

Bangladesh or Pakistan ?

Pakistan or Bangladesh ?

WHYs and HOWs
brought by looking at
Bangladesh

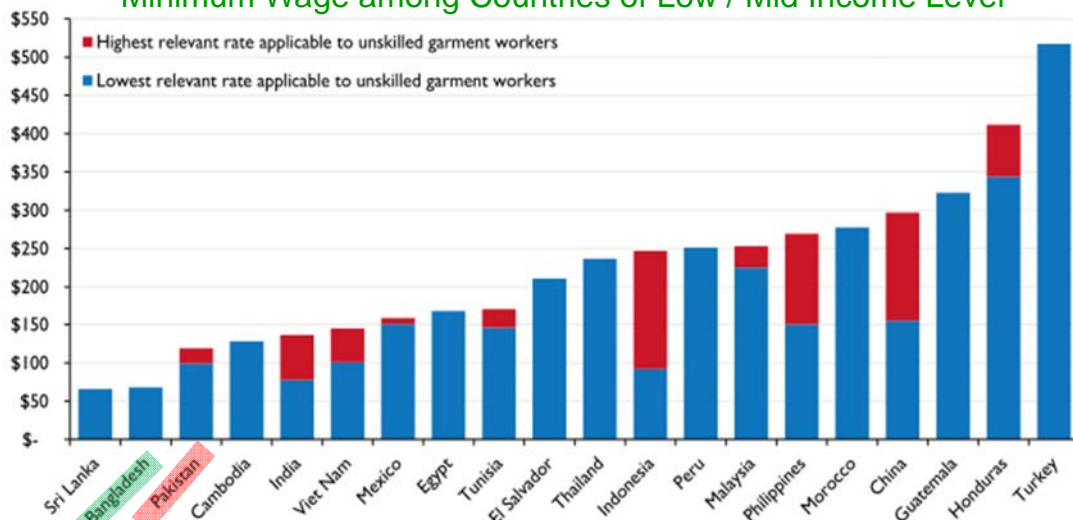
November 2016 TF Seminar

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Bangladesh at a Glance

Minimum Wage among Countries of Low / Mid Income Level



Note: All rates refer to the lowest skill grade and new entrants; see Table I for further details.

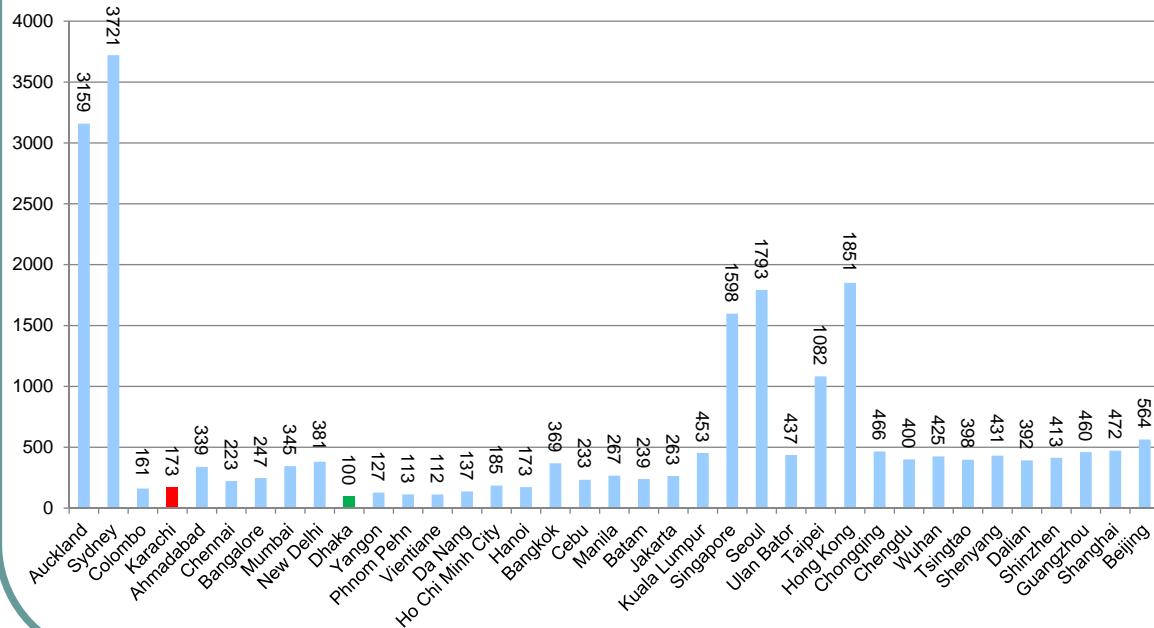
Source: ILO compilation based on national sources. Exchange rates are from IMF and, where not available from the IMF, from xe.net.

Source: ILO Research Note issued in Dec. 2015

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Bangladesh at a Glance

Worker Class Monthly Salary

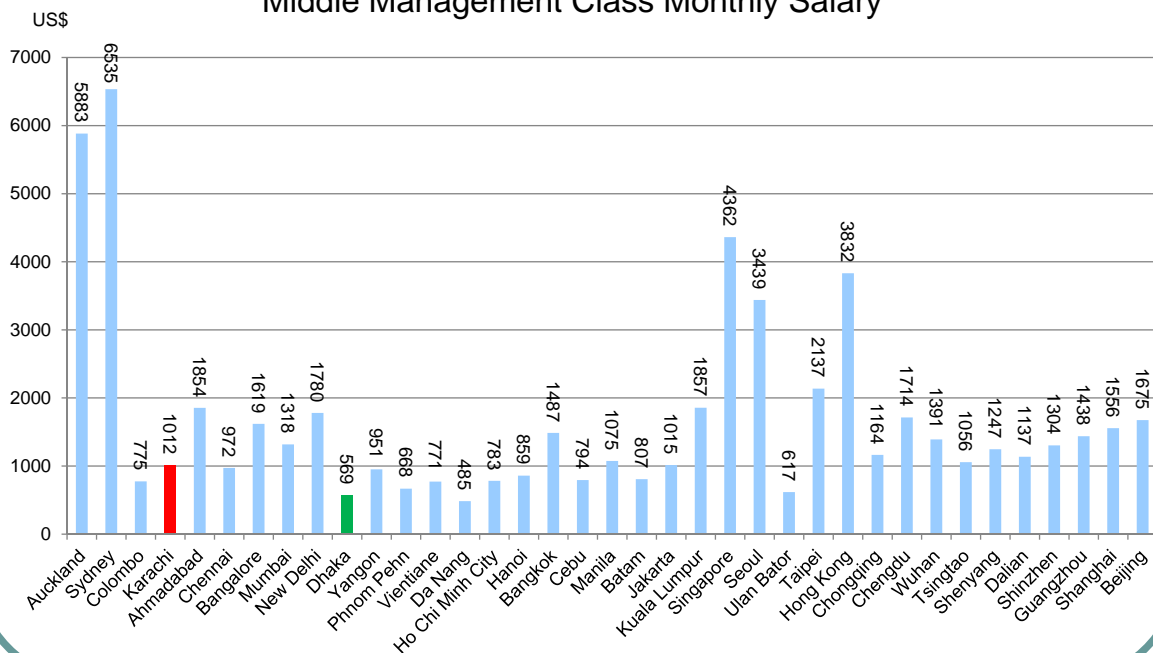


Source: JETRO(Japan External Trade Organization) Report issued in June 2015

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Bangladesh at a Glance

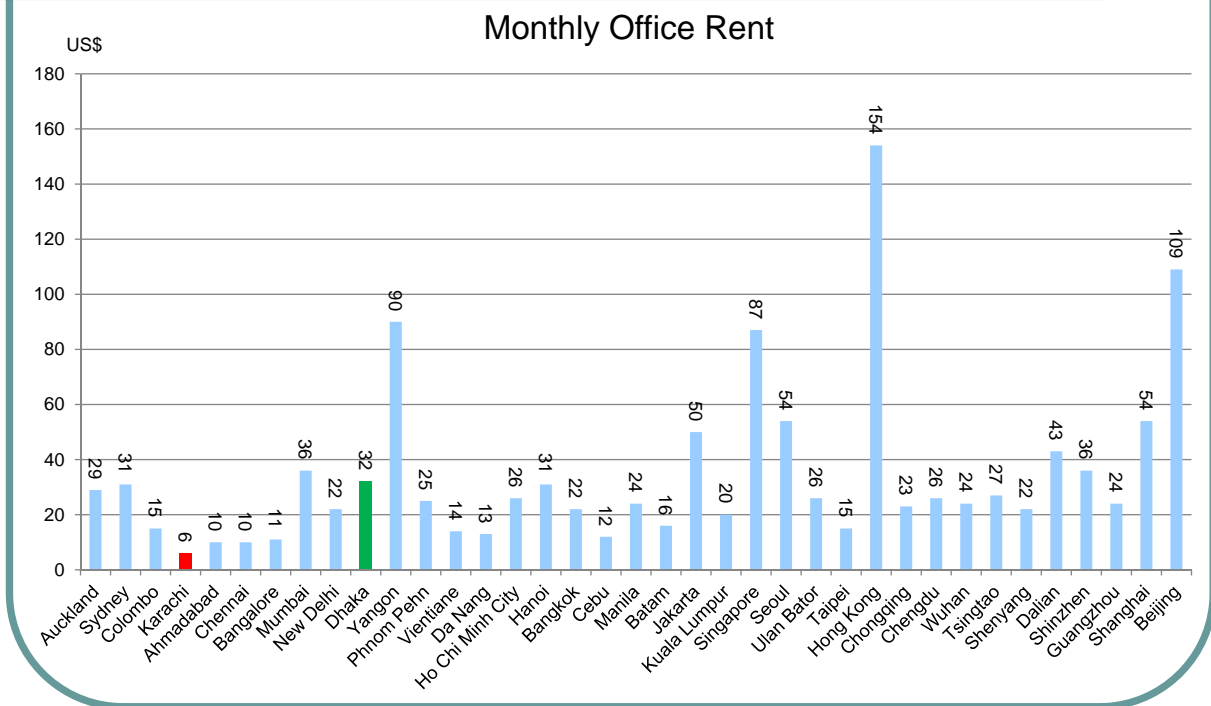
Middle Management Class Monthly Salary



Source: JETRO(Japan External Trade Organization) Report issued in June 2015

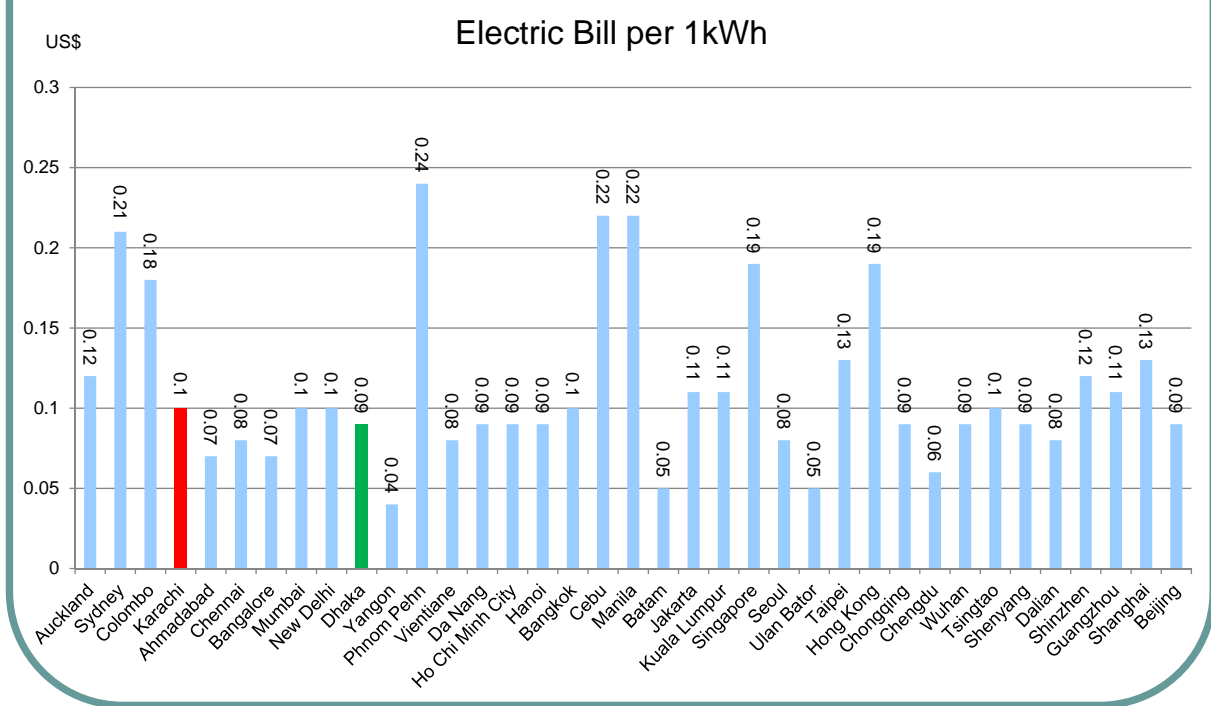
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Bangladesh at a Glance



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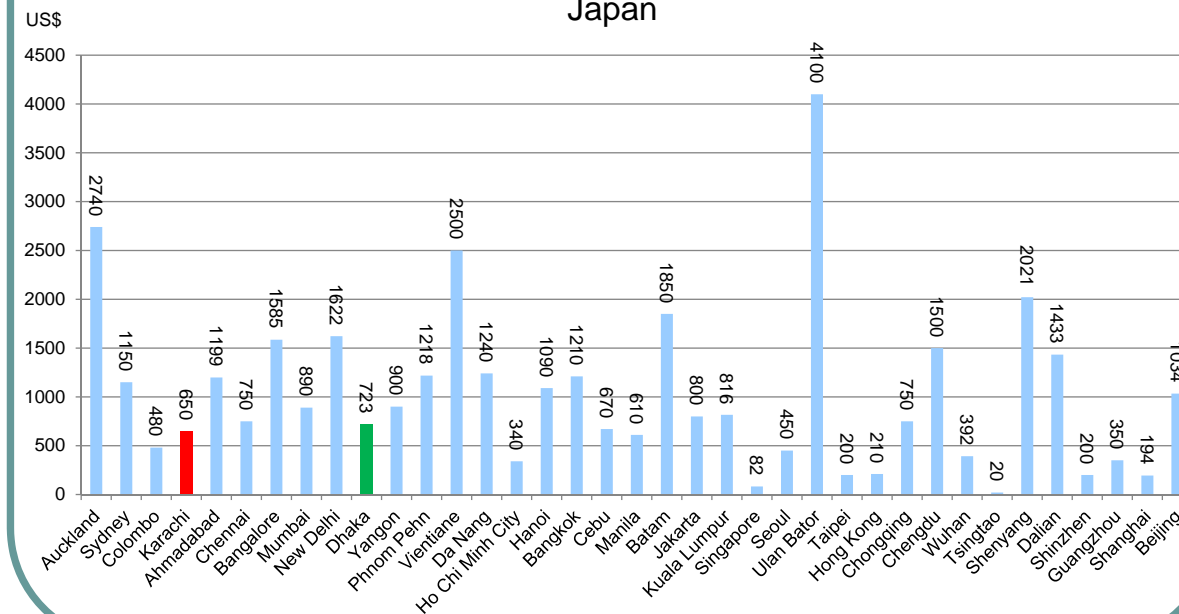
Bangladesh at a Glance



Source: JETRO(Japan External Trade Organization) Report issued in June 2015
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Bangladesh at a Glance

40 ft. Container Transport Cost to Yokohama, Japan



Source: JETRO(Japan External Trade Organization) Report issued in June 2015
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Bangladesh at a Glance

Items	GDP Growth Rate	Total GDP	GDP per Person	Increase Rate of Consumer Price Index	Unemployment Rate	Export Value	Growth Rate	Japan Export Value	Growth Rate
Units	%	US\$ Billion	US\$	%	%	US\$ Million	%	US\$ Million	%
Remarks	★1	★1	★1	★2		Customs Clearance Basis	★3	Customs Clearance Basis	★3
Source	IMF-WEO	IMF-WEO	IMF-WEO	IMF-WEO	IMF-WEO	IMF-DOT	-	IMF-DOT	-
« Recent Annual Data (10yrs) »									
2005年	6.30	70.92	495.49	7.04	n.a.	8,494	11.98	64	447.00%
2006年	6.85	75.77	523.03	6.77	4.2	11,650	37.15	104	61.49%
2007年	6.52	85.60	584.50	9.11	n.a.	12,691	8.94	114	10.12%
2008年									
	5.52	97.06	655.95	8.90	n.a.	13,628	7.38	84	-26.35%
2009年	5.32	108.90	728.39	4.91	n.a.	14,378	5.50	115	35.91%
2010年	6.03	122.05	807.64	9.37	n.a.	16,497	14.74	165	44.00%
2011年	6.49	131.12	857.77	11.46	n.a.	23,100	40.02	290	75.92%
2012年	6.26	141.72	916.09	6.23	n.a.	22,251	△ 3.68	350	20.59%
2013年	6.07	161.76	1,033.01	7.54	n.a.	25,913	16.46	469	34.02%
2014年	6.11	185.42	1,171.90	7.01	n.a.	28,434	9.73	537	14.44%

- ★1 2013、2014 are estimated values
- ★2 2014 is estimated value
- ★3 Growth Rate of Imports and Exports are Calculation of JETRO

[Source] IMF World Economic Outlook Database(WEO) (April, 2015)
IMF International Financial Statistics (IFS) (2015 Edition, August 2015)
IMF Direction of Trade Statistics (DOT) (August 2015)

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Remarkable Growth Rate

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Historical back ground

- In 1974, **MFA**(Multi Fiber Agreement) came in effect. Production countries were to be dispersed.
- In 1978, **Desh Garment** of Bangladesh made agreement with Daewoo (Korea) for business development. 150 Bangladeshi were trained, and later **115 out of these 150** opened their own RMG factories. Effect of MFA worked favorably.
- Up until 80s, U.S. buyers favored Bangladesh to have the products made at the bottom range of retail price.
- It was not until 90s that Europeans came to Bangladesh on the course of production diversification.
- Since Bangladesh is a **processing country**, the policy of **favoring local enterprise** has been maintained. Even today the share of foreign capital stays less than 10%.
- Due to the demand of low price product, **quantity oriented production** naturally prevailed. Big quantity-cheap price became the business model.
- Then in 2000s there came the time of big **SPAs** such as ZARA, H&M, GAP. These retail giants constantly looked for the suitable country to have their products made in big enough quantity at the cheap cost they desired.
- Bangladesh matched with their demand in quantity and price. **GSP** also helped. (EU, Japan)
- Today most of the retail giants all over the world visit Bangladesh regularly, and it gives Bangladesh not only business chances but the chances to **expose** them to the latest trends, policies, and technology in the world market.

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Competitiveness of Bangladesh

- **Labor:**
Low minimum wage(USD68, according to ILO research in 2015), abundant young labor demographic.
- **Big production capacity:**
When buyers seek quantity, Bangladesh should be the 1st choice. UQ also.
- **Variety of material:**
They do not have material, so they import material according to market needs that in effect gives them versatility to respond to ever-changing market trends. Thus buyers can find colorful selection of merchandise there.
- **Flexible attitude to respond to the needs:**
Bangladeshi RMG industry came out from nothing, so it is natural for them not to hesitate to change. This flexibility is mostly welcomed by the buyers from overseas.
- **Abundant water:**
Since Bangladesh is located in the big delta of Ganges River, they have easy access to water resources. This gives them great opportunity to develop variety of wash treatment that brings soft hand and more interesting appearance to their products. Various techniques such as sophisticated enzyme wash are developed.

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Shortcomings & Challenges of Bangladesh

- Poor infrastructure
- Poor awareness of industrial safety that damages **sustainability**
- Political instability and inefficient administration of policies
- **Quantity** rather than quality
- High turn over of workers, difficult to **develop skills**
- Not suitable for the product at middle & upper price range due to quality level
- Too much concentration on **men's** products

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Then Pakistan ?

- Has material.
- Has better infrastructure.
- Has abundant labor force.
- Vertically integrated production possible from material to finished garment, to make production **more rational**.

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What are the differences ?

- Female work force:
- Own material in less variety or import material for more variety:
- Labor cost:
- Trade agreement:
- “Give the product we make” or “Give the product wanted”
- A little update or constant update
- Introspective or outgoing
- Less exposure or more exposure

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What to look at ?

- Utilizing potential human resources, possibly female, with understanding their advantages
- Utilizing import material (especially synthetic) for more variety and improving the finished quality of cotton
- Overcoming labor cost disadvantage (By improving productivity)
- Lobbying multi-nation trade agreement that helps joining global supply chains of customers
- Developing the business style more market-oriented
- Updating constantly for benchmarking current state of your business in the world market and for future forecast
- Developing more outgoing sales force
- Showing your presence more to the world

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What to do ?

- To consult and work with government body and industrial association for better employment
- To get used to handling synthetic material now very popular among **athletic wears**, and to develop more sophisticated finish and appearance of cotton made products
- To improve productivity with better production control and HR management- Have you ever objectively evaluate your **productivity**?
- **NOT to isolate** Pakistan. Multi-nation trade pact is now world-wide trend.
- To learn the latest **fashion trend**. Follow the market.
- To pay more attention to what is happening now in the garment business. How many of you understand the definition of “**SPA**” ?
- To place sales office overseas to have more chance to see your buyer
- To join overseas **trade show** / overseas training / overseas convention etc. (HIDA)

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What to aim at ?

- **Aim at the better segment of the market: Upward mobility**
Bangladesh is determined to stay at the bottom end of the market. Due to the labor cost difference, it would not make sense to compete in the same market.
Adapt to today’s trend of world garment business that are **shorter lead time, quick delivery, and more variety of designs**. It is your **competency** that satisfies your buyer. (SME!)

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How to achieve

- Develop R&D / design capacity. (China?)
- Improve quality that satisfies the better market.
- Develop common standards to evaluate Pakistani factories, management system, compliance, product safety, and product quality. Lack of standard is one of the major shortcomings in Pakistan.

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Summary of Key Words

- Productivity (to overcome rising costs)
- Standardization (to evaluate & benchmark)
- Update (to catch up the latest trend)
- Exposure (to let your presence outstand)
- R&D (to let your products more attractive)
- Quality (to add more value)

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End of presentation

Thank you very much

Nov 2016

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