



## Supplier selection criteria in Vietnam: A case study in textile and apparel industry

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ARTICLE INFO	ABSTRACT
<p><i>Received: Dec 11, 2018</i> <i>Revised: Mar 11, 2019</i> <i>Accepted: Jul 29, 2019</i></p> <p>Available online</p> <p><b>JEL classification:</b> D80, D81, Z39</p> <p><b>Keywords</b> Supplier selection criteria; Procurement; Textile and apparel; Vietnam.</p>	<p>Supplier selection is a significant phase of procurement. However, a little systematic research on supplier selection criteria in the textile and apparel industry has been conducted in Vietnam. The purpose of this study is to identify criteria that constitute to the supplier selection decision of purchasers. An integrated approach involving purposeful sampling and theoretical sampling is used. Qualitative data are collected via expert interviews from 20 companies ranging from spinning to textiles to garments as well as ancillary industries in both southern and northern Vietnam. The data are analyzed using NVIVO 8.0 software. We assume that exploring the extant supplier selection criteria used by Vietnamese textile and apparel companies will contribute to the literature concerning procurement in particular and supply chain management in general.</p>

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## 1. Introduction

The Vietnamese textile industry originated in the late 1950s in the north and in 1970 in the south with the construction of large factories by the French in Nam Dinh, Hai Phong, and Hanoi (Manpower, 2015). Since then, the textile and apparel (T&A) industry of Vietnam has been a key contributor to the country's fast-growing, export-oriented economy as the second largest export, representing 10% to 15% of GDP and employing more than 2.5 million labourers (Virac, 2016). Furthermore, Vietnam has also enrolled itself in the list of the ten largest T&A exporters in the world for years (Vietrade, 2017). The Vietnamese T&A industry has a significant role not only in Vietnam's economy but also in the world. However, the added value that Vietnamese T&A companies and the country received is not critical enough because 65% of Vietnamese T&A companies undertake the basic form of garment manufacturing, which is cut-make-trim (BSC, 2016). Therefore, currently, the Vietnam Textile and Apparel Association offers various programmes to encourage Vietnamese T&A companies to upgrade their production into higher value-added processes such as fabric sourcing, designing, marketing, or branding (Vũ Lê, 2017). Vietnamese T&A companies are also in the process of upgrading to the higher form of manufacturing (Viện Nghiên cứu Chiến lược, Chính sách công nghiệp, 2012; Chung Thủy, 2017). Nonetheless, the ability to upgrade is dependent on the sourcing of materials (Nadvi et al., 2004). Effective sourcing can contribute tremendously to the competitive advantage of an organization (Novack & Simco, 1991; Murray, 2001); however, it is not an easy task, as purchasers need to select from a great number of suppliers that are capable of supplying the buyer with the right quality products and/or services at the right price in the right quantity and at the right time (Cengiz et al., 2017). A set of criteria to select the appropriate suppliers are truly of necessity for Vietnamese T&A companies.

In addition, in Vietnam, the unavailability of T&A materials and the inability of Vietnamese companies to produce high-quality materials exist (Investvietnam, n.d.). Approximately 35% of T&A companies currently involved in fabric sourcing, designing, marketing, or branding must import most of their materials (approximately 70–80%) from China, Taiwan, and Korea (Virac, 2016). Although most of the materials are globally sourced, many Vietnamese T&A companies lack official supplier selection criteria. The identification of criteria for the selection of suppliers has been the major concern of many practitioners (Thiruchelvam & Tookey, 2011). Still, Vietnamese T&A companies merely rely on their managers' opinions to make decision. For example, in one of the interviews in this study, a manager of a large garment corporation stated, "When we communicate with suppliers, we observe whether they build trust through their actions and responsibility for a long-term partnership, then we determine whether to choose them or not." Furthermore, although studies on supplier selection criteria began in the 1960s (Thiruchelvam & Tookey, 2011), these studies were only conducted on the top four largest textile and apparel export countries (China, EU, India, and America), representing more than 70% of the global market

share (Vietrade, 2017). Few studies have been published with regard to the Vietnamese T&A industry, whose export volume represents 2% of the global volume (Vietrade, 2017). It is inappropriate for Vietnamese T&A companies to use the above large countries' selection criteria because the selection of suppliers needs to be built on a specific purchasing context (Thiruchelvam & Tookey, 2011). Again, this situation confirms the necessity to have a complete set of supplier selection criteria for the Vietnamese T&A industry. Thus, the purpose of this study is to explore a common set of supplier selection criteria among T&A companies in Vietnam.

The study is divided into four sections. First, we outline the literature on supplier selection and supplier selection criteria in the T&A industry. Second, the methodology applied in the research is presented. Third, the findings from in-depth interviews with experts from T&A companies in Vietnam are provided. Finally, this paper concludes with a discussion regarding its contribution to industrial practices in regard to supplier selection and highlights paths for future research.

## **2. Review of literature**

### *2.1. Vietnamese textile and apparel industry characteristics*

In the global value chain, the Vietnamese T&A industry has performed outstandingly well since it began to engage in the global apparel markets in the late 1990s (Nadvi et al., 2004). On the list of the top global apparel exporters, Vietnam jumped to the fifth position in 2016 from the twenty-first position in 2000 (Liên Hoa, 2016; Thu Hiền Doãn, 2016; Vietrade, 2017). However, 65% of Vietnamese T&A companies undertake the cut-make-trim (CMT) production mode (BSC, 2016). Under this mode, all input materials are provided by their clients, and firms only perform cutting, sewing, and finishing products. Occasionally, the companies are allowed to purchase certain auxiliaries such as packing or thread but adhere to the clients' strict criteria. Because of the simplicity, Vietnamese companies only receive processing fees (Virac, 2016). The reason why an excessive number of companies are involved in CMT is that 97% of Vietnamese companies are small- and medium-sized with limited knowledge in seeking the appropriate materials and with financial constraints (Hà Văn Hội, 2012). The next most popular production mode of Vietnamese T&A companies is free on board (FOB)/original equipment manufacturing (OEM). In other industries and other countries' T&A industry, FOB/OEM is defined as a form of subcontracting in which a finished product is made in accordance with the requirements of the buyer (Hobday, 1994). However, in Vietnam, the FOB mode varies considerably depending on the actual contractual relationships between suppliers and purchasers and is divided into two categories: FOB1 (firms purchase raw materials from a group of suppliers designated by the clients) and FOB2 (firms receive the product's designs from clients and are responsible for finding raw materials and producing finished products) (Virac, 2016). Currently, 20% and 10% of Vietnamese T&A companies are manufacturing under FOB1 and FOB2, respectively

(BSC, 2016). Obviously, FOB2 can result in a higher value for enterprises than FOB1 and CMT can; however, FOB2 continues to involve excessive processing. At a superior level to OEM/FOB is ODM, in which firms manage the majority of the product design process while sanctioning their clients' firms to execute marketing functions. The highest level of manufacturing is currently OBM, wherein firms work extensively on their own brands by designing and making new products, conducting research and development on their products and production, and organizing sales and distribution (Hobday, 1994). As a whole, only 5% of Vietnamese T&A companies undertake ODM and OBM tasks. Among these production modes, firms that can make their own decisions regarding supplier selection are those that undertake OBM, ODM, and FOB2 (Virac, 2016). At this point in time, to enjoy higher value add and higher profits, Vietnamese T&A companies are gradually shifting their production from CMT and FOB1 to FOB2 and ODM (Chung Thủy, 2017).

Recently, Vietnamese T&A industry has received positive news. As an illustration, Vietnam concluded negotiations on multilateral and bilateral free trade agreements such as the Free Trade Agreement between Vietnam and Korea (VKFTA), EU-Vietnam Free Trade Agreement (EVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and so forth (WTO Center, n.d.). As a member of these agreements, Vietnam will benefit greatly, particularly in its T&A sector. For instance, the signing of EU-Vietnam Free Trade Agreement is believed to provide many gains to Vietnam, such as reducing 99% of its tariffs on Vietnam's exports to the EU to zero and helping Vietnamese businesses penetrate and earn profits from the others' market (Thuy Van, 2016). In fact, in the past 10 years, the T&A industry has achieved continuous export growth from FTAs, attaining an average of more than 10% per year (Mỹ Phương, 2017). However, it is not easy for domestic companies to effectively utilize opportunities provided by the trade agreements. Vietnamese businesses need to meet many requirements on quality, technical requirements, and origin to enjoy special preferences (Vitas, 2016).

In the current scenario, to grasp all opportunities provided by the free trade agreements, to increase the competitive advantages of Vietnamese T&A in the world and to change the production mode from CMT and FOB1 to FOB2, ODM, and OBM, one of the requirements is that Vietnamese companies need to take the initiative in input materials by selecting qualified suppliers that can satisfy conditions in price, quality, and origin. However, the current supplier selection criteria used by Vietnamese T&A companies are ambiguous, thereby leading to higher production costs than those of other countries (Schumacher, 2015).

## *2.2. Supplier selection in the textile and apparel context*

T&A companies have sought dependable suppliers to manage some of their current production operations either domestically or internationally (Gary Teng & Jaramillo, 2005). The inherent features of the T&A industry and the increased pressure from erratic consumers and an uncertain business environment (Su, 2013) as well as the uncertainties of international sourcing activities result in complexity and risk (Li et al., 2013) in the supply chain's operation. Therefore, the process of supplier selection garners much focus from

purchasers. This process is divided into three procedures: preselection, selection, and post-selection (Davidrajuh, 2003). During preselection, it is necessary for enterprises to set the strategic goals for sourcing. Then, the selection stage begins with numerous prospective suppliers and ends with the most favourable supplier. A set of criteria is established to evaluate and select a satisfactory supplier during this process. After the selection process, the purchaser begins collaborating with the selected supplier. These three phases are overly complicated for decision makers to perform, particularly the selection stage, as suppliers affect a company's performance (Kannan & Tan, 2002). However, the selection of suppliers can be easily solved by applying the multi-criteria decision-making (MCDM) method, which considers the decision under multiple conflicting criteria. The MCDM method consists of four components: alternatives, criteria, weight of each criterion, and the measured performance of each alternative in terms of the criteria (Tzeng & Huang, 2011). To address supplier selection, many methodologies have been proposed, including simple additive weighting (SAW), the analytical hierarchy process (AHP), the analytical network process (ANP), and so forth (Tzeng & Huang, 2011).

It is obvious that determining supplier selection criteria is an important component in the supplier selection phase; therefore, the current research contributes to the sourcing literature by generating insights into what criteria are needed for supplier selection.

### *2.3. Supplier selection criteria in the textile and apparel context*

Supplier selection criteria were first studied more than 60 years ago (Thiruchelvam & Tookey, 2011). Based on a survey of industries mailed to approximately 300 organizations, Dickson (1966) proposed 23 criteria to be used for choosing suppliers. These are very helpful criteria for companies to select their suppliers and valuable literature for researchers. However, the selection of supplier criteria depends on the purchasing circumstances (Thiruchelvam & Tookey, 2011). Thus, this review confirms the necessity of studying a set of supplier selection criteria for the Vietnamese T&A industry.

According to Lee (2002), fashion apparel has a short life cycle, and the demand is highly unpredictable; however, the supply is stable, with a reliable supply base and mature manufacturing process technology. Therefore, for basic apparel, an efficient process is best suited. The focus of an efficient process is creating the highest levels of cost efficiency. For fashion apparel, a responsive and flexible supply to the changing and varied needs of the customers is best appropriate. Similarly, in 2005, to evaluate and select suppliers in global T&A supply chains, Gary Teng and Jaramillo built a model that includes five criteria (delivery, flexibility, price, quality, and trust) and 19 sub-criteria. Both flexibility and price were accorded emphasis in the two authors' research. In their study, "Supply chain management in the textile industry: a supplier selection model with the analytical hierarchy process", Kopruolu and Albayrakoglu (2007) studied a supplier selection model with six criteria, adding one new criterion to the findings of Gary Teng and Jaramillo (2005): innovation. Consequently, the set of supplier selection criteria consists of price, quality, delivery, flexibility, innovation, and trust. Based on many previous studies, in 2012,

Vijayvagy (2012) suggested a detailed supplier selection set of 18 criteria in 7 groups: quality, cost, delivery, flexibility, reputation, reliability, and post-sales services. Özfiat et al. (2014) suggested quality, delivery, lead time, and production capacity as four criteria to select suppliers in the sports outerwear sector. However, all the above researchers rely only on previous studies to summarize and propose supplier selection criteria for their main purpose of selecting suppliers using MCDM methods. In 2016, there was a research based on a practical case of Uniqlo titled “Research on Fabric Supplier Selection of Uniqlo based on Strategic Sourcing” by Ye and Wu (2016). The authors proposed six selection criteria including quality ability, productions skills, price level, market sensitivity, delivery performance, and environmental index. It is the emergence of environmental index that is the new point of this research as compared to the previous studies. However, the absence of an official study on this topic lasted until 2017 when an article by Fallahpour et al. was published. The authors proposed a set of criteria based on three aspects: Economic, environmental, and social. The economic aspect consists of cost, quality, delivery and service, and flexibility. The environmental aspect consists of an environmental management system, green products, green warehousing, eco-design, green technology, and green transportation. The social aspect consists of workers’ rights, health and safety at work, and supportive activities for workers. These 13 criteria were evaluated via 46 sub-criteria. This list of refined main criteria and sub-criteria for each aspect was developed based on the literature and opinions of the panel used in the study. Because the criteria were only refined by a group of experts, a comprehensive view of the industry from small to large companies could not be obtained. Overall, cost, quality, delivery, and flexibility are clearly the four most commonly used criteria, in which cost, quality, and delivery were valued as being of considerable significance and extreme significance by Dickson (1966) and were graded the top three criteria by Rojniruttikul (2017) and Fallahpour et al. (2017). These three key criteria are identified as performance metrics (Sarkis & Talluri, 2002), which indicate the ability of a supplier to meet the short-term requirements of a purchaser (Thiruchelvam & Tookey, 2011). Furthermore, those criteria that focus less on operational measures but more on the characteristics and capabilities of the suppliers such as financial, relationship, and technology issues can be grouped as organizational factors (Sarkis & Talluri, 2002).

According to Ha-Brookshire (2017), there must be macro and micro levels for supplier selection. Therefore, the selection of suppliers does involve not only the suppliers’ performance and/or organizational characteristics and capabilities but also macro factors such as the political and economic stability of sourcing countries and cultural differences (Cho & Kang., 2001; Jin & Farr, 2012).

### **3. Methodology**

An exploratory, qualitative approach is applied to this research for two reasons. First, this methodology is best suited for “The collection and analysis of qualitative data for the purpose of generating explanatory theory that furthers the understanding of social and

psychological phenomena” (Wolf, 1987). This is in line with the fact that the research on supplier selection criteria in Vietnam is in its infancy. Second, this method allows for the building and extending of theories (Strauss & Corbin, 1998). Also in this study we utilize a multiple case study design with expert interviews, as the case study approach may help provide an in-depth understanding of a complicated issue (Yin, 2013).

### *3.1. Sampling and data collection*

The research sampling approach integrated purposeful sampling and theoretical sampling. With regard to purposeful sampling, participants were intentionally selected based on an initial set of criteria according to the needs of the study (Patton, 2002) on positions, experiences, and years in the industry. In addition, because of the T&A industry’s special production methods which include CMT, FOB1, FOB2, ODM, and OBM, this approach can address all the extremes in the population (Patton, 2002). Therefore, valuable information may be obtained through the interviews. In addition, theoretical sampling was also applied since it is a rigorous method to produce a theory via data collection and data analysis (Glaser & Strauss, 1967). This integrated approach provides us with a wide range of variation in the sample. In the apparel value chain, the T&A industry is a composite one that includes sewing, weaving/knitting, dying, spinning, and ancillary companies (Le & Wang, 2017). Therefore, we focused not only on apparel cases to understand their supplier selection criteria but also on yarn, fabric, and ancillary cases from which we can learn about their own criteria versus their suppliers’ and also those required by apparel companies. With regard to the apparel companies, our informants were typical, key and/or theoretical experts (Steinberg, 2012) responsible for the selection of suppliers and holding managerial positions in sourcing including sourcing managers, sales managers, and deputy directors or directors. The informants were knowledgeable about supplier selection criteria, making the obtained data reliable (Dorussen et al., 2005). Regarding the yarn, fabric, and ancillary companies, the informants were deputy directors or directors, selected as key decision markers involved in sourcing for their own companies as well as in their supply relationship with client companies. Rather, all participants must have at least three-year experience in procurement because it was highlighted that 10,000 hours of practice (around three years with eight hours of practice per day) in a field could make a person an expert (Ericsson et al., 1993). To summarize, we ensure that the conditions in which it is justifiable to build on well-informed major informants are met (Rosenbern & Stern, 1970).

In all, the authors conducted 20 interviews from 20 T&A companies in Vietnam (12 from apparel; three from textile; one from ancillary; one from yarn and textile; and three from yarn, textile, and apparel). This sample size can represent all typical production methods of the industry and ranges from small to medium and large-sized companies. In addition, it should be noted that since each interviewed company has the same procurement policy within the company, only one representative involving in procurement was invited to join the interview.

Interviews were conducted face to face in the interviewees' offices from Oct 11, 2017 to Dec 12, 2017, except for the interviews that were conducted via telephone for Participants 05, 06, and 10. There was an interview conducted in a quiet coffee shop (Participant 17). An interview guide was forwarded to the informants prior to the interviews. The interview questions focused on the following aspects: (i) the interviewees' background and their company; (ii) the current set of supplier selection criteria and the expectations of the companies with respect to the supplier selection criteria; and (iii) the company's supplier selection method. Interviews lasted between 30 and 120 minutes. The interviews were conducted in Vietnamese and then translated into English and reviewed by two readers fluent in Vietnamese and English.

**Table 1.**

Background Information of Samples.

Participant's Number	Industry	Production Mode	Years in Business	Number of Employees	Interviewee	Year Employed	Year in the industry
P01	Ancillary		01	More than 10	Deputy director	01	10
P02	Garment	CMT, FOB1	29	1,800	Deputy manager	16	16
P03	Garment	FOB2	6	70	Director	6	6
P04	Textile		13	More than 10	Director	13	13
P05	Yarn, Textile, Garment		54	More than 1,000	Manager	30	30
P06	Garment	CMT	4	900	Director	4	30
P07	Garment	CMT, FOB, ODM, OBM	44	25,000	Sourcing manager	3	3
P08	Garment	FOB2, ODM	41	22,720	Manager	15	15
P09	Garment	CMT	14	200	Unit manager	12	12
P10	Textile		10	60	Director	10	10
P11	Garment	FOB, ODM, OBM	71	More than 9,000	Sales manager	15	15
P12	Garment	CMT	20	More than 500	Deputy director	12	12
P13	Yarn, Textile		63	4,000	General director	28	28
P14	Garment	CMT	22	230	Deputy director	22	22



Participant's Number	Industry	Production Mode	Years in Business	Number of Employees	Interviewee	Year Employed	Year in the industry
P15	Garment	FOB1	29	1,500	Deputy director	30	30
P16	Garment	CMT	8	300	Director	8	8
P17	Textile, Garment		24	1,300	Sourcing manager	20	20
P18	Yarn, Textile, Garment	CMT, FOB1	30	4,000	Deputy director	30	30
P19	Yarn, Textile, Garment	CMT, FOB, ODM	55	12,000	Deputy Director	11	11
P20	Garment	FOB1, ODM	41	6,500	Deputy Director	5	5

### 3.2. Data analysis

The QSR NVIVO 8.0 software program produced by QSR International Pty Ltd. was used for the theme generation and data transcription, which were conducted coincident with the data collection (Glaser, 1978). Audio-taped interviews were transcribed into Microsoft Word files. The Word files were then imported into the QSR NVIVO 8.0 software programme to code the data. Coding was guided by seven selection criteria that were identified from the extant supplier selection criteria literature, sourcing theories and interviews: quality, cost, capability, delivery, service, relationship and corporate social responsibility. While using the coding function of the software, we spent time reviewing the transcripts and coding the data by hand as well.

The interviews were coded by splitting up into words and phrases. The reoccurring words or phrases were grouped into themes which then were assigned to a category or code. To present the data, the interviews were re-read many times and searched for statements which could be suitable for any of the categories. At the last stage of analysis, we searched for explanations, antagonisms, and affirmations to make conclusions for the research. Rather, we discussed meanings during coding until mutual consent was reached.

## 4. Analysis and findings

### 4.1. Supplier selection criteria

From the interviews, we find that most Vietnamese T&A companies base their selection of suppliers on three groups of criteria: Organizational factors, performance metrics, and sourcing country. The organizational factors primarily focus on the suppliers' capabilities, social responsibilities, and characteristics. This group consists of supplier's capabilities,

relationships with purchasers, and corporate social responsibilities. The performance metrics group includes quality, cost, delivery, and service. The criteria in this group are operational measures that Vietnamese T&A companies used to evaluate the supply performance of their suppliers. The last group, sourcing country, is used to evaluate the macro environment of the suppliers' countries, which can affect the trade between purchasers and suppliers. These selection criteria can be evaluated through their sub-criteria.

#### *Performance metrics*

In terms of quality, suppliers are required to meet certain conditions including the following: conformance to the purchasers' requirements, appropriate country of origin, quality certificates that can be used to evaluate the suppliers' material quality, low defect and scrap ratio, and continuous quality improvement programs. These metrics of quality cluster are common for most of the firms in the T&A industries. Regarding costs, in addition to general dimensions consisting of competitive material prices, low freight cost, small minimum order quantity (MOQ), and discounts on large quantities, Vietnamese T&A companies require their suppliers to offer appropriate payment methods. As can be observed, all purchasers preferred deferred payments because the purchasers, if advance payment or at sight payment was used, would need to use their bank's trade financing service, which could increase their transaction costs because of the interest paid to the bank. When asked whether tariffs affected their cost, all participants stated that the Vietnamese government had a tax refund program for imported materials serving exports; therefore, they disregarded tariffs as a dimension of costs.

With regard to delivery, Vietnamese T&A companies place their central focus on the carriers rather than on-time delivery, short lead-time, delivery quality, and geographic distance between them and suppliers. From the interviews, we gather that certain suppliers use inappropriate carriers for shipping. These carriers offer a low freight price in the supplier's country; however, their offices in Vietnam often add more charges. Expert Participant 13 stated, "...in Vietnam, they charge us too much, such as terminal handling charges or additional fees...". Therefore, if those suppliers desire to continue working with Vietnamese purchasers, they must change to be like other carriers. From that context, suppliers not only focus on their delivery ability but also consider the shipping service they use.

Not only are quality, costs, and delivery important, but service is another significant factor affecting the Vietnamese T&A companies' selection decision. In the investigated cases, most participants emphasize the importance of flexibility to changes, which often occur in the fashion industry. Changes can be in quality or quantity or anything else that is required. If there are any losses or damages resulting from those changes, Vietnamese T&A companies are willing to "compensate" if necessary (Participant 06). Moreover, many participants also accentuate a service labelled an offering service. To enunciate this service, Participant 06 stated, "When we receive orders from our customers with a specific type of fabric and color,

we send that sample to our supplier. We will care about how long it takes that supplier to make samples, the sample quality (some suppliers cannot make a qualified sample until the third try, while others only need one), and the supplier's willingness to make the samples. Some suppliers only make samples when we place orders; otherwise, they will not. This causes difficulties for us". We argue that purchasers greatly appreciate suppliers' willingness to make samples for them. Certain participants also deem this willingness necessary for suppliers. In addition, responsiveness, after-sales services, and ease of communication are also Vietnamese T&A companies' concerns.

#### *Organizational factors*

Instead of using performance metrics, Vietnamese T&A companies evaluate their suppliers using less competitive criteria. The first of this group is the relationship cluster. Although relationship is only a secondary criterion after suppliers satisfy all the prerequisite criteria in the performance metrics group, Vietnamese T&A companies divide it into sub-criteria to make the selection process easier including long-term partnership, trust, honesty, and particularly, information sharing. All the participants asserted that information sharing is important to their companies because they encounter many difficulties in assessing the market information, demand, and standards of new markets (Thạch Huệ, 2017). Such shared information may concern market trends, material prices, or difficulties. The frequent sharing of information between suppliers and purchasers is the only factor that can improve their business relationship. This finding is in accordance with the results of the research on T&A supply chain management in Hong Kong by Lam and Postle (2006).

One more criterion that suppliers for Vietnamese T&A companies need to consider is their sample development capacity in the capability cluster. Purchasers prefer suppliers capable of producing samples that can maintain pace with current trends and then provide those samples to allow the companies to diversify their ODM collection. In addition to sample development capacity, Vietnamese T&A companies also focus on the suppliers' production capacity, financial capacity, reputation, human resources, and factories.

Another criterion found is corporate social responsibility (CSR). In a survey of scholars who study CSR in the fashion industry, Dickson and Eckman (2006) found that labor practices, consumer protection, environmental protection, and contributions to communities are primary concerns. However, this criterion is not familiar to many Vietnamese T&A companies, except for those that are large or that export their products to demanding markets such as the United States or Europe. Moreover, because their clients require them to practice CSR, the companies must request that their suppliers do so as well. Participant 06 noted, "The purpose of CSR is to require enterprises to conform to the home country's law. For example, enterprises are not allowed to hire minors or force laborers. The salaries of employees must meet minimum wages. Female laborers must enjoy maternity benefits and social insurance. Enterprises must meet requirements on fire and environmental protection". Participant 12 added, "They must protect the environment and follow labor laws; for example, do not hire children to work for them, do not exploit the

laborers, etc.” In addition to labor practices and environmental protection, some participants also require their suppliers to ensure consumer protection based on laws protecting consumers’ rights; for example, materials must not be harmful to consumers, and consumers’ safety must be safeguarded. In addition, any suppliers that contribute well to communities will be accorded priority in the selection stage, as “enterprises make money to build a good society”, as stated by Participant 08. After the interviews, we accumulate evidence that suppliers and purchasers practice CSR because they aspire a strong position and sustainable development (Di Benedetto, 2017) in the global T&A industry.

*Sourcing country:* According to all participants, their suppliers must be from countries with stable political and economic situations and no labor disputes, as these problems can affect the delivery progress. In addition, Vietnamese T&A companies also accord importance to the cultural affinity between them and their suppliers (Participants 04, 15, 17). Participant 15 stated, “This criterion has much influence. For example, for Chinese companies, they also have the same traditional holiday as we do, so we are both off on these days. However, for Korean suppliers, they have holidays in the mid-autumn. This affects our productivity as well as production progress.”

In addition to the official criteria and sub-criteria above, there is also one unofficial criterion, the commission. Participant 09 asserted, “The bigger the company is, the higher the commission is. This is the way to do business. We do not buy from you if you do not give me a commission.” Of course, the suppliers also must meet all the official criteria. However, according to that expert, the commission is an underground criterion that has never been part of the official criteria.

All key selection criteria are combined and shown in Table 2.

**Table 2.**

Summary of the key criteria

Criteria	Sub-criteria	Criteria	Sub-criteria
<i>Quality</i>	Conformance to requirements	<i>Capability</i>	Production capacity
	Country of origin		Financial capacity
	Quality certificates		Reputation
	Defect and scrap ratio		Human resources
	Continuous quality improvement programs		Sample development capacity
<i>Costs</i>	Material price	<i>Relationship</i>	Factories
	MOQ		Long-term partnerships
	Freight		Trust
	Discount		Honesty
	Payment method		Information sharing

Criteria	Sub-criteria	Criteria	Sub-criteria
<i>Delivery</i>	On-time delivery	CSR	Labor practices
	Lead time		Consumer protection
	Delivery quality		Environmental protection
	Geographic distance		Contributions to communities
	Carrier		
<i>Service</i>	Flexibility to changes	<i>Sourcing country</i>	Political stability
	Responsiveness		Economic stability
	After-sales service		Cultural affinity
	Ease of communication		Absence of labor disputes
	Offering service		

When requested to provide their expectations regarding supplier selection criteria, many participants claimed that those criteria were sufficient for them to select suppliers. Participant 01 explained, “We do not have any special requirements from our customers now, so we cannot think of new criteria. When we have special customers, we will think about them”; however, if there is an available standard set of supplier selection criteria, they would be happy to use them. Additionally, according to Vietnamese T&A companies, there are no differences in supplier selection criteria among the spinning T&A industries. However, the criteria of the spinning industry are “much simpler than those of the textile or apparel industries” (Participant 13), while the apparel industry always requires suppliers to be more responsive than the other industries. Moreover, no differences in criteria are found among the regions of Vietnam.

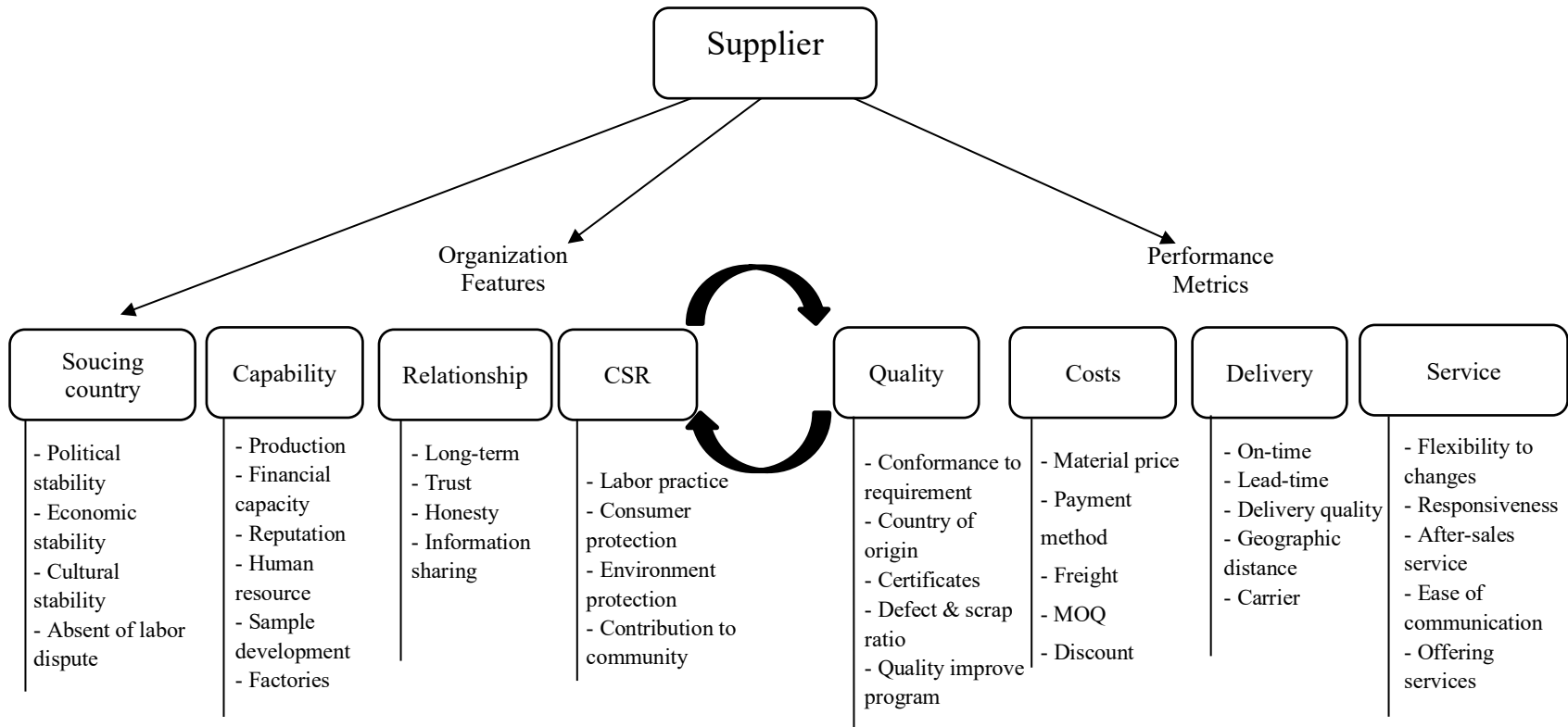
#### 4.2. Supplier selection method

Many of the participants (15 out of 20) stated that their companies did not have clear and official methods to select suppliers. One of the largest garment corporations (Participant 07) stated: “We only require our procurement officers to consider Price and Quality first and then other criteria”. However, the good news is that there are five large companies applying a scheme to grade suppliers (Participants 02, 05, 07, 10, and 16), and particularly, one company utilizes an average calculation method, and four apply a weighted calculation method. Participant 05 described his company’s supplier selection method as follows:

In the scale of 100, there are five criteria. The first is delivery progress. Its coefficient is 3. The second is quality with its coefficient of 2. The third is price with coefficient being 2. The fourth is social responsibility which accounts for 15%. After-sales service and other criteria such as payment method... will account for 15%, which means their coefficient is 1.5. Then, we grade each criterion such as 5, 6...10. The total grade will be 100. We choose 5 suppliers, then evaluate and select the best.

In addition, Vietnamese T&A companies are aware of the interrelationships among criteria. For example, a strong capability may result in a low material price and fast delivery; cost may be influenced by quality or delivery time. Suppliers are also willing to offer lower prices to clients with whom they have a good relationship. However, Vietnamese T&A companies do not know how to solve this problem in their supplier selection.

In summary, the analysis of the separate cases and the comparison between cases yield the proposed network decision hierarchy for supplier selection as shown in Figure 1.



**Figure 1.** Supplier Selection Criteria in the hierarchy

## 5. Discussion and conclusions

The key purpose of this study is to explore a set of supplier selection criteria for Vietnamese T&A companies. The purposeful and theoretical approach supports our investigation of the question on a very micro level. Our findings provide insights into a comprehensive set of supplier selection criteria for T&A companies in Vietnam in particular and the world in general. These criteria are consistent with and extend prior works pertaining to several important discoveries. In the following section, we discuss the theoretical and managerial implications of the paper, its limitations, and future research directions.

### *5.1. Theoretical and managerial implications*

Exploring the extant supplier selection criteria of Vietnamese T&A companies will contribute to the literature on the sourcing in particular and the supply chain management in general. This research provides an effective set of selection criteria: quality, cost, delivery, service, capability, relationship, CSR, and sourcing country. Each criterion consists of certain sub-criteria to generate a comprehensive set of supplier selection criteria. One of the findings of the study is the emergence of certain new criteria, including CSR, and certain sub-criteria, such as the payment method in the cost cluster, the sample development capacity in the capability cluster, the carrier in the delivery cluster, and the offering service in the service cluster. Additionally, the set of criteria includes not only internal criteria (quality, cost, delivery, service, capability, and relationship) but also external ones, CSR and sourcing country. Consequently, the validity of these criteria is reinforced.

Moreover, these criteria may apply to sourcing demands in all the industries examined, from spinning to textiles to apparel. However, the criteria for spinning companies are slightly simpler. For example, spinning companies do not need to require their suppliers to have sample development capability. Therefore, those companies can customize the set of supplier selection criteria to better fit their operations.

This set of criteria is critically useful for T&A companies to choose capable suppliers as their partners in the supply chain and minimize their risks and costs. Consequently, these companies can advance their current production to higher levels. For example, these firms can move from CMT to FOB or from FOB to ODM. In addition, the findings can act as guidelines for suppliers that expect to become material or auxiliary suppliers. These suppliers need to be well prepared in terms of the criteria of quality, costs, delivery, service, capability, relationship and CSR. Among those items, quality is the top criterion. In addition, some emergent criteria and sub-criteria that suppliers should pay more attention to include costs, particularly the payment method sub-criterion; capability, particularly sample development capacity; and CSR. Regarding the payment method, deferred payment is the preferred method for Vietnamese T&A companies. With respect to sample development capability, companies require unique samples that are always new. With regard to CSR,



“This is a priority when placing an order” (Participant 08) and “a prerequisite condition” (Participant 11).

## 5.2. Limitations and future research directions

This study is in its first stage to reach the final goal which is to propose a supplier selection model for T&A companies. Therefore, the study still has several limitations that create opportunities for future research. First, the small sample size may not be representative for the T&A industry in Vietnam. Finding managers who are willing to spend time and share their company's set of supplier selection criteria was an extremely challenging task. Therefore, we only focused on large provinces to conduct the research. Expanding the sample and conducting a quantitative study could address this issue. Second, these criteria should be retested on an industrial scale by running exploratory factor analysis. Third, the weights of these criteria and their sub-criteria were not yet determined. Thus, further studies of these weights using the MCDM method are encouraged, whereby a supplier selection model can be developed for T&A companies in Vietnam in particular and the world in general for making multi-criteria decisions in a rapid and scientific fashion.

To conclude, by delving into supplier selection criteria, we proposed a set of selection criteria that can help T&A companies increase their competences by sourcing their non-core competences. We hope that our work not only serve as a bibliography for those who are interested in supplier selection decision making, but also provide decision makers information with which they can better control their supply chain. However, through the study, it is clear that an appropriate method for supplier selection should be developed for T&A companies ■

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## **Appendix**

### **TRANSCRIPTION REPORT ON INDEPTH INTERVIEW**

#### **I. RESPONDENT'S BACKGROUND**

1. Interviewee's full name (Participant number): P02
2. Code: MN02\_GAL\_11OCT17
3. Gender: Female
4. Age: 38
5. Job/position: Deputy manager in Market Planning Department, in charge of sourcing.
6. Education: Bachelor in International Business.
7. Years employed: 16
8. Hometown: Ho Chi Minh City
9. Address: Ho Chi Minh City

#### **II. COMPANY'S BACKGROUND**

10. Company's name: P02
11. Business field: Garment
12. Address: Go Vap Dist., HCMC
13. Years in business: 30
14. Number of employees: 1800
15. Scope of capital: above 100 billion VND
16. Main markets: EU, USA, UK
17. Production methods: FOB1
18. Vitas member: Yes
19. Interviewer: NONG THI NHU MAI
20. Transcriber: NONG THI NHU MAI
21. Time and date of the interview: 15 p.m to 16.30 p.m., 11th Oct 2017

#### **A. Description of the interview's context:**

The interview took place at the guest room of P02 Garment Company. The interviewee was friendly and willing to answer all questions of the interviewer. During the interview, the interviewee had two messages, but they did not affect the mood of the interviewee.

## **B. The interview's contents**

*A: How about your company's human resource scope?*

R: There are about 1,800 employees including direct and indirect laborers.

*A: When did you graduate from university?*

R: 2001

*A: That means you have worked for this Garment Company for 16 years?*

R: Yes

*A: At the present which criteria does your company base on to select and evaluate suppliers?*

R: The particular characteristics of Vietnamese textile and apparel industry is that there are two types of export: outright sale and processing. For outright sale, we have to buy materials, make finished products, and then export them. For processing, materials will be provided by the customers, we only process them. For the latter, we do not mention. We only focus on the first. However, the customers handle all things. They select suppliers, check the materials... For this industry, apparel affects human's health, so materials to make clothes must meet lots of criteria. Each market will have its own criteria on safety, chemicals... Most materials are appointed by the customers, we only purchase a small part from our own suppliers. If we choose suppliers, we also have some criteria for the suppliers such as quality criterion. Quality must meet the quality requirements of our customers. For example, European customers have different requirements from American. Besides that, we also consider price, delivery time, and commitment. Some suppliers in America follow the standard of SA 8000 (social accountability International). Therefore, our suppliers also have to strictly follow SA 8000. We have a list of sub-criteria, so we will require our suppliers to tick on the criteria that they have. For example, for laborers, they do not let their laborers work overtime, do not exploit the hired laborers, so on... we have lots of criteria to evaluate the suppliers. We do not select many suppliers in Vietnam because a few of Vietnamese companies supply auxiliaries and materials. Some foreign companies from Taiwan or China invest into Vietnam and build up factories to produce auxiliaries and materials. We cannot call them domestic suppliers. For those companies, we do not buy directly, but in most cases, our customers will appoint suppliers for us to buy. With this case, our responsibilities will be less. However, we do not work independently.

*A: How many percentages does your company work independently? That means applying advance FOB method?*

R: At the present we do not have advance FOB (FOB2), only FOB (FOB1). Most of the fabrics are imported from foreign countries. For auxiliaries we purchase some from domestic companies. Some markets like Europe, our country has FTA with them, so we enjoy preferences when we export our products to these countries such as Certificate of origin GSP form A. To enjoy that preferential treatment, we have to buy some domestic auxiliaries and materials. Our customers will introduce domestic suppliers for us and then we buy and pay. Our customers will handle the quality for us. But if we say that we select suppliers by ourselves, it is not true. Our customers appoint suppliers for us.

*A: That means you rarely select suppliers by yourselves?*

R: We also select suppliers by ourselves, but just a little. Our company produces for big volume and long-term orders. For one customer, we can produce for 10 consecutive months per year. Therefore, finding a supplier who can supply us with materials for a long period is really difficult for domestic suppliers. And these suppliers are also foreign companies in Vietnam. They make materials in Vietnam and then sell them for us, so we do not need to pay import tax. Their prices are also more competitive than the prices we import. And, the most important criterion is quality, the second is price, the third is delivery time, and the fourth is service.

*A: In terms of quality, as you mentioned above, quality must meet your requirements. Besides that, does your company have any more sub-criteria to define quality?*

R: Actually, we only do sewing, do not focus on how to make the qualified materials, for example: with a rope, what to make up it or its color or its chemical, we do not know. What we do is that our customers give us samples which use ropes, and then we give these ropes to our suppliers. Our suppliers will make a sample rope as what we gave them. We will send this sample rope to our customers. Our customers will check or test the sample or require our suppliers to test the sample in accordance with the standards required in their markets. Our customers will give our supplies a list of quality standards and require them to test. If our customers agree with the sample, they will approve of the sample. Our suppliers will produce the ropes as the approved sample. The difference from the approved sample can be only 3-5%. For the color durability or fireproof materials ... we do not know in details its technical issues. We only care the approved rope and require the suppliers to produce in mass in order that my company can start producing in mass.

*A: Do your suppliers have quality certificates?*

R: It depends on different customers. If our customers are in Europe, they will require Ecotech – the standard for apparel to be imported into Europe. The basic rules for our company to select suppliers are that their scope needs not to be large, but we base on their prestige and long-term relationship. Because they are not big ones, so they do not have ISO certificate, but they have our trust because they have done business with us for a long time.

*A: How about the materials' origin?*

R: We purchase materials from Vietnam, we only know its origin from Vietnam. For the auxiliaries used to make those materials, we do not care their origin.

*A: How about the origin of your suppliers? For example, whether they are from China or Thailand.*

R: For the materials, China is the best supplier in the world, Hongkong is also good, but types of materials from Hongkong are not diversified as those of China. Its materials' quality can be the same as those of China. So we do not care the origin. But according to each type of materials, for example, if you want to buy denim fabric, we do not purchase from China because its quality is not as good as that of Banglades. Banglades has strong position in jeans. If you want to purchase elastic fabric, we will select Thailand or Taiwan, not China. Therefore, for each apparel product, we will consider which materials to use and which country to buy those materials from. That means we select the country of origin at the time we decide the materials to be used.

We determine the origin to know the strength of the supplying country. We determine the origin of the materials at the beginning time of defining the materials to be used. It is not like with this elastic fabric, we can buy from China, Taiwan or Thailand. Actually, we can buy from any suppliers; however, we determine the strength of each country to select the country of origin at the beginning. The origin of materials also depends on each market. In case our products are exported to Europe, if our customers require C/O GSP, our company must define clearly the origin, from the local or from ASEAN. If our products are exported to the USA, there are lots of genres and therefore the prices are also more competitive, there is no need of GSP, our company can find suppliers with good prices such as China. It depends on the customers to select appropriate suppliers.



*A: In terms of price, you only focus on the price, or do you also lay emphasis on the related costs affecting the total price?*

R: Besides the quality, price is also a sensitive factor. Some suppliers offer us discounts, but others do not. But our company does not lay emphasis on discount given that the final price of the materials is competitive. For after-sales service, in case of defective materials, the suppliers must refund or deliver reparation. That risk can be foreseen or cannot be foreseen. We cannot negotiate with them. For example, we buy 10,000 m for the first time, it is ok. Next time, out of 10,000 m of fabric, there are 1,000 m of defective fabrics. In addition to defective fabrics, we cannot fulfil our production of garment, which results in other corollaries, workers do not have materials to do, they are free, and many other costs that we cannot calculate. We work with our suppliers in a spirit of cooperation. Therefore, in payment we can negotiate to utilize deferred payment (T/T or L/C) after a specific period in order that in case there are any problems, we use that sum to cover that. For new suppliers, it is quite difficult, but if suppliers are selected by us, we know clearly their prestige, how they work, cooperation ... There are many criteria for us to consider when selecting a supplier.

*A: In terms of payment method you have just mentioned, it is also a criterion that you can base on to evaluate the final price, so what payment methods do you often use?*

R: uhm. In case of fabrics, materials, for suppliers having long-term relationship with us, they often offer deferred payment after 30 days by T/T. For new suppliers, we have to open L/C at sight. For inconsiderable amount, it can be T/T against documents, or T/T before shipment. It depends. Generally speaking, we will negotiate.

*A: Is payment method also a criterion that affects our selection decision*

R: Yes, it affects our price.

*A: Does your company consider tariffs because it also affects the price?*

R: For the textile and apparel industry, the import tariff is 0%. If the company cannot use up materials, the government will collect arrears. Therefore, tariffs do not affect.

*A: Besides the price and quality, you also mentioned delivery, so which sub-criteria of delivery do you consider?*

R: We will negotiate with the suppliers. When suppliers complete production, they will send us Proforma Invoice which shows the delivery time. As usual, the lead time today is not so long as before. The lead time can be from 20 days to 30 days from the date of order. In the past, the lead time could be from 45 days to 60 days.

*A: Is the lead time among supplies the same or different?*

R: It depends on the quantity of orders, complex materials, or simple materials.

*A: For the same materials, is the lead time among suppliers similar or different?*

R: It is not similar because the lead time depends on many things. There are two companies producing the same products, and having the same scope. In this period, company A has fewer orders, so its lead time will be faster. Company B has more orders so it will set priorities for companies having sooner orders. It can deliver partially (partial shipment) in order that we have materials to produce our products.

*A: Is that a criterion you base on to select suppliers?*

R: In case the time of our order is short, we will base on lead time. If our orders last for 9 or 10 months a year, our supplier must produce materials continuously for us, we do not care the lead time in this case. That means we also care the lead time, but not much.

*A: In terms of delivery, which sub-criteria do you care?*

R: We require: firstly, the goods quality must meet our requirements, secondly the materials must be packed in good condition. Thus, any problems with the materials are beyond their control. When they ship the materials to the port, one or two rolls of fabrics are torn or dirty outside, which they also do not know. Or while the materials are shipped in damaged containers, they suck rain water or sea water. When the materials get here, we find out that risk. In case we purchase materials under FOB, we will buy insurance. If we purchase materials under CIF, the suppliers have bought insurance under A clause already. Therefore, the insurance company will be responsible for that risk. This case is also force majeure. For our company, this risk is not much. The delivery time from China to Vietnam is maximum 10 days which is not a long period. There were also one or two consignments that the containers were holed, the fabric absorbed salt. When the fabrics got here, they were dry outside, but they were still wet inside. For these consignments, we had to reduce the volume of production. If our supplier delivered reparation, we also could not produce in time. For this loss, the insurance company would pay for us, but it quite takes time.

*A: Is the geographic distance between your company and your suppliers a criterion for your company to select suppliers?*

R: If we select suppliers, we do not select suppliers far from us. We prefer domestic suppliers because we have the same language, same currency. It is easier for us to negotiate.

*A: You mean that the cultural affinity is also one of the criteria affecting your selection decision.*

R: To select domestic suppliers, it is quite difficult because the level of auxiliary and material development in our country is limited.

*A: Are your main suppliers from China?*

R: Currently, we are purchasing lots of materials from China. But we mainly apply on-spot export-import, we have to make abroad payment, not domestic payment. With materials from China, currently we are applying 100% on-spot export-import. Chinese or Taiwanese invest into Vietnam and build factory to make materials under processing.

*A: In terms of service criterion, which services do you care?*

R: Before signing contracts, we do not mention. After signing the contract, we lay emphasis on the delivery time. After taking delivery, any problems arise, suppliers must support us. For the defective fabric, when we need, they must handle the case quickly.

*A: Are there any other criteria?*

R: If we want to execute any orders, we need prices or designs ..., they must support and cooperate with us. We also care the ease of communication, flexibility.

*A: In terms of their flexibility, in case you want to change something like the volume of the order or the quality of the materials, are your suppliers willing to change? Do you lay your emphasis on this?*

R: Yes, we cannot predict the changes of our customers, that change affect our ordered materials. The change is often on quantity, not quality because for this industry, there are lots of small stuffs. Before we produce in mass, our customers have to test many things. For example, at the beginning, for each color of fabric, we order 1,000 yards, but after that we decrease the quantity of this color and increase the quantity of the other color. At that time, the suppliers must be willing to meet our requirements. In case they have finished production, they will not change for us. If we sign a contract with T/T payment method, we can change that contract. But if we use L/C, the suppliers are not willing to amend the L/C although we pay the L/C amendment charge. If we do not take full delivery, the materials will be in stock and cannot be sold to other purchasers. However, there are also many suppliers cooperating with us because if we do not use up all materials, we have to be burdened with import duties let alone our capital is stuck. In some cases, we can negotiate with them to keep the materials in their stock, we will take them in the next order. Generally speaking, many suppliers are open to changes. There are also many suppliers not so willing.

*A: If suppliers are not willing to change, does your company keep on doing business with them?*

R: If they are appointed by our customers, we have to keep on doing business with them. If suppliers are selected by us, their behavior will be different.

*A: In addition to the trust which impacts the long-term relationship, are there any other sub-criteria also affecting the relationship between your company and your suppliers?*

R: My company is old. Before, we had lots of domestic suppliers. The supplier selection criteria were not so difficult as those of today. Our products were only exported to small countries. Today, we export to many big markets which have more difficult criteria. Domestic suppliers cannot meet those criteria. However, we still maintain the relationship with them in order that when we are in need, we can find them.

*A: To develop the relationship, you used to mention the cultural affinity, does your company base on the cultural affinity to select suppliers?*

R: It is not the top priority. Most of our materials are imported, so there is no cultural affinity. Maybe there is the affinity in larger scope, for example we import from ASIA, particularly China. China has some similarities with us. But for us the cultural affinity is not an important criterion. Given that a supplier has competitive price, good quality, and service, we can maintain the relationship.

*A: You mentioned many criteria like price, quality, delivery, service, relationship, does your company pay attention to the supplier's competence?*

R: Yes, if the suppliers do not have production capacity, they cannot fulfil our orders, we cannot process production.

*A: How to determine their competence.*

R: For new companies, we will request their profiles.

*A: What information in the profile does your company pay attention to?*

R: For domestic companies, we will visit their factories. For foreign companies, we only base on their profiles to find the products that they are strong in, their production capacity in a week, a month, or a year. We also find the suppliers' information through the industry or our customers.

*A: What else does your company consider when your company study their profiles?*

R: If we select suppliers by ourselves, we will consider the financial capacity of suppliers. But if suppliers are appointed by our customers, we do not care. In addition, we also care their reputation. Some domestic suppliers are well-known in the industry, it is easier to do business with them.

*A: In terms of suppliers' competence, do you have any sub-criteria to consider like human resources?*

R: In some fields like weaving, they do not need many laborers, they only need machines. Only garment industry needs lots of human resources. For auxiliary manufacturing industry, machines are mainly used.

*A: In the coming time, does your company supplement any more criteria?*

R: We have revised our set of criteria many times, but I find that main criteria are what we have just mentioned.

*A: Does your company intend to revise and supplement any criteria?*

R: We revised the criteria in 2011. Every time we revise the criteria, we do not revise by ourselves and then publish them. We have to send them to Editor of ISO - a third party to approve after we finish revising the criteria. This one is related to our ISO document. We need to hire a Consultant company to make a complete document and publish it legally. When foreign partner checks, we have an official document.

*A: In the future, if our industry has a clear set of supplier selection criteria for the textile and apparel companies, is your company willing to apply that set?*

R: Actually, it is good to have one because that one is a common set of criteria of the industry. When that set is delivered to member companies, they can customize the set to be appropriate to their companies or apply all to their companies. If that set is better than the one of our Company, our company is willing to apply.

*A: Your company has lots of supplier selection criteria, do you define the weights for criteria?*

R: Yes, we do but I do not remember exactly the weights. In my company, we have a set of criteria to select and evaluate suppliers before we do business with them. For example, we search information about them, then we evaluate them. If their marks are in the allowable range, we will continue to do business with them. If not, we will stop. During the transaction time or after 1 year we will re-evaluate those suppliers. We have that set of criteria as well as their weights. This set will be submitted to the Board of Leaders for approval.

*A: Board of Leaders means Board of Director?*

R: That's right.

*A: Your company has criteria and their weights, so which method does your company apply to select suppliers?*

R: For one material, we have two to three suppliers. Firstly, we have a basis to compare suppliers in terms of price, quality, competence, so on ... in case this supplier cannot meet

our order, we will choose another supplier. Three suppliers work with us in different ways. The prices will be different, payment time will also be different in different points of time. This season the price can be high, but the next season it can be lowered. During the time doing business with them, we can withdraw comments on each supplier unofficially. We can find a supplier that is easy to do business with or easy to cooperate. After a period doing business with him, we can give marks for the supplier. The three suppliers will have different marks.

*A: How to give marks for suppliers?*

R: We have marking scheme. For example, with price criterion, it can get from 1 to 3 marks. If the price is good, we can mark maximum 3. It has instruction for us to give the mark.

*A: Then you sum up the marks*

R: That's right. But we take the average mark because we have many criteria to give marks to.

*A: Does your company have a board or an individual to give marks?*

R: Each department will give marks for one criterion. For example, for quality, the Quality department will give mark for this criterion. That quality department can have 2 or 3 persons. Each supplier supplies materials for different orders. Each person in the quality board will give a mark and then take average for the quality criterion. For the price criterion, the sales department will give marks... Not only one person evaluates suppliers, but each department will evaluate and give marks for each criterion.

Our company built up the first set of criteria in 2003 subject to the requirements of ISO. The first time, there were only some criteria. When we have more customers, we export to the USA and some other markets. They have some new requirements that need to be added to the set of criteria. We have revised that set many times. The latest set was revised in 2011. Recently, there are some stuffs that need to be added to the set, but it takes quite a lot of time to invite a third party to consult to do that set.

*Thanks for your cooperation!*