

Global Marketing of Readymade Garment Products from Bangladesh: Market Prospect and Challenges

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Abstract: This paper examines the global export market and its prospect and challenges for Bangladesh readymade garment products. The shift share method is used to identify the potential export market by selected seven major categories of readymade garment products on the basis of three-digit level Standard International Trade Classification (SITC) for the period of 1987-93 and 1994-2000. The results of shift-share analysis indicate that the USA, Canada and European Union (EU) countries mainly offered the market opportunities for the export of garment products of Bangladesh. Asian countries have very negligible role in this respect. The challenges faced by the sector include: tough competition from other competitive countries such as India, Thailand, China and Vietnam, to slow progress of its high-technology adoption and slow inflow of foreign investment. Finally, in 2005, the MFA quota would be phased out.

Key Words: Bangladesh, Global Marketing, Readymade Garment, Shift-Share Analysis

Introduction

The world garments market is a global and competitive market at present moment. Export marketing is an integrated effort to discover the overseas markets. Competition in export market means contending against the strength of the other and in the export market economics competition continues and sometimes is nefarious. Export marketing decision should be based on thorough knowledge of products, and their current and future prospects, understanding of various countries and finally numerous prospects of the customers.

It is widely believed that Bangladesh's apparel sector is at the crossroads. After two decades of phenomenal growth, the sector is destined to make a transition over the next few years in the face of the total phase-out of quota in 2005 under the World Trade Organisation (WTO) Agreements on Textile and Clothing. The tremendous success of ReadyMade Garment (RMG) export from Bangladesh over the last two decades has surpassed the most optimistic expectations. The impact of the garment industry in Bangladesh exceeds its considerable economic and financial success. The overall impact of the readymade garment industry is one of the most significant social and economic developments in contemporary Bangladesh. A well geographically diversified export helps country to reduce dependence on single market (BGMEA, 1995-1999).

Despite these impressive achievement and the anticipated challenges at overseas markets in the near future, if properly managed, the prospect for the future expansion and growth for this sector remain bright. In view of its impressive prospect to highly competitive global markets this study intends to examine the potential export markets and challenges of Bangladeshi readymade garment products.

Shift-Share analysis has received limited application in marketing. This method basically analysis three major elements of product portfolio analysis, namely product/market growth, percentage growth and net shift. Green and Allaway (1985) first used the shift-share technique to identify export opportunities. They illustrated how the analysis could be used to identify a feasibility set of high technology manufactured

products with high export potential and to identify opportunity for a given set of product categories. Green and Couture (1986) explained the changes that occurred in Singapore/US trade between 1981 and 1984, by applying the shift-share technique. Wee and Wong (1987) discussed how the shift-share analysis used in regional economics and be applied in marketing. They described how the method could be used to identify the best product market alternative, the best market for a given product and the best product for a given market. As an illustration of its application, the shift-share analysis was used to identify export opportunities to the People's Republic of China. Another study carried out by Wee and Wong (1987) employed the shift-share analysis to identify export opportunities for Singaporean firms in two dimensions. Green and Larsen (1991) used the shift-share analysis to examine the trade changes between countries. They examined the changes that occurred in the composition and direction of U.S. trade between 1985 and 1989 with the help of shift-share analysis. Ahmed *et al.*, (1992) used the shift-share method to identify export opportunities for New Zealand. Ahmed and Mak (1995) identified export opportunities for Malaysia using the shift-share techniques. Khalifa (1996) sought to identify the growth of Malaysian export market over the period 1991 to 1993. She suggested highest potential markets were identified on the basis of large positive and negative net shift. Peh Kian-heng (1999) employed the Shift-Share methodology to examine the trends in Singapore's export market growth over 1991-1996. The analysis showed that Malaysia recorded the highest positive net shifts for Singapore's exports, followed by Hong Kong and China, while the U.S., Germany and Thailand had, in that order, the largest negative net shifts.

Methodology

Shift-share technique is a method, which measures the growth of individual markets relative to all members of a chosen group. The shift-share method is used as a technique for identifying export opportunities (e.g. Ahmed and Mark, 1995, Khalifa 1996, and Peh Kian-Heng 1999).

This method requires measurements on a variable of interest at the initial and terminal period of analysis. An expected growth figure is calculated based on the average growth of all markets studied. Each market's expected growth is then compared with its actual growth. The difference in the net shift will be positive for markets that gain share over the period and negative for markets, which lose share. The magnitude of the gain or loss represents the difference between that market's actual performance and the performance it would have had if its growth rate had been equal to the average growth of the entire market.

The statistical technique employed in this study to analyse the data is called shift-share analysis. This technique analyses changes in trade over the time period on the basis of the export changes that occurs in the market share. Computation steps are as follows:

Actual Change: The actual change for each market is calculated to identify the absolute growth value. The actual change of the growth variable in a given market is simply the difference in values from one time period to another. Let $V_{j,t}$ represent the values of the export for market j at the end of the terminal time period t , and ΔV_j be the actual change in market j over the specified period of time. Therefore

$$\Delta V_j = V_{j,t} - V_{j,t-1}$$

It is clear from this equation that the following relationships exist. If $\Delta V_j < 0$ the j^{th} market experienced a decline; if $\Delta V_j = 0$ the j^{th} the market remained unchanged; and if $\Delta V_j > 0$ the j^{th} the market experienced an increase. It should be noted that $\Delta V_j > 0$ implies only that the market j increased in value. This relationship does not show the growth of this market relative to the other markets.

Total Growth Rate: The total value of growth variable for all markets at the end of the initial time period is equal to the sum of the values for each of the individual markets, that is $\sum V_{j,t-1}$. Similarly, the total value of the growth variable for all markets at the end of the terminal time period is $\sum V_{j,t}$. The growth rate for all markets, k is equal to the ratio of the total value in the terminal time period to the corresponding value in the initial time period.

$$k = \frac{\sum_{j=1}^m V_{j,t}}{\sum_{j=1}^m V_{j,t-1}}$$

where, k is the growth rate for all markets; $V_{j,t}$ is the value for each market j for the terminal time period t ; $V_{j,t-1}$ is a value for each market j for the initial time period $t-1$; j is $1, 2, \dots, m$.

Expected Value: If a given market has grown at the rate achieved for all markets, the expected value of the growth variable at the end of the terminal time period, $E(V_{j,t})$, is the product of the actual value of this market at the end of the initial time period and the rate of change for all markets. To get this, we multiplied the value between the initial time period ($V_{j,t-1}$) and the growth rate for all market (k). That is;

$$E(V_{j,t}) = K(V_{j,t-1})$$

Expected Change: Expected change in the value of a growth variable for a particular market in a given time period is the difference between the expected value and actual value for the market at the end of the initial time period. Let $E(\Delta V_j)$ represent the expected change. Thus,

$$\begin{aligned} E(\Delta V_j) &= E(\Delta V_{j,t}) - V_{j,t-1} \\ &= V_{j,t-1}(K - 1) \end{aligned}$$

Net Shift: The difference between the actual change and the expected change of a given market is the net shift. This difference is denoted as N_j . Thus,

$$N_j = \Delta V_j - E(\Delta V_j)$$

It should be noted that, $N_j > 0$ does not necessarily imply that the j^{th} market's growth increases by a greater amount than it would have if it has grown at the total market rate. This conclusion would be true only if, $E(\Delta V_j) > 0$. But if $E(\Delta V_j) < 0$ and $E(\Delta V_j) < \Delta V_j < 0$, then $N_j > 0$. However, this implies that the j^{th} market does not decrease as rapidly as it would be expected. Thus a ratio between the actual and expected change will not be a suitable measure. The sum of the net shift values for all markets should be zero;

$$\begin{aligned} \sum_{j=1}^m N_j &= \sum_{j=1}^m \Delta V_j - E(\Delta V_j) \\ &= \sum_{j=1}^m (V_{j,t} - V_{j,t-1}) - \left[\sum_{j=1}^m V_{j,t-1} \left(\frac{\sum_{j=1}^m V_{j,t}}{\sum_{j=1}^m V_{j,t-1}} \right) - V_{j,t-1} \right] = 0 \end{aligned}$$

If the set of numbers $\{N_j\}$, $j = 1, 2, \dots, m$, is separated into those numbers that are greater than or equal to zero and those that are less than zero, these subsets are identified as $\{N_j^+\}$, $j = 1, \dots, p$, and $\{N_j^-\}$, $j = 1, 2, \dots, q$, respectively, (where $p + q = m$). Therefore;

$$\sum_{j=1}^m N_j = \sum_{j=1}^p N_j^+ + \sum_{j=1}^q N_j^- = 0.$$

$$\sum_{j=1}^p N_j^+ = \sum_{j=1}^q N_j^-$$

Total Absolute Net Shift: The sum of the positive net shift or the sum of the negative net shift, S , represents the total absolute net shift. That is,

$$S = \frac{\sum_{j=1}^m [\Delta V_j - E(\Delta V_j)]}{2} = \sum_{j=1}^p N_j^+$$

Percentage Net Shift: The relative gain or loss in the value of a growth variable for a particular market j , in a given time period is defined as the percentage net shift P_j . Therefore,

$$P_j = \left(\frac{N_j}{S} \right) 100$$

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It can be seen that the sum of the percentage net shifts for all markets is zero. The sum of the positive net shifts is one, and the sum of the negative net shifts is minus one.

Data Sources: This study is mainly based on secondary data or published data. The secondary data were collected mainly from the publications of various agencies, statistical booklets and annual reports of different institutions. The country specific data were collected from different survey reports statistical booklets of the Bangladesh Bureau of Statistics (BBS), Export Promotion Bureau (EPB), Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Directorate of Textile and Apparel Industries of Bangladesh. This study considered seven commodities from the three-digit code of Standard International Trade Classification (SITC) product category to analyse the export opportunities of Bangladesh. These selected categories of garment products are SITC-842 (Men Outerwear Not Knit), SITC-843 (Women Outerwear Not Knit), SITC-844 (Outer Garments Not Knit), SITC-845 (Outerwear Knit Non Elastics), SITC-846 (Under Garments Knitted), SITC-847 (Textile Clothing Accessories NES) and SITC-848 (Articles of Apparel and Cloth Accessories Textile Fabric).

Results and Discussion

Table 1, represents the Standard International Trade Classification (SITC) products and percentage net shift values of seven selected apparel categories product that were ranked in terms of net shift value during the specified period for world export market. The two methods i. e. absolute and percentage growth results are also represented in this table, which is identified as different growth rates for the products. There is an overlap of certain results between the three lists identified by three different measures such as absolute growth percentage growth and Shift-share.

Among the seven readymade garment products, SITC-846 (Under Garment Knitted) shows highest export opportunity for Bangladesh with the highest percentage of growth as well as percentage of net shift. It is followed by SITC-842 (Men Outerwear Not Knit) and SITC-845 (Outerwear Not Knit). Basically these three-category products only showed positive market opportunity in terms of percentage net shift, which is at 55.30 percent, 22.52 percent and 22.19 percent respectively.

The findings of the Shift-Share analysis of the market growth for each product category are presented in Table 2. This table compare the absolute growth, percentage growth and percentage net shift for each product for the period 1987-93 and 1994-2000.

In the case of Men Outerwear Not Knit product (SITC 842), the results indicated that USA attained highest absolute growth of USD 177.82 million, followed by France and Germany. In terms of percentage growth Germany showed highest potentiality and recorded the growth of 1356.86 followed by UK and France. In the shift-share list, USA is identified as the most potential market with the net shift of 40.53 percent, followed by France and Germany, which are at 20.32 percent and 20.15 percent (Table 2).

USA was the largest importer of Women Outerwear Not Knit (SITC-843) as indicated by the absolute growth estimate. The other major importers were Sweden, and Germany. In terms of percentage growth Mexico offered the highest market opportunity recording a growth of 1215.05 percent. Germany rose up to the second position having a growth rate of 723.05 percent, followed by Hong Kong at 666.89 Percent. In the shift-share analysis Germany was the highest potential market at 25.42 percent net shift percentage, followed by Sweden 22.51 percent and Hong Kong 16.96 percent. The USA market showed the lowest potential as reflected by the negative values of the net shift percentages of -84.21, though this market was largest importer for this product (Table 2).

In the case of Outer Garments Not Knit (SITC-844), USA attained the highest absolute growth of USD 101.31 million. It is followed by other major importing countries such as UK and Italy among the exporting countries for Bangladesh. The percentage growth list USA, Italy and Canada showed better export opportunity. The market opportunities on the basis of percentage net shift, again USA showed the highest market opportunity and attained the net shift of 60.73 percent. It is followed by Canada at 16.20 percent and Italy showed at 16.10 percent.

For Outerwear Not Knit (SITC-845) USA identified as the top potential market which imported of USD 61.27 million in absolute growth, followed by Germany and France which were at USD 11.19 million and USD 9.26 million respectively. In terms of percentage growth USA, France and Germany showed better export opportunities for Bangladesh. In shift-share analysis USA maintained the highest market opportunity for this product at the net shift of 92.29 percent, followed by Germany at 5.62 percent and Italy at 2.09 percent.

For Under Garments Knitted (SITC-846) USA exhibited the highest imports from Bangladesh in absolute growth. Other major importers were UK and France. However, Belgium as a market dramatically registered highest percentage growth of 1300.94. It is followed by France and Italy. In terms of percentage net shift measure, France emerged as the top most export potential country for Bangladesh with net shift of 33.50 percent (Table 2).

Table 1: Export Opportunities for Bangladeshi Garment Products Between the Periods 1987-93 and 1994-2000 (USD Million)

SITC	Absolute Growth		Percentage Growth		Shift Share	
	Growth (USD)		SITC	Growth (%)	SITC	Net Shift (%)
842	335.17		846	1187.75	846	55.30
844	298.89		845	734.31	842	22.52
846	255.18		842	558.92	845	22.19
843	226.66		843	350.59	847	-1.39
845	159.98		844	327.59	848	-6.61
848	27.86		847	323.38	843	-33.51
847	6.74		848	310.78	844	-58.49

Note: SITC-842 (Men Outerwear Not Knit), SITC-843 (Women Outerwear Not Knit), SITC-844 (Outer Garments Not Knit), SITC-845 (Outerwear Knit Non Elastics), SITC-846 (Under Garments Knitted), SITC-847 (Textile Clothing Accessories NES) and SITC-848 (Articles of Apparel and Cloth Accessories Textile Fabric)

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Table 2: Market Opportunities for Bangladeshi Readymade Garment Products, 1987-93 and 1994-2000 (USD Million)

Product SITC	Absolute Growth		Percentage Growth		Shift-Share	
	Country	Growth (USD)	Country	Growth %	Country	Net Shift %
ITC-842: Men Outerwear Not Knit BANGLADESH	USA	177.82	Germany	1356.86	USA	40.53
	France	31.21	UK	799.46	France	20.32
	Germany	24.83	France	974.41	Germany	20.15
	UK	20.61	Italy	672.77	UK	10.86
	Italy	15.03	USA	558.74	Italy	5.95
SITC-843: Women Outerwear Not knit BANGLADESH	USA	134.99	Mexico	1215.05	Germany	25.42
	Sweden	13.27	Germany	723.05	Sweden	22.51
	Germany	13.08	Hong Kong	666.89	Hong Kong	16.96
	Hong Kong	9.20	Sweden	598.98	Mexico	15.06
	UK	6.48	Hungary	593.51	USA	-84.21
SITC-844: Outer Garments Not Knit BANGLADESH	USA	101.31	USA	745.39	USA	60.73
	UK	45.96	Italy	621.99	Canada	16.20
	Italy	30.30	Canada	471.66	Italy	16.10
	Canada	25.47	France	447.38	UK	7.53
	France	14.65	UK	328.34	France	5.44
SITC-845: Outerwear Not Knit BANGLADESH	USA	61.27	USA	2733.26	USA	92.29
	Germany	11.19	France	554.52	Germany	5.62
	France	9.26	Germany	336.26	Italy	2.09
	UK	6.61	UK	268.98	France	-1.40
	Italy	3.19	Italy	251.90	Singapore	-1.61
SITC-846: Under Garments Knitted BANGLADESH	USA	42.20	Belgium	1300.94	France	33.50
	UK	37.80	France	1000.86	UK	25.58
	France	24.90	Italy	888.28	Italy	20.99
	Italy	17.59	UK	642.82	Belgium	9.89
	Netherlands	16.01	Netherlands	617.79	USA	-19.20
SITC-847: Textile Clothing Access. NES BANGLADESH	USA	1.50	Germany	327.39	USA	50.18
	Germany	0.69	USA	258.54	Germany	34.27
	Sweden	0.40	Sweden	253.18	Sweden	12.87
	France	0.32	Denmark	198.90	Denmark	2.44
	Italy	0.27	Korea	182.09	Korea	0.24
SITC-848: Article of Apparel & Cloth Accessories Textile Fabric BANGLADESH	Canada					
	Australia	3.68	Spain	499.12	Spain	28.16
	USA	1.79	UK	316.22	UK	22.32
	Germany	1.76	Korea	249.91	USA	16.21
	UK	1.29	USA	190.59	Australia	11.32
		1.02	Netherlands	187.69	Canada	10.05

Note: Only top five potential countries are presented in this table.

Other countries were UK and Italy, which are at 25.58 and 20.99 respectively. Despite being the largest importer for this product USA occupied the lowest rank in the shift-share list by attaining the negative figure of -19.20 percent (Table 2).

In Textile clothing Accessories NES (SITC-847) USA offered the highest opportunity to Bangladesh in terms of the absolute measures as well as percentage of net shift. In respect of percentage growth Germany showed better market potentiality at 327.39 percent. Followed by USA and Sweden are at 258.54 and 253.18 Percent respectively. According to the results of net shift percentage, Germany came next to USA and occupied the place in the list, at 34.27 percent of net shift followed by Sweden which recorded 12.87 percent (Table 2).

In Article of Apparel and Cloth Accessories of Textile Fabric (SITC-848) Canada is the largest buyer from Bangladesh in absolute measure. Among the other countries Australia and USA showed better export opportunity in terms of absolute measure. As a potential country Spain offered highest market opportunity in the percentage growth as well as net shift percentage, which are 499.12 and 28.16

percentage respectively. Finally net shift percentage UK and USA came next to Spain and occupied a vital place in the list. These two countries recorded percentage net shift at 22.32 and 16.21 percent respectively.

Conclusion

This concluding section explores some of the real situations of readymade garment export of Bangladesh is likely face in future. We believe this sector sustains the comparative advantage and its market share that growth is not too difficult in future. However, caution and appropriate planning is called for to meet the known and unknown challenges in the future.

Once the policymakers come to appreciate that the growth of apparel export industry is perhaps the best thing that has happened to the economy of independent of this country, they will work enthusiastically to preserve and to maximise the gains from this industry. This sector has the potential to use the economy of this country into the next stage of development in the coming century. Based on our empirical findings the real picture of this study is concluded in following paragraphs. The results of shift-

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share analysis indicate that the USA and Canada and European Union (EU) countries mainly offer the market opportunities for the export of garment products of Bangladesh. Asian countries have very negligible role in this respect.

The garment and knitwear exports accounted for the bulk of these exports. The knitwear sector especially has been highly dynamic in recent years. Given the fact that this market is outside the purview of MFA and not protected by quotas, this bodes well for the post MFA future of the industry. Bangladesh garment exports can now point to a proven track record of successfully competing in a non-protected global competitive environment. The excess dependence on foreign exchange earning and export growth on garments and knitwear calls for policy attempts to diversify the export base of Bangladesh. Now arise questions, what can be said about the future performance of the garment export in Bangladesh? What is the downside risks for the garments from Bangladesh? There are several avenues by which negative economic shocks from these emerging economics have impacted Bangladesh. Several of the nations are also big garment exporters to the same markets where Bangladesh export its garment products. In 2005, under the Uruguay Round Agreement on textile and garment, the MFA quotas would be phase out. Bangladesh would lose its preferential access to compete with India, China, Vietnam and other garment exporters in a truly global competitive environment. Many garment entrepreneurs in Bangladesh are not ready for this change although the industry as whole probably would hold its own in the post MFA world.

The local garment industry must undertake several measures in order to remain competitive in the world market. The industry must be able to identify niche markets, set up its own marketing network and introduce its own indigenous brand names. Identifying market segments and tapping consumer demands are very significant towards the global expansion of the local industry. Manufacturers must be sensitive to customer needs and be able to react quickly to it by introducing the latest fashion and design. This needs improvement in skills at all levels (i, e. management, marketing and manufacturing) and information availability for better planning. They should also concentrate more on the production of higher value added products. To be able to do this, the industry must upgrade its machinery and improve production method. It must be obtain new technologies either through it's own research and development or through technology transfers from abroad.

Although, Bangladesh has considerable scope for expanding exports to EU and Federal Republic of Germany (FRG) markets. Besides these EU markets, country should be active in soliciting large orders especially in non-traditional markets such as Japan, Eastern Europe and Middle East countries. Through the extensive marketing network, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Export Promotion Bureau of Bangladesh (EPBB) should play a dynamic role in export marketing especially for apparel products in particular.

In the case of Men Outerwear Not Knit product (SITC 842), the results indicated that USA attained highest absolute growth of USD 177.82 million, followed by France and Germany.

To achieve the goal, BGMEA and EPBB should developed their linkage with well-established distribution agencies to attain strengthen the overseas publicity programme for establishing more brands and market reputation of textile as well as apparel product from this country.

Export of locally produced fabrics, hand fabrics including printed coloured and Grameen Check and other specialised textiles like silk, are entitled to this facility. To sustain in the global competition, a Fashion Institute should be set-up in the private sector in co-operation with the Export Promotion Bureau of Bangladesh for the improvement of quality and design of textile including readymade garments. At present Bangladesh always encouraging Foreign Direct Investment (FDI) particularly in export oriented textile and apparel industry.

Transparent investment protection law perhaps is the country's best attraction for investors in its open door investment policy. For instance, should take minimum time for a foreign investment registration and must ensure that there is no discrimination between foreign and local private investors. Hundred percent foreign investments are allowed as well as joint ventures with local partners. In spite of all these, Bangladesh may manage very small size of FDI. Probable major causes behind this are political instability, lack of social securities (in relation to other neighbouring countries), bureaucratic nature of administration etc. To attract FDI, these obstructions should be removed.

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