

Research Article



A study on marketing barriers to ready-made garment industry in Bangladesh

Abstract

As a prime source of earning foreign currency, RMG (Ready-made Garment) products tremendously contributing to Bangladesh economy. The study principally aims at determining the RMG marketing barriers facing the RMG owners, marketers, and the government as well. Most of these marketing barriers are identified and analyzed using the marketing mix tools, the combination of product, price, place (distribution), and promotion. The study is based on both primary and secondary data. A sample of 30 RMG manufacturers selected from the capital city-Dhaka and the industrial city-Narayanganj has been surveyed for this study. At the end of the study, number of recommendations, including establishing strong backward linkage, using state-of-the-art technology, reducing tariffs on imported raw materials and machinery, paying attention on compliance issues, ensuring uninterrupted supply of gas and electricity, building efficient transport system, etc. has been prescribed for different stakeholders of RMG industry in Bangladesh.

Keywords: RMG industry, RMG Marketing, competitors, marketing barriers, recommendations

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Introduction

The RMG industry of Bangladesh embarked on its journey in the 1980s and since then it has steadily thrived and reached such a good position in the global market. The pioneer of RMG industry in Bangladesh, Mr. Nurool Quader Khan, sent a team of 130 trainees to South Korea in 1978 to explore the potential of how to produce and export RMG products (Hassan, 2014).¹ In fact, he was the first person to establish 'Desh Garment' to produce export-quality garment products. Contemporary with this garment factory, some other garment factories such as Bond Garments, Reaz Garments, Paris Garments, Azim Group, Sunman Group, and Style Craft Limited were established (BGMEA, 2015).² Since then the Bangladeshi RMG industry has prospered at an unabated pace without facing credible challenges.

Bangladesh's export industry alone comprised USD 36.66 billion in FY 2017-18. About 83.49% of which were made up of RMGs (BEPB, 2018).³ The RMG sector has witnessed an exponential growth since 1980s and contributes significantly to the GDP in Bangladesh. It also offers employment to about 4.2million Bangladeshis, mainly women from low-income households (Wikipedia, n.d.).⁴ Marketing RMG products, a crucial work for the growth of RMG export of Bangladesh, are primarily done by marketing and merchandising departments of RMG factories. Nevertheless, the sector expressed satisfaction over export performance and expected that this movement would help RMG to reach USD 50billion by 2021 (Latifee, 2016).⁵

Despite facing many difficulties in the garment industry, the RMG industry of Bangladesh managed to carve out a niche for itself in the world market and kept continuing to show robust achievement (Skylink Fashion Ltd., 2015).⁶ The Multi Fibre Arrangement (MFA) quota proves itself as a boon for the RMG industry when it was attempting to strike its root. The RMG industry gradually has been built up and grown as expected. The RMG owners became aware of child laws in 1994, and successfully made the industry free of child labor in 1995 (Rahman & Siddiqui, 2015).⁷ Over the years, the

stakeholders, including governments, manufacturers, foreign buyers, and workers have gradually realized that ensuring worker safety is a shared duty and thereby, necessary measures have taken. They have been working in collaboration to ensure a secure and sustainable RMG industry in Bangladesh. The RMG customers compete with each other to get together and to make the RMG industry safe and sustainable (Textile Industry, 2016).⁸

The RMG industry has brought many positive changes to the lives of millions of people, especially *women* in Bangladesh. These changes have undergone an important transformation with regard to workplace safety and worker rights. In this regard, '*Alliance*' and '*Accord*', the foreign buyers' organizations, started operating in Bangladesh in 2013 to improve factory working conditions and safety for workers. Currently, RMG industry needs to comply with the standards set by '*Accord*' or '*Alliance*' to continue the export of RMG products. Generally, '*Accord*' is primarily responsible for fire and building safety in Bangladesh (*Accord*, 2014); '*Alliance*' for Bangladesh Workers Safety (*Alliance*, 2014).

Although debate exists over whether these buyers-initiated organizations' roles are making positive contribution to RMG industry, it is obvious that they have made visible progress towards ensuring workplace safety. Whenever all RMG factories in Bangladesh complete their 'Corrective Action Plans', worldwide these industries can be regarded as the safest industry (Skylink fashion Ltd., 2015). International Labor Organization (ILO) and International Trade Center (ITC) are implementing training programs on worker-management relations, occupational safety and health (OSH), and labor laws for both management and workers. Many RMG factories in Bangladesh are adopting environment-friendly technologies and practices to develop RMG industry in a sustainable and responsible way. These attempts will help new entrants in RMG industry to operate in a sustainable way. Lately, a number of RMG factories in the Bangladesh achieved 'leadership in energy and environmental design' (LEED) certification. The certificate has met compliance of the US Green Building Council for their green practices (BGMEA, 2015).²

Objectives of the study

The broad objective of the study is to identify RMG marketing barriers and prescribe some measures to overcome them.

More specifically, the objectives of the study are as follows:

- To describe the current scenario of RMG industry in Bangladesh.
- To identify marketing barriers facing our RMG industry.
- To prescribe some recommendations to overcome these barriers.

Research methodology

Type of the research

The research is exploratory in nature as only few studies have been undertaken to identify the marketing barriers in RMG industry in Bangladesh. Rather, most studies have been conducted to identify the general problems of RMG industry in Bangladesh as a whole. Thus, this study will attempt to identify the major marketing barriers facing different stakeholders in RMG industry in Bangladesh.

Sources of data

Although the research is mainly based on primary data, some secondary data collected from journals and publications of BGMEA, 'Accord' and 'Alliance', academic journals, Web sites, etc. have been used. The primary sources of data consist of three types of respondents, including the executives involved RMG product marketing, RMG owners, and supervisors such as managers, assistant managers, etc. responsible for overseeing the RMG products.

Target population

The target population for this study consists of all the RMG factories operating in Bangladesh. According to BGMEA, currently it has 4560 members (BGMEA, 2018).² Of these RMG factories, 40% are knitwear and sweater manufacturers and 60% woven garment manufacturers (BGMEA, 2018).² Most RMG factories are located mainly in the 3 main cities: the capital city—Dhaka, the port city—Chittagong, and the industrial city—Narayanganj.

Sample and sampling technique

A sample of 30 RMG factories has been selected for this study. The underlying logic for small sample size is that while conducting pilot surveys with three categories of respondents, the marketing barriers and their solutions mentioned by them have been much analogous.

Of 30 RMG factories, 26 have been chosen from the capital city, Dhaka and its surrounding areas and 4 from the industrial city, Narayanganj. In both the cases judgmental sampling technique has been used. Since RMG product export market is highly dominated by large-size and medium-size factories, most large-size and medium-size factories have been included in the sample. A total number of 30 marketing executives serving as merchandiser, managers, general manager, etc. have been chosen for the study.

Data collection and analysis methods

For each respondent group one set of semi-structured questionnaire has been used. The questionnaire has been split into different sections of marketing mix components covering the questions relating to marketing barriers and their probable solutions. Mostly open-ended

and few multiple-choice questions have been used in the questionnaire. The researchers have collected data from the respondents conducting in-depth interviews. Only few interviews have been conducted through e-mails. For this research, no rigorous statistical tools have been used. Rather, descriptive methods such as frequency distribution, table, chart, etc. have been used.

Discussions, analyses, and findings

A short sketch of RMG industry in Bangladesh

Currently, Bangladesh is the second largest worldwide exporter of RMG products (Textile Today, 2018).¹⁰ Until 2004, Bangladeshi RMG products could enjoy the quota system by which they could get some preferential treatment in the world market. Although this quota system was regarded as a blessing for the garment industry, it came to an end in 2004. Contrary to the common perception, the withdrawal of quota system could not adversely hit the export of RMG products. In fact, Bangladesh was very strategic and subsequently successful in overcoming the post-quota challenges, making the largest contribution to the economy.

The export of RMG products in Bangladesh has been on the rise along with the continuous rise of total export as can be seen in Figure 1. In Bangladesh RMG sector, more than 4 million laborers were working (BGMEA, 2018).² Figure 2 shows the highest number of RMG factories (5876) in 2012-2013. Because of intense competition in the global market, some small-size and quite a few medium-size RMG factories have been eliminated from the market over the last few years.

Bangladeshi RMG products are classified into two broad categories: woven products and knitted products. Woven products still dominate the export earnings of Bangladesh. Unsurprisingly, RMG sector of Bangladesh has registered its consistently robust performance in the export worldwide. According to Export Promotion Bureau (EPB), the export of Bangladeshi RMG products reached USD 30614.76 million in 2017-18.

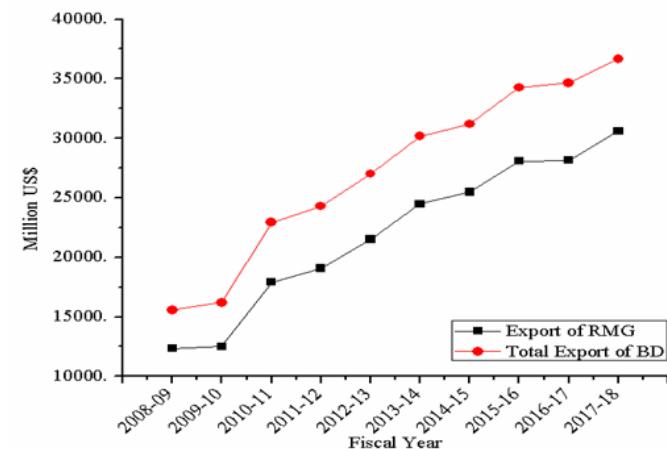


Figure 1 Shows the comparative statement of RMG export and total export of Bangladesh from 2008-09 to 2017-18.

Figure 3 registers a consistently growing trend in the total export and the exports of woven and knit products. As always the growth in 2017-18 is mostly attributed to high demand for RMG products. Figure 3 also shows the knitwear garment export of 15188.51 million dollars and woven garments export of 15426.25 million dollars in 2017-18 (BEPB, 2018).³

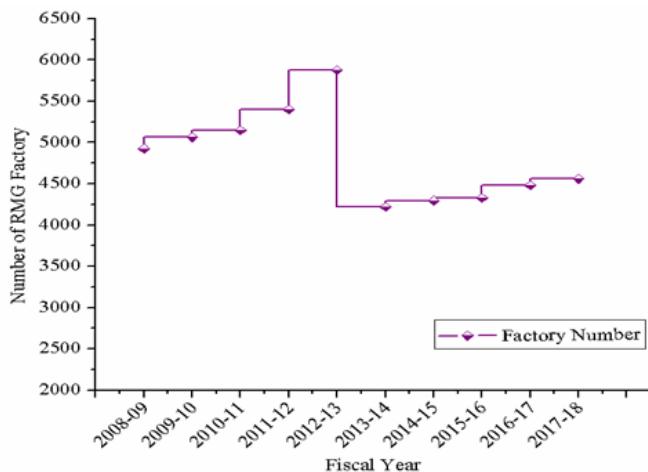


Figure 2 Shows the number of garment factories over one decade from 2008-2009 to 2017-2018.

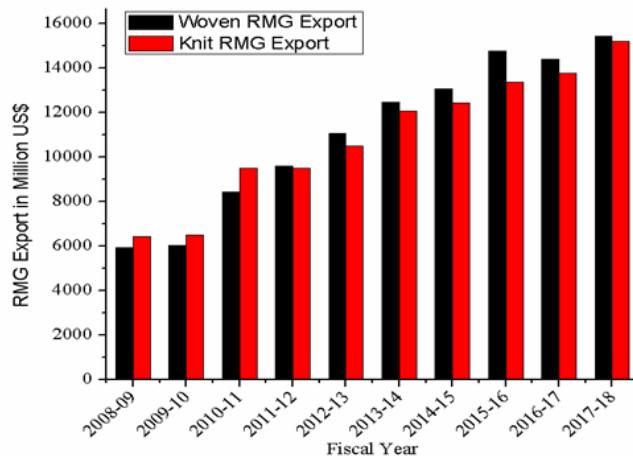


Figure 3 Shows the export volume of woven and knit from 2008-2009 to 2017-2018.

Marketing barriers to RMG industry in Bangladesh

In the study, attempts have been made to identify marketing barriers to RMG industry in Bangladesh. While interviewing the marketers, they have identified a wide range of marketing barriers. Figure 4 shows various marketing barriers such as poor backward linkage, lack of marketer competency, labor and political unrest, non-compliance issue, long lead time, infrastructure problem, culture and language problem, poor port facility, power problem, lack of fashion designer, etc. Of these barriers, poor backward linkage, lack of marketer competency, and labor and political unrest have been mentioned by most marketers. Interestingly, marketers identify 'lack of marketer competency' as a marketing barrier, although they attribute this lack of competency to other marketers. Power problem and lack of fashion designers have also been mentioned as marketing barriers by some of them. The power problem adversely affects the smooth flow of production as well as on-time delivery of RMG products.

The RMG factory owners have termed most of these barriers as common marketing barriers in RMG industry. These marketing barriers have been grouped into four key categories: product, price, promotion, and place as discussed in the following sections.

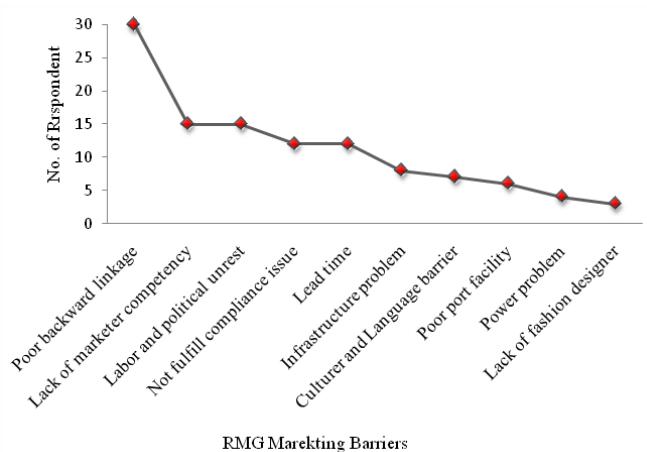


Figure 4 Shows the key marketing barriers to RMG products in Bangladesh.

Product-related marketing barriers

All marketers (100%) have mentioned 'the backward linkage' as number one barrier to marketing of RMG products in Bangladesh. The core raw material of RMG products is yarn which is made of fiber mainly imported from foreign markets. In addition, the special yarn i.e. SIRO, neppy, injected, snow, and color mélange, etc. is not available in Bangladesh. Only a few spinners produce a very small amount of yarn, which is not sufficient to meet the local demand. Thus, marketers have to import fancy yarn from foreign markets. In addition, marketers have to import a special type of accessories such as lace, waterproof and fireproof zipper, metal button, decorative motif, etc. from the foreign market for producing RMG products. The higher prices for these imported items and high lead-time of delivery for these products increase the cost of production of RMG products.

One of the barriers to RMG product marketing is buyers' ever-changing quality parameters. As a result of constantly changing fashion trend, foreign buyers every time demand for better machine or the state-of-the-art technology that is used in production of RMG products. To comply with the requirements for quality and fashion of foreign buyers, marketers have to import them from foreign markets at higher prices. The higher prices for these items cause the costs of production of RMG products to go up. As a result, the producers of RMG products do not enjoy the competitive price advantage.

As mentioned by some marketers that some foreign buyers have found insects in the package of RMG product during inspection. If it happens, all packs of goods need to be rechecked. This results in increasing time wastage and creating poor perception of RMG products. Some marketers have mentioned that during the transport of RMG products cartons are damaged or torn due to their poor quality, creating some other problems.

Whenever marketers receive purchase orders of product varieties and designs from foreign buyers, they face some unique problems relating to production, quality, backward linkage, and price as shown in Figure 5. To meet buyers' requirements of product varieties and designs, 100% respondents face problems in production, followed by 75% in quality, 25% in backward linkage, and 25% in price.

Most of the marketers and RMG factory owners mention that political and labor unrest tremendously damages the image of the country affecting the export of RMG products. Political instability

directly destabilizes the sourcing activities and is a major cause of the revoke of “General System of Preferences” (GSP). Moreover, terrorist activities, shortage of power, gas and electricity, and political unrest such as blockade, road strike, *hartal*, etc. severely affect the shipment of RMG products on time. Consequently, the problems of operation, overhead expenses, etc. escalate.

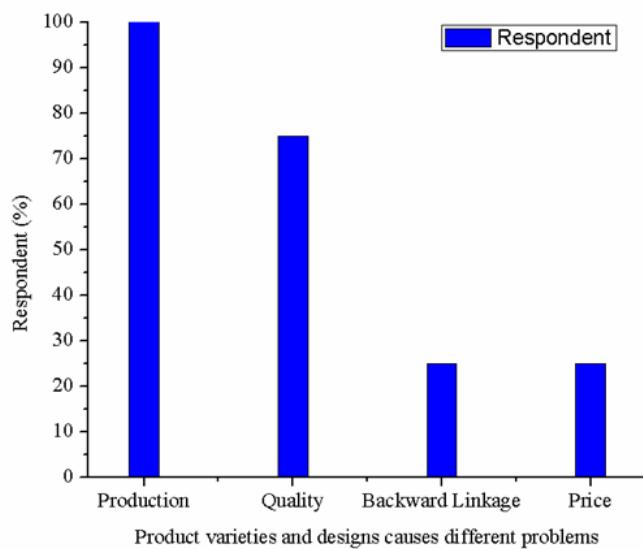


Figure 5 Shows marketing problems relating to product varieties and designs.

Price-related marketing barriers

The price determination process of RMG products is relatively complicated. To quote the price for RMG products to foreign buyers, the marketers have to undergo a number of steps. These include the determination of the consumption of raw materials, including customer-specific fabrics. Usually, fabric consumption is determined by using Computer Aided Design software or manually. Then they have to determine manufacturing cost of RMG products. Once the unit price for product is determined, it is forwarded to the foreign buyers. Through negotiation the final unit price of RMG products is determined. RMG products are sold to foreign buyers using the letter of credit (L/C) instrument. The marketer's advising bank receives L/C from the buyer's issuing bank. After shipping the goods, the exporter receives payment acceptance from the buyer. Sometimes the buyer delays to give payment acceptance to the exporter.

During the determination of unit price for RMG products, the fluctuation of prices for raw materials mostly imported from India and China creates problems for marketers. Usually, the relatively low cost of production of RMG products enables marketers to set price for RMG products competitive. However, high lead-time in product delivery puts most marketers in disadvantageous position, incurring substantial loss for the business.

Countries like India, Vietnam, Cambodia, Sri-Lanka, Pakistan, Turkey, etc. are emerging in the world market with RMG products. Thus, the global market for RMG products has become more competitive than ever. It is expected that in the near future, Bangladesh will face cut-throat competition with these emerging countries. Even right now, a large number of small and medium sized RMG factories are fighting for their survival. In the study, China and India have been mentioned as competitors by 100% marketers, Vietnam by 84%, and Cambodia by 64% (Figure 6).

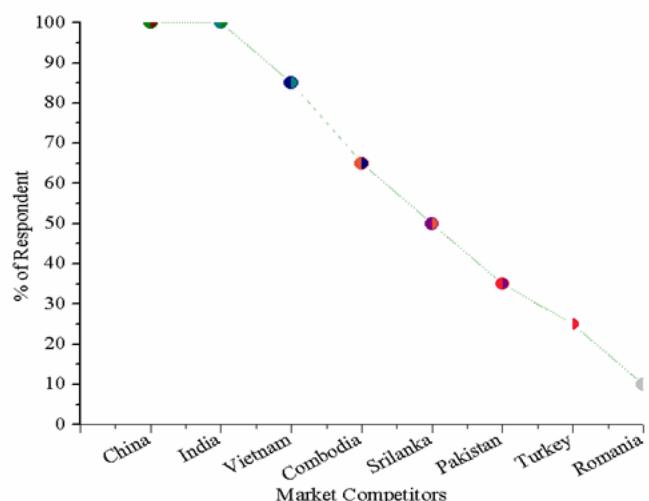


Figure 6 Shows the responses of marketers with regard to their competitors.

Although low labor cost is a prime cause for low cost of production, Bangladeshi RMG products cannot enjoy competitive price advantage for a number of reasons. These include high cost of raw materials, weaker backward linkage, unskilled labor force, high lead-time of delivery, withdrawal of GSP facility, interruption of power supply, lack of better technology, machine and equipment, poor infrastructure, complex banking procedures, etc. Most competitors do not face the problem of political unrest causing long lead-time in delivery.

The giant competitor China enjoys competitive advantage due to a strong backward linkage and modern technology, India adequate supply of raw materials, including cotton and finished fabric and GSP facility in the USA market, Vietnam and Cambodia better technology and raw material import facility using the port, Sri-Lanka better technology and machinery, skilled manpower, and GSP, and Turkey strong technology and product development knowledge.

Promotion-related marketing barriers

Competitive price for RMG products is the main attraction to foreign buyers. Generally, to attract foreign buyers, marketers and owners also resort to different techniques, including fashion show, tradeshow, design studio, and the factory outlet, etc. But Bangladeshi marketers and RMG factory owners hardly apply those techniques. Some marketers have expressed the need for conducting promotional activities in domestic and foreign markets to attract foreign buyers. Some owners have described that promotional activities taken by marketers are not sufficient, nor are they of global standard.

Place (distribution) -related marketing barriers

Some marketers have expressed their dissatisfaction over the commission the local agents or buying houses receive on export price. Due to excessive commission charged by the buying houses, the marketers cannot get the right price. According to marketers, the important problems relating to channel of distribution include lack of logistic supports to flow goods from the factory to the port, complexity in forwarding goods to the port of customers, high dependence on road transport, and bad conditions of roads and highways that increase lead-time in delivery. Only a few have mentioned that airport and seaport are still not supportive of forwarding RMG products to foreign buyers. Some have mentioned that it is time consuming to transfer semi-finished goods from one manufacturing plant to another.

Other marketing barriers

Compliance has become a critical issue to many RMG factories in Bangladesh. Some foreign buyers demand that RMG factories collect certification on compliance issue from "Accord", "Alliance", and "Aukotex" before they export their RMG products. Meeting compliance with any of the three buyer organizations incurs additional cost for Bangladeshi RMG products. Other competing countries like China, India, Vietnam, Cambodia, Sri-Lanka, etc. do not need to meet compliance issue, thus incurring no additional cost. Some marketers have complained that some foreign buyers resort to corrupt practices because they buy RMG products from non-compliant factories only for low price reason. This creates an uneven and unhealthy competition between compliant and non-compliant RMG factories.

Some other barriers stated by some marketers include lack of incentive package to encourage the export of RMG products and lack of private/public initiatives to help marketers achieve technical and negotiation skills, and the existence of non-tariff barriers like product testing standard.

Recommendations

The following section contains some insightful recommendations to overcome the marketing barriers facing RMG industry.

Owners should construct RMG factories compliant with the laws for fire, building, electrical and OSH for the employees as well as ensure audit certification by BSCI, *Accord*, Aukotex, *Alliance*, etc., and renew it from time to time. In addition, they should increase investments in diligent planning and proper project management to keep production environment calm, hire qualified fashion designers and marketers, train them on a regular basis, and maintain long-term, cogent relationships with foreign buyers by ensuring customer-specific requirements including quality issue. To keep pace with ever-changing technology, workforce should be trained on a regular basis. Large RMG factory owners can establish their in-house training unit and take initiatives to establish composite textile industry. Although Bangladesh currently exports RMG products to EU, USA, and few Asian countries, it can explore untapped potential markets in the Middle East, Africa, and Latin America.

Bangladesh government can bring the RMG industry to a new height by ensuring uninterrupted supply of gas and/or solar energy, capital and introducing cutting edge machinery and technologies, etc. An alternative source of renewable energy can also be considered to overcome this problem. The government can also set export target for RMG owners and provide them with necessary logistic support. Government may consider improving mode of transport to bring efficient, terminal facility at seaport and diplomatic relations with RMG products importing countries, and improving its monitoring and surveillance to compliance issues.

Marketers should participate in training programs designed to overcome marketing, technical, and language barriers and enable them to better deal with foreign customers. To sustain the relationship, marketers can also make them aware of the factory production capabilities, future capacity forecast, and future capacity expansion plan on a regular basis. In addition, marketers should hold minimum order to balance with minimum order quantity and ensure compliance with *Accord*, *Alliance*, and Business Social Compliance Initiative (BSCI). Lean workshop or certification program and planning system can also be introduced to improve management skills as well as production planning and continuous productivity monitoring system.

Establishing a strong backward linkage needs to set up factories for producing sufficient quantity of better quality raw materials for RMG products. It is also needed to introduce the state-of-the-art technology and equipment, and inculcate proper management for operations to ensure customer-specific product quality, reduce delivery lead-time, and cost of production. In addition, regular research on product design and new product development should be conducted to introduce innovative and unique products that will give edge over competitors.

Government should decrease the tariffs on imported raw materials to reduce price. In determining manufacturing cost of RMG products, marketers should be aware of competitors' standard manufacturing cost in the global market. In addition, special steps should be taken to keep the costs for imported raw materials relatively low to keep the final price low for RMG products. Usually, for fashion products, these raw materials are imported from foreign markets.

Modifying the RMG products to keep pace with the global fashion trend is a better strategy to promote them in foreign markets. Most of the marketers have recommended for the arrangement of fashion show and trade show in local market and foreign market to attract foreign buyers. Figure 7 shows the promotional strategies where fashions how has been recommended by 60%, trade show by 50%, and visual merchandising by 40%. Some respondents have also mentioned to use factory outlet, discount offer, and package offers as promotion strategies.

The RMG production facilities such as fabric cutting, embroidery, printing, sewing, and finishing should be brought within the same boundary. Developing logistics support for transporting finished goods as well as improving internal communication system is highly required to make the distribution system efficient. Lean tools can also be applied for this purpose. If possible, developing alternative transport systems like railway transportation from Dhaka (capital city) to Chittagong (port city) can also be considered.

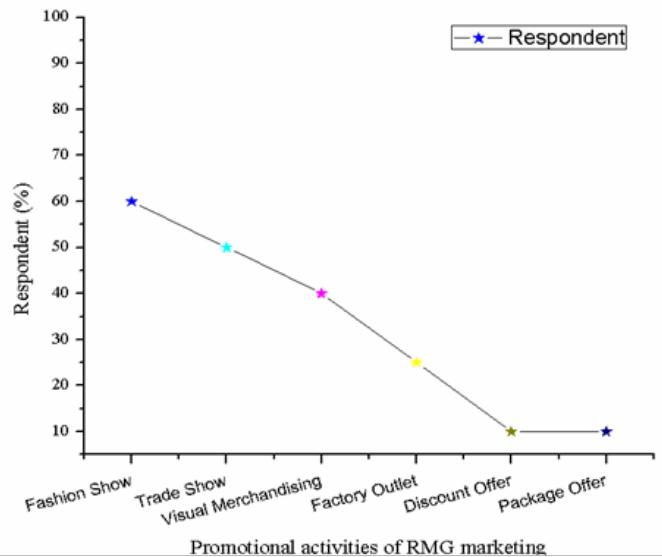


Figure 7 Shows effective promotional activities of RMG marketing in Bangladesh.

Conclusion

Although RMG industry is a number one sector in Bangladesh contributing around 83.49% to the total export earning of Bangladesh,

it faces a wide spectrum of diverse marketing barriers including poor backward linkage, political unrest, lack of uninterrupted power supply, compliance issues, lack of marketer competency, enormous lead-time, inadequate and insufficient infrastructural facilities, etc. Taking proper measures will help reduce these marketing barriers and expedite the export of RMG products. To overcome these barriers, it is necessary to take concerted efforts by the government, owners of RMG factories, and marketers immediately. If these barriers are eliminated or at least reduced, the export earnings from RMG sector will grow up faster and foster the economic growth of Bangladesh.

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Conflicts of interests

Authors declare that there is no conflict of interest.

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