard cotton yarns are what we call fungible products. As with oil and orange juice, there is a market price.	
<b>Mahmoud SAYED</b>	But I understood how we can calculate the costing of material but I have one q, what we can do to reduce the costing to allow us to having Competitive advantage		In today's market, if you equate costs with FOB price you cannot reduce costs. To reduce costs, you must go outside FOB. This is not very difficult because FOB is but a small fraction of total retail price.	
<b>A joint response to the following three questions</b>				

**gupta  
Nathoo**

Hi, Gupta from Madagascar. Good for the costing method, but today we are competing with the world. If you are new as a factory, you don't yet have the customers or the customer confidence in you, how do you do to compete with low labor cost countries, when doing the costing you have your cost per minutes that you have calculated to charge in your costing but this is way high compare to competitors. How you deal with such issue to get orders in a new factory or from a new customer.

The mass-market commodity garment sector is a trap from which you must escape if you hope to survive. It is simply a case of too many factories chasing too few customers. Getting out is necessary but difficult. Escaping starts with better worker training. Those relying on cheap labor, as a rule, have low productivity. Good worker training increases your productivity and, in the short-term, makes you more competitive. Finding the right people to help is difficult. Our world has more than its fair share of conmen, who will promise everything but will deliver nothing.

All good professional training begins with one change. Stop thinking of your workers as extensions of their machine and start thinking of them as people. Today all valid production systems are based on worker empowerment. You must accept this if you are to escape.

Valid production systems offer not only short-term benefits but, more importantly, the way out of cheap commodities into fashion:

- Higher quality standards and levels

			<ul style="list-style-type: none"> <li>• The ability to produce smaller orders</li> <li>• The ability to move from simple garment maker to sophisticated service provider</li> </ul> <p>You want out; that could be your roadmap.</p>	
<b>Anonymous Attendee</b>	<p>Merci pour la présentation, mais j'aimerais savoir comment être compétitive par rapport au concurrent?</p>	<p>Thank you for the presentation, but I would like to know how to be competitive against other competitors?</p>		<p>Le secteur du vêtement comme produit de grande consommation est un piège auquel vous devez vous échapper si vous espérez survivre. Ce qui s'y passe, c'est un grand nombre d'usines pourchassant trop peu de clients. Sortir est nécessaire mais difficile.</p> <p>Afin de s'en échapper, il faut commencer par une meilleure formation des travailleurs. En règle générale, ceux qui dépendent d'une main-d'œuvre bon marché ont une faible productivité. Une bonne formation des travailleurs augmente votre productivité et, à court terme, vous rend plus compétitif. Il est difficile de trouver les bonnes personnes pour aider. Notre monde a plus que sa juste part d'escrocs, qui promettent tout mais ne livrent rien.</p> <p>Toute bonne formation professionnelle commence par un seul changement. Arrêtez de penser à vos employés comme des extensions de leur machine et commencez à</p>



				<p>penser à eux comme des gens. Aujourd'hui, tous les systèmes de production valides sont basés sur l'autonomisation des travailleurs. Vous devez accepter cela si vous voulez vous échapper de ce type de marché de masse.</p> <p>Les systèmes de production valides offrent non seulement des avantages à court terme mais, plus important encore, le moyen de passer des produits bon marché à la mode:</p> <ul style="list-style-type: none"> <li>• Normes et niveaux de qualité plus élevés</li> <li>• La capacité de produire des commandes plus petites</li> <li>• La possibilité de passer d'un simple fabricant de vêtements à un fournisseur de services sophistiqué</li> </ul> <p>Si vous souhaitez sortir; cela pourrait être votre feuille de route.</p>
<b>Шарифджон Кориёв</b>	<p>Рынок товаров сейчас не очень стабилен, заказы поступают очень в малых партиях, при этом стоимость сырья все время растет, например, хлопок, PES, фурнитуры и так далее, при этом цена продажи изделий пока не увеличивается, склады</p>	<p>The commodity market is not very stable now, orders come in very small quantities, and the cost of raw materials is increasing all the time, such as cotton, PES, fittings and so on,</p>		<p>Массовый рынок одежды-это ловушка, из которой вы должны вырваться, если надеетесь выжить. Это просто случай, когда слишком много фабрик преследуют слишком мало клиентов. Выбраться отсюда необходимо, но трудно. Побег начинается с лучшей подготовки рабочих. Те, кто полагается на дешевую рабочую силу, как правило, имеют низкую производительность. Хорошая подготовка рабочих повышает вашу производительность и в краткосрочной</p>

готовых изделий очень насыщенный.

while the selling price of products has not yet increased, the stock of finished products is very saturated.

перспективе делает вас более конкурентоспособными. Найти нужных людей, чтобы помочь, очень трудно. В нашем мире немало мошенников, которые обещают все, но ничего не дают.

Все хорошее профессиональное обучение начинается с одного изменения. Перестаньте думать о ваших рабочих, как о продолжениях машины и начните думать о них как о людях. Сегодня все действующие производственные системы основаны на расширении прав и возможностей работников. Вы должны принять это, если хотите спастись.

Действующие производственные системы предлагают не только краткосрочные выгоды, но и, что более важно, выход из дешевых товаров в моду:

- Более высокие стандарты и уровни качества
- Возможность производить меньшие заказы
- Возможность перейти от простого производителя одежды к сложному поставщику услуг

Вы хотите выйти; это может быть вашей дорожной картой.