

Contemporary Analysis and Progression of Fashion Industry: The Instance of Bangladesh History

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Abstract

The study expresses fast fashion globally whereas Bangladesh consume more than 80 billion pieces of clothing each year, many of them hyper-trendy, low-cost items that move from runway to sale rack at breakneck speed. Fashion is a trillion-dollar-a-year industry that increasingly relies on rock-bottom retail prices. The amount of made-in-Bangladesh clothing worn by abroad has plummeted over the past 35 years. The study also scrutinizes about clothing companies which are now outsource much of their manufacturing to factories in developing countries to keep prices low and trend-turnover high. Starting from scratch, Bangladesh has come a long way and is now one of 10 new emerging countries in the world based on Fashion Progression. The macroeconomic stability, 6% annual average GDP growth, robust performance of remittance and export, strong foreign currency reserve, and remarkable social and human development over the past decade – all reflect our underlying strengths. Given the dominance of the RMG industry in the overall economy of Bangladesh, have to protect this sector. Rather than basking in the glory, should work hand in hand to retain sustainable growth and competitive edge of this Fashion Industry.

Keywords: Fashion Industry, Fashion, RMG, Historical Progression, Export Fashion, Market and so on

1. Introduction:

The readymade garments industry acts as the backbone of our economy and as a catalyst for the development of our country. We take pride in the sector that has been fetching billions of dollars as export earnings and creating jobs for millions of people in the country. The “Made in Bangladesh” tag has also brought glory for Bangladesh, making it a prestigious brand across the globe. Bangladesh, which was once termed by cynics a “bottomless basket”, has now become a “basket full of wonders.” The country with its limited resources has been maintaining 6% annual average GDP growth rate and has brought about remarkable social and human development. Now we envision Bangladesh achieving the middle-income country status by 2021. We firmly believe that our dream will come true within the stipulated time and the RMG industry will certainly play a crucial role in materializing the dream. The readymade garment (RMG) sector accounts for 81% of total export earnings of the country. When our lone export earner – the jute industry – started losing its golden days, it is the RMG sector that replaced it, and then, to overtake it.

2. Critical Literature Review

Bangladesh’s garment exports increased from USD 6.8 billion in 2005 to USD 19.9 billion in 2012, recording a compounded annual growth rate (CAGR) of 16.6 percent. The remarkable success of readymade garment exports from Bangladesh over the last 15 years has, despite varied domestic and global challenges, not only surpassed the most optimistic forecast, it has also made us confident to think of big gains in the future. Today apparel export stands at USD 24 billion and it seems this labour-intensive industry is set to exceed the USD 50 billion mark within the next 7 years.

The overall impact of readymade garment exports is certainly one of the most significant social and economic developments in contemporary Bangladesh. With over five million workers (60 percent women) employed in semi-skilled and skilled jobs in producing garments for exports, the development of the apparel export industry has had far-reaching implications for the society and economy. Besides, enriching the country's economy it has played a very important role in alleviating unemployment. At present there are more than two thousand one hundred garment factories in the country employing more than 12 lac labours. 85 percent of the labor force is women. With 5,000 factories employing about 3.6 million workers (of a total workforce of 74 million), Bangladesh is clearly ahead of other Southeast Asian suppliers in terms of capacity of the ready-made-garment industry. It also offers satisfactory levels of quality, especially in value and entry-level midmarket products.

3. Historical Progression

Ready-made garments manufactured in Bangladesh are divided mainly into two broad categories: woven and knit products. Shirts, T-shirts and trousers are the main woven products and undergarments, socks, stockings, T-shirts, sweaters and other casual and soft garments are the main knit products. Woven garment products still dominate the garment export earnings of the country. The share of knit garment products has been increasing

since the early 1990s; such products currently account for more than 40 per cent of the country’s total RMG export earnings (BGMEA website). Although various types of garments are manufactured in the country, only a few categories, such as shirts, T-shirts, trousers, jackets and sweaters, constitute the major production-share (BGMEA website; and Nath, 2001). Economies of scale for large-scale production and export-quota holdings in the corresponding categories are the principal reasons for such a narrow product concentration. The economy of Bangladesh is largely dependent on agriculture. However the Ready Made Garments (RMG) sector has emerged as the biggest earner of foreign currency. In 1972, the World Bank approximated the gross domestic product (GDP) of Bangladesh at USD 6.29 billion, in 2014, the GDP stood at USD 173.82 billion, growing by almost 27 times (Latifee, E. H., 2016) in a matter of four decades. Bangladesh's exports industry alone comprised USD 31.2 billion in FY 2014-15, 81.69% of which was made up by ready-made garments. On its own, the knitwear sector encompasses 39.83% of total exports—a staggering USD 12.43 billion. The RMG sector has experienced an exponential growth since the 1980s.[1] The sector contributes significantly to the GDP. It also provides employment to around 4.2 million Bangladeshis, mainly women from low income families.

4. Growth of Fashion Industry

The growth and development of the RMG industry in Bangladesh was the result of an international “managed trade” regime in the apparel. Thanks to the quota restrictions, many companies were obliged to relocate their sourcing and production facilities in the low cost under-developed developing countries. The operation of MFA quotas in the process led to exporting opportunities in countries where textile and clothing were not traditional export items. Many international business firms, facing binding quota restrictions in their own countries, had relocated part of their production and trade to other relatively poor developing countries including Bangladesh. The quota system ensured the time to develop and learn the skills required in the production and marketing. Thus the RMG business started in Bangladesh as a result of a joint-venture between a South Korean and Bangladeshi firm in the late 70s as a negligible nontraditional sector with a narrow export base. Within five years of the start, it emerged as a promising export earning sector in the ‘90s. Over the past two decades, RMG export earnings have increased by more than 8 times with an exceptional growth rate of 16.5 percent per annum. In 2006, earnings reached 8.93352 billion USD, which was only less than a billion USD in 1991. Excepting 2002, the industry registered significant positive growth throughout this period

5. MFA Agreement

Since the early days, different sources of impetus have contributed to the development and maturity of the industry at various stages. We learned about child-labor in 1994, and successfully made the industry free from child labor in 1995. The MFA-quota was a blessing to our industry to take root, gradually develop and mature. While the quota was approaching to an end in 2004, it was predicted by many that the phase-out would incur a massive upset in our export. However, the post-MFA era is another story of success. Proving all the predictions wrong, we conquered the post-MFA challenges. Now the apparel industry is Bangladesh’s biggest export earner with value of over \$24.49bn of exports in the last financial year (from July 2013 to June 2014).

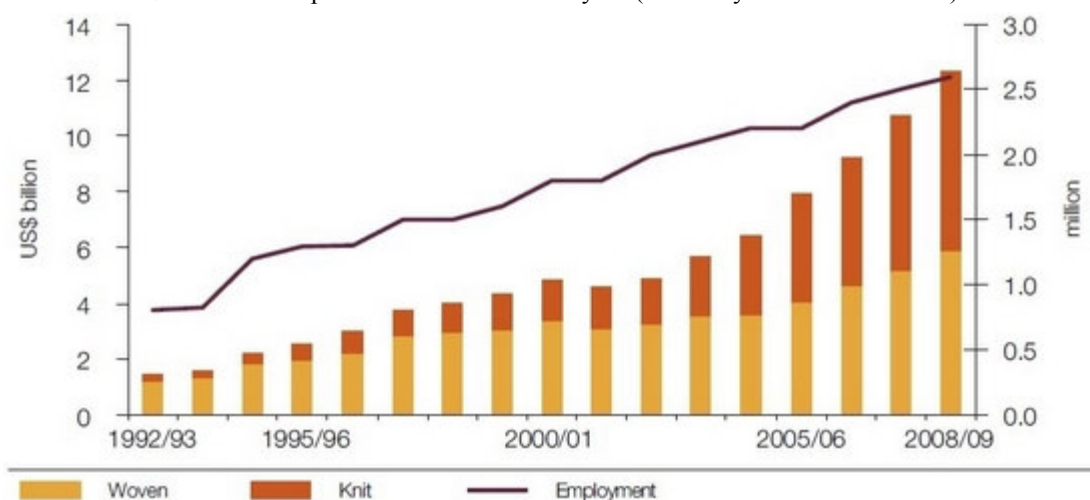


Diagram of Garment Export from Bangladesh

6. Importance of RMG sector to Bangladesh Economy

The RMG is the largest single economic sector in Bangladesh which contributes to 76% of national exports and 90% of manufacturing goods exports. In terms of GDP, RMG’s contribution is highly remarkable; it reaches 13

percent of GDP which was only about 3 percent in 1991. It also plays a pivotal role to promote the development of other key sectors of the economy like banking, insurance, shipping, hotel, tourism, road transportation, railway container services, etc.

The industry employs more than two million people, or about 40 percent of manufacturing sector employment, 90 percent of whom are women (Rhee 1990; Toai 2004) which eventually helps the country's social development, woman empowerment and poverty alleviation. The industry supports indirectly about 10–15 million people. Over the past 20 years, the number of manufacturing units has grown from 180 to over 4400, 95 percent of which are locally owned.

7. Prospect in Bangladesh

As China loses its competitiveness further, Bangladesh will emerge as the next RMG hot spot. With Bangladesh having developed a strong position among European and US buyers, many companies are already eager to evaluate the future potential. However, the lure of competitive prices, available capacities, and supplier capabilities offered are being cautiously weighed against a prevailing concern for political stability, infrastructure constraints and compliance standards. This can in turn lead to significant development and production of textile and ancillary support industries. Given the track record along with the CAGR growth rate of 14 percent, Bangladesh has the potential to far exceed the target of USD 50 billion by 2021. Though somewhat puzzling, Bangladesh's growth potential has been recognized by many reputed analysts across the globe. Goldman Sachs includes Bangladesh in the "Next 11" emerging countries to watch for along with the BRIC countries (Brazil, Russia, India, and China) and JP Morgan lists Bangladesh among its "Frontier Five" emerging economies worth investing in. The recently published case study by McKinsey & Company, "Bangladesh's ready-made garments landscape: The challenge of growth," eloquently sums up Bangladesh's RMG growth formula which builds on the country's strong starting position and the increasing demand of international buyers. This report provides an overview of the rapid growth seen in Bangladesh's RMG industry and then describes the main hurdles that exist for buyers when it comes to sourcing in Bangladesh.

STATUS OF RMG MANUFACTURING FACILITIES				
as of July 2014				
	*NTPA	ACCORD	ALLIANCE	TOTAL
Total factories	1,500	1,400	608	3508
Inspection completed for factories	282	834	604	1,720
Referred to review panel	1	23	14	38
Partially closed	0	3	2	5
Closed	2	12	3	17
Decision pending	0	1	0	1
Allowed operation	0	6	9	15

SOURCE: TECHNICAL PROGRESS REPORT ON SUSTAINABILITY COMPACT-JULY 8, 2014, EU
 *NATIONAL TRIPARTITE PLAN OF ACTION

- ❖ To highlight a few extracts from the case study and recommendations, the following are worth pondering over Volatility of raw materials prices has spurred a decline in gross margins and created a general environment of insecurity among buyers.
- ❖ Costs in China and other key sourcing markets have increased significantly. This is leading buyers to question their current sourcing strategies, resulting in expansion of global direct sourcing and footprint revisions being the current key strategic focus areas.
- ❖ Although the European and US apparel markets have regained much of their sales following the slump brought on by the most recent global financial downturn, market saturation, consumer price sensitivity, and ongoing economic insecurity continue to put pressure on top-line results.
- ❖ While European and US buyers dominated by brand players will continue to govern the emergence of regional markets, players will emerge as a force to reckon with and will provide a level playing field traditional exporter.
- ❖ Bangladesh will benefit in the battle for capacities that is on the horizon. Hitherto, Bangladeshi exporters have focused on growth based on their two most important advantages - price and capacity.
- ❖ They remained content being providers of satisfactory quality levels especially in value and entry level mid-market products. Overall though, they still lag in acceptable speed to market, compliance standards and a professional management pool.

Availability of large pool of cheap labour and entrepreneurial spirits of Bangladeshi businessmen are two main components of providing large capacity and price competitive offerings to international sourcing market. Of late, buyers have shown increasing discomfort regarding Bangladesh's labour relationships and have threatened to shift to competing sourcing markets. However, Bangladesh is a very homogenous society and as

such, ethnic tensions within the labour force are un-heard off, whereas, most of our competitors' labour force is made of multi-cultural segments and fraught with ethnic tensions. This is a major challenge and is the source of labour tensions and production disruptions. As we all know the future is all about the knowledge economy and despite the highly labour intensive nature of garments industry the desired efficiencies can't be achieved without a large pool of professional management staff. As a matter of fact, our skilled and semi-skilled workers have achieved a great degree of productivity and efficiency compared to what the management staffs were expected to achieve. For a long time, the entrepreneurs have accepted untold pains and financial losses but they have miserably failed to develop a long- term solution. For instance, a quick fix was to hire expatriates to do the job. Unfortunately the quick fix has turned out to be a major drain to earning retention for the nation. It is estimated that the industry remits USD 4 billion a year to expatriates out of a total export earnings of USD 30 billion while the promoters retain a total of USD 1.5 billion. While it's a big disadvantage to exporter profitability, in my opinion, it is also a low hanging fruit as we do produce a large number of business and engineering graduates. All that we need to do is create an enabling environment for them to be trained, motivated and grow to be an inspirational leadership within the industry. Compensation is generally the least of our problems as demonstrated by the quantum of expat payment that the industry makes each year

8. Challenges in Thought

Despite the epic growth of our RMG industry, and its bright prospects, challenges are still there. Bangladesh has its own challenges to overcome. Impediments to investment include unreliable power supply, high real interest rates, corruption, and weaknesses in law and order. First, inefficient infrastructure, including transportation and energy supply, is the single largest bottleneck hampering our garments industry. This issue will become even more important in the future, since buyers want to source more fashionable products with shorter lead times. The government needs to priorities improvement in this area and start to upgrade power systems. Fortunately, a number of steps have been taken in this regard. Second, although labour and social-compliance standards have improved over the past few years, suppliers vary greatly in their degree of compliance. Environmental compliance is just beginning to get attention. Third, the suppliers' productivity must improve not only to mitigate the impact of rising wages but also to close gaps with other sourcing countries, such as India and Cambodia, by satisfying new customer needs for more sophisticated products. Lack of investment in new machinery and technologies and the insufficient size of the skilled workforce, particularly in middle management, is also hampering growth in this industry. Fourth, access to raw material is crucial for clothing exporters. Lack of backward linkages and Bangladesh's dependence on imports create sourcing risks and lengthen lead times. Compounding the problem is the volatility of raw-material prices in recent years. The development of a local sector could improve lead times. Fifth, political stability is a prerequisite for attracting foreign investors. Political unrest, strikes, and the absence of ease of doing business are major concerns of foreign investors.

9. Sorts of Evidences

Bangladesh faces many hurdles in growing its garments industry. Unfortunately, many of them are peculiar to global standards. On the other hand, it has evolved to be extremely resilient to peculiarities such as long-term political violence, shutdown of transport network and businesses creating havoc in the entire supply chain. There were uncertainties after the tragic Rana Plaza disaster. No one knew how the international buyers would respond. Gloomy predictions of large scale exodus of orders to alternative sourcing markets were made by many pundits and industry players. Bangladesh's poor workplace safety was the only news coming out of Bangladesh. Bangladeshi garment exporters were facing uncertain times. After the obvious dip in export post-Rana Plaza, the export rebounded to its normal growth trajectory. The Bangladesh Garment Buying House Association has reported that orders from "compliant" factories are rising by 15-20 percent. The US Fashion Industry Association has just released a survey of brands and retailers detailing that 76.9 percent of those surveyed currently source from Bangladesh, with 60 percent anticipating that they will "somewhat increase" from Bangladesh in the "next two years." It's another proof of how resilient the industry has turned out to be. Another noteworthy development has been the positive attitude of factory owners in cooperating with various government agencies, international organisations and buyer-led initiatives to provide better oversight, governance and compliance on workplace safety and labour matters. Between the Accord on Fire and Building Safety in Bangladesh, the Alliance for Bangladesh Worker Safety and the EU-ILO-Bangladesh Global Sustainability Compact, there is now significant focus on factory safety conditions, including structural integrity and fire safety protections than ever before in the past. It seems Bangladesh is set to make the best of a bad situation.

10. Future Panorama in Fashion Industry of Bangladesh

With challenges on one side, a more glittering future is waiting for the ready-made garment industry of Bangladesh on the other side; at least facts and figures have made us believe so. A recent study jointly conducted

by the United States Fashion Industry Association (USFIA) and the University of Rhode Island (URI) has made us more optimistic about the potentials of our RMG industry. According to the study, the US-based fashion companies are expected to boost their sourcing from Bangladesh in the next two years. McKinsey, a global management consulting firm, described Bangladesh as the next hot spot in apparel sourcing. The renowned firm forecasts export-value growth of 7-9% annually and our apparel export will double by 2015 and nearly triple by 2020 provided that we can successfully overcome a few challenges including developing infrastructure and skill workforce. The RMG sector is expected to grow despite the global financial crisis of 2009.[9] As China is finding it challenging to make textile and foot wear items at cheap price, due to rising labor costs, many foreign investors, are coming to Bangladesh to take advantage of the low labor cost. Local accessories are being made including zippers, buttons, labels, hooks, hangers, elastic bands, thread, backboards, butterfly pins, clips, collar stays, collarbones and cartons. The accessory market is dominated by multinational companies operating in Bangladesh, because in the majority of cases, garment buyers prefer accessories from them over the locally available items.

11. End-Notes

It is the responsibility of all of us to protect the interest of this industry which has given our economy a strong footing, created jobs for millions of people, especially for women, lifted them from the abyss of chronic poverty and given them a dignified life. Now what we need to do is deal with all the challenges facing our garment industry, paving the way for its further development. Given the dominance of the RMG industry in the overall economy of Bangladesh, we have to protect this sector. Rather than basking in the glory we should work hand in hand to retain sustainable growth and competitive edge of this industry. Bangladesh has been able to maintain its current growth momentum, driven by rapid export expansion, in spite of MFA phase out and other shocks. It's very clear that the predicted decline of RMG industry in Bangladesh did not take place and instead, The RMG industry has improved competitiveness and raised exports value. Though the completely phasing out of safeguards against the Chinese products at the end of 2008 and the accelerated competition are yet to come. If The recent data of the beginning of 2008 and quota-free-safeguards-less Canadian market are any example of market trends in 2009 and beyond, then Bangladesh can expect to become the second largest net garments exporter in apparel. In order to reach to that point, It requires also continuous development of the sector and allied industries and fair access as a LDC country products to the USA market.

12. Recommendations

Move from transactional relationships with buyers to more strategic partnership. RMG manufacturers increasingly will be required to take on more activities of the supply chain.

Development and production of textiles and apparel, combined with intelligent logistic and service concepts will be the key to global leadership. It can reverse the current commoditization trends by offering high value solutions to buyers. A radical move towards rapid customized manufacturing is one of the most demand-volatile sectors through flexibility and integration of cost effective and sustainable processes from fabric processing through to customer delivery. The customer ultimately is only interested in total solution. Overall integration and organization of all individual processes and technologies are into a highly efficient and flexible manufacturing shop floor. Working conditions and benefits must improve as the industry matures. In the long-run, this would be the best defense against unionized labour unrest. Investment in worker training, motivational tools and in improved work place conditions and bonus schemes would increasingly be the tools used for enhance productivity. Although BGMEA along with the government and other international organizations has taken the initiatives of developing skills of workers, yet more initiatives as such are required to meet the demand of the industry and enhance the productivity of the industry. The budget allocation of the government for the skill development also needs to be increased. BGMEA University of Fashion and Technology (BUFT) is offering graduate and post-graduate degrees to students on fashion design, knitwear technology and apparel merchandising related subjects. Nonetheless, to meet the current shortfall of competent professionals in the mid-level of our garment factories, fashion, textile and industrial merchandising related departments need to be established at all of our major public and private universities.

Bangladesh mainly produces five products – T-shirts, sweaters, trousers, men's and women's shirts. Moreover, we are dependent mainly on two markets namely the EU and North America (the US and Canada). Though we reduced our dependency on these two markets from 93% to 85% in last five years (From fiscal 2009-10 to 2013-14), we need to diversify the destinations of our apparel export and concentrate on high-end products like suits, lingerie, etc more for the sustained growth of our apparel industry. Inadequate infrastructure, bureaucratic inefficiency and corruption are still the major problematic factors in industrialization and for growth of an industry. These are also increasing entrepreneurs' cost of doing business. We are also losing price and delivery competitiveness to our business competitor. The last but not the least, political stability of the country is the key to steady growth of the industry.

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