



**STRATEGIC MARKETING OF
BANGLADESHI FABRICS**

Ph.D.

THESIS

SUBMITTED FOR THE AWARD OF THE DEGREE OF

Doctor of Philosophy

IN

Marketing

BY

S. M. KABIR

Under the Supervision of

Professor Mijanur Rahman

DEPARTMENT OF MARKETING

UNIVERSITY OF DHAKA

DHAKA, BANGLADESH

JANUARY, 2001

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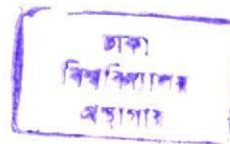
Certified that **Mr. S. M. Kabir**, a candidate for the degree of Doctor of Philosophy in Marketing, has completed his thesis entitled, **“Strategic Marketing of Bangladeshi Fabrics”** under my supervision.

To the best of my knowledge and belief the research work is an original one and it has not been submitted in any other University or Institution for the award of any degree or diploma.


30.1.2021

(Professor Mijanur Rahman)

384965



ACKNOWLEDGEMENT

First and foremost, I would like to express my gratitude to almighty **Allah** for providing me with the opportunity to study at this level and to complete the study successfully.

I will remember the inspiration of my beloved father and mother during the time of study. Their blessings and encouragement provide me with strength to survive in this long battle of study.

I am very much grateful to my supervisor **Professor Mijanur Rahman**. His valuable suggestions and moral support helped me to improve the quality of my dissertation and complete the study in time. Without his continuous advice and guidance this study could never been completed.

I am indebted to the authority of Dhaka University for giving me the opportunity to study at this reputed university. I am also grateful to the **Chairman** and other Faculty Members of the Department of Marketing, University of Dhaka.

I am grateful to the owners and executives of different fabric producing units and organizations, I interviewed for the purpose of collecting information. It was almost impossible for me to complete the study without their sincere cooperation.

384967

I have gone through a number of books, reports and articles written by eminent writers, concerned organizations and researchers. To prepare this dissertation a lot of comments and thoughts of many authors, researchers and industry experts are used as I mentioned in the references and bibliography of the dissertation. These thoughts and insights helped me a lot to develop the concept and frame the strategies for the effective marketing of Bangladeshi fabrics. I do acknowledge their contribution to my study.



I also appreciate the support and cooperation received from my colleagues at the Department of Marketing, University of Rajshahi. **Dr. Amanullah** deserves special thanks for giving me a lot of technical knowledge about the production and marketing of fabrics in power loom.

During the time of my study, my wife **Chabi** shouldered all the responsibilities of my son **Rafi** and my family. Their unstinted cooperation and patience helped me to concentrate on my study. I owe to them.

In fine, needless to mention that all omissions and mistakes committed in this dissertation will be of my own responsibility.

S. M. Kabir
30.01.01

(S. M. Kabir)

Dated:

LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
ATMI	American Textile Manufacturers Institute
BASC	Business Advisory Services Center
BB	Bangladesh Bank (Central Bank of Bangladesh)
BBS	Bangladesh Bureau of Statistics
BHB	Bangladesh Handloom Board
BPMI	Bangladesh Project Management Institute
BSB	Bangladesh Sericulture Board
BSCIC	Bangladesh Small & Cottage Industries Corporation
BSF	Bangladesh Silk Foundation
BSRTI	Bangladesh Sericulture Research and training Institute
BTMA	Bangladesh Textile Mills Association
BTMC	Bangladesh Textile Mills Corporation
CBI	Center for Promotion of Imports from Developing Countries, Netherlands
CBI	Caribbean Basin Initiative
CIBER	Center for International Business Education and Research
DMU	Decision Making Unit
DOT	Department of Textile
EPB	Export Promotion Bureau
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
GSP	Generalized System of Preference
HKFC	Hong Kong Fashion Center
ICPI	International Competing Power Index
IIPU	Industrial Investment Promotion Unit
ISO	International Organization of Standardization
ITC	International Trade Center

JIT	Just In Time
LDCs	Least Developed Countries
LUNGI	Traditional Male Attire in Bangladesh
MES	Manufacturing Executive System
MFA	Multi Fiber Arrangement
MFN	Most Favored Nation
MOE	Margin Of Error
MOU	Memorandum of Understanding
NGO	Non Government Organization
NICs	Newly Industrialized Countries
RMG	Ready Made Garments
RMS	Relative Market Share
SAARC	South Asian Association of Regional Cooperation
SAREE	Traditional Female Attire in Bangladesh
SOE	State Owned Enterprise
TSMU	Textile Strategic Management Unit
TQM	Total Quality Management
UAI	Usage Attitude Image
VMS	Vertical Marketing System

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Strategic Marketing of Bangladeshi Fabrics

ABSTRACT

Demand for fabrics in Bangladesh and in the global market is increasing. But having such a huge and increasing demand, Bangladeshi fabric producing units have been facing difficulties to sell their products profitably in the face of competition. With the failure of Bangladeshi fabrics, the availability of imported and smuggled fabrics are increasing considerably and accommodated by a corresponding decline of market share of Bangladeshi fabrics. A large volume of fabrics produced by the state owned and privately owned units remain unsold. Due to market failure, under utilization of capacity and irregularity in cash flow many fabric producing units in Bangladesh are on the verge of collapse. As a result, the fate of thousands of people, involved in the production and marketing of Bangladeshi fabrics, have been thrown into a stake of uncertainty.

In today's competitive business environment success lies on creating competitive advantages and utilizing the prevailing opportunities. To create competitive advantages and to utilize the opportunities Bangladeshi fabric manufacturers need to develop an effective strategic marketing program with clear understanding of consumer, competitors, threats, opportunities and dynamics of market forces. In this study attempts have been made to identify the causes of failure, competitive strengths and weaknesses, opportunities and threats for Bangladeshi fabrics and to analyze the close competitors in the global market. This study examined the changes in the global business environment with special focus on the legal framework related to the production and marketing of textile commodities. In light of the findings and analysis, to ensure the survivability and sustainability of Bangladeshi fabrics with international competitiveness, a strategic marketing program is recommended in this dissertation.

This dissertation is divided into major three parts. The first part is composed of chapters 1 and 2. In this section of the dissertation, the researcher tried to present a brief over view of the textile industry of Bangladesh, the statement of problem, reviewed the relevant literature, identified the research gap and developed the conceptual framework of strategic marketing with specific objectives and methodology of the study.

The second part is composed of chapters 3, 4, 5, 6 and 7. This part of the dissertation analyzed the environment including technological, political and legal aspects. Based on the UAI study and collected secondary data in this part of the thesis the researcher also analyzed the consumer behavior, markets, demand supply situation, competitors and major value chain activities of a sample of 20 fabric producing units in Bangladesh.

The third part of the dissertation is chapter 8, composed of recommendations, implementation, conclusion and summary. To address the problems stated, a strategic marketing program is recommended in this part which also included the human resource management and the operational aspects of the fabric producing units in Bangladesh.

The researcher believes that with the successful implementation of the recommendations, the study would be able to make distinct contribution to create market for Bangladeshi fabrics and to improve the performance of the fabric producing units in Bangladesh.

Strategic Marketing of Bangladeshi Fabrics

EXECUTIVE SUMMARY

Industrialization is one of the preconditions for the economic development of a country. Industrialization helps to increase the national income, to improve the stability of foreign exchange earnings through diversification of exports and finally, contributes in raising standard of living. But due to poor performance of the manufacturing sector, Bangladesh has been facing a persistent deficit in its balance of trade leading to slow growth in GDP, huge unemployment, low per capita income and poor standard of living.

Right now, the greatest challenges for the Government of Bangladesh are to accelerate the pace of economic growth, place the economy in a sound footing and reap the benefits of globalization through maximizing the economic potentials of its limited resources. But the frustrating performance of many industrial sectors, have created serious constraints to the economic development in Bangladesh. Textile industry of Bangladesh is one the poor performers in the economy of Bangladesh. Historically, Bangladesh was a producer of fine fabrics. It had a glorious past in the production of quality fabrics. Besides, in terms of contribution to employment, income generation and foreign currency earnings textile is one of the largest among the manufacturing industries in Bangladesh. It could make substantial contribution to the socioeconomic development, achievement of poverty alleviation and self-reliance.

Currently, the demand for fabrics in the domestic market is near about 1,700 million meters and for the export oriented readymade garment manufacturing units the demand for fabrics is more than 2,000 million meters. But having such a huge demand, where demand always exceeds the production capacity (near about 1,300 million meters) Bangladeshi fabric producing units have been facing difficulties to sell their products profitably in the face of competition. With the failure of Bangladeshi fabrics, the availability of imported and smuggled fabrics are increasing considerably and

accommodated by a corresponding decline of market share of Bangladeshi fabrics. A large volume of fabrics produced by the state owned and privately owned units remain unsold. Due to market failure, under utilization of capacity and irregularity in cash flow many fabric producing units in Bangladesh are on the verge of collapse. As a result, the fate of thousands of people, involved in the production and marketing of Bangladeshi fabrics, have been thrown into a stake of uncertainty.

From the review of the existing literature it is found that the prior studies on the textile industry of Bangladeshi touched many aspects of manufacturing and marketing of textile products. But the analysis of many strategic issues and factors relevant to the effective marketing of Bangladeshi fabrics including the situational aspects, industry analysis, competitor analysis, consumer behavior analysis and market analysis, competitiveness of Bangladeshi fabric etc. are not good enough. Besides, a considerable time has already been passed after those studies were conducted. By this time a lot of changes are happened in the market and marketing environment. Which made the researcher to think that in future the business system and environment will be significantly different and the policy measures suggested in those studies might loose effectiveness in the face of changing environment. Taking all these into consideration the researcher believes that for the effective marketing of Bangladeshi fabrics, there is a great scope of further study with strategic orientation as the present study is designed and completed.

In this study the researcher touched almost all the value chain activities of the fabric producing units in Bangladesh but maximum emphasis was on marketing. However, the specific objectives of the study are as follows:

- 1) To analyze the situational aspects of fabrics marketing;
- 2) To ascertain the existing marketing system of Bangladeshi fabrics;
- 3) To analyze the competitive factors affecting marketing of fabrics;
- 4) To identify the competitive advantages in favor of Bangladeshi fabrics; and
- 5) To develop a strategic marketing program to create competitive advantages and to exploit the opportunities for Bangladeshi fabrics.

The researcher conducted a UAI study on a sample of 100 households, entrepreneurs and key executives of 20 fabric producing units, 30 wholesalers and retailers, 25 RMG units and 5 buying houses operating in Bangladesh. In addition, a focus group discussion is also conducted with some selected personalities in the industry. Although the dissertation is basically, based on primary data but secondary data from various sources were also collected and analyzed duly to frame the recommendations.

From the study following key success factors in fabric marketing are identified:

- Innovative design and novelty print.
- Availability of fabrics at the convenient shopping centers.
- Productivity and ability to keep cost lower.
- Competitive price.
- Flexibility to cater the changing customer needs.
- Good image.
- Management commitment to continuous improvement and total quality management (TQM).

Fabrics market in Bangladesh is composed of individual household, institutional buyers and the business buyers. Currently, the demand for fabrics in the domestic market is near about 1,700 million meters and for the export oriented readymade garment manufacturing units the demand for fabrics is more than 2,000 million meters. It is expected that the growth of population and increase in per capita income by the year 2001-02 the domestic demand will reach to 2,037 million meters and demand for fabrics in the RMG units will be 3,228 million meters. But it is projected that the supply of fabrics from the existing facilities will be only 1,348 million meters leaving 3,917 million meters of deficit.

It is interesting that while Bangladeshi fabrics have been experiencing tough time in the face of global competition, there is a growing demand for Bangladeshi silk fabrics and handloom made check fabrics both in the domestic and international markets. Units engaged in producing silk fabrics and check fabrics are making reasonable profit.

But it is found from the study that in most of the cases Bangladeshi fabrics fail to match with the customer choice. In many cases manufacturers mainly focus on what they can produce instead of considering what the consumers actually need. Bangladeshi producers mostly considered longevity as the indicator of quality. But it is observed from the UAI study that longevity is less important to the users. Consumers usually prefer attractive design and novelty print.

Since Bangladesh is a typical wholesale area and the fabrics market is dominated by the wholesalers, the manufacturers usually depend on the wholesalers for the distribution of fabrics. But manufacturers most often do not get fair deal from the wholesalers. Both wholesalers and retailers prefer foreign fabrics due to higher turn over of foreign fabrics.

Notice that in the state owned units, employees and workers mostly keep sitting idle but enjoy full salaries and wages. Such a situation of receiving benefits without producing any fabric contributing in higher cost of production. In the privately owned units under utilization of capacity is also pushing per unit production cost higher. Actually, higher cost of production pushed price high for Bangladeshi fabrics. But no effective measure to control or reduce cost is observed. However, in developing a sound price policy one has to consider both external and internal factors. But in most of the cases price of Bangladeshi fabrics is usually fixed on the basis of internal factors such as production cost and the expected profit.

Promotion is a powerful force in creating image and building consumer base. But it is observed that Bangladeshi fabric producers are quite reluctant to promotion. A few producers, investing spending money for promotional activities are getting benefit out of that investment. Brand name of these producers like Bexifabrics, Pride, Arong are increasingly acquiring consumers share of mind and building image and gaining competitive advantage in the market.

Like promotion, fabric producers in Bangladesh are not sincere about research and development. Lack of sufficient R & D, producers are not well informed about

consumers' demography, consumption pattern, needs, choices and preferences. In many cases producers do not know who are the actual buyer or user of fabrics produced by them.

Globalization offered huge options and opportunities, putting pressure on manufacturers to develop better and better fabrics. Now in fabrics marketing it is not what the producers can produce and what the designers can design but what the buyers want to buy. The major challenges, facing by the fabric marketers are:

- the dynamic of business environment;
- rapid pace of technological changes ; and
- changes in needs and profiles of consumer.

In the face of recent world trade regulations and quality requirements for textile products many global players like China, India, Pakistan, Thailand, Korea, Vietnam, Indonesia are taking steps towards coping with the new requirements of their target market. To be competitive needs complete and timely information on the new quality requirements, appropriate infrastructure, better technology, improvement in productivity to keep cost lower, trained manpower and efficient management. But unfortunately, Bangladesh has problem in all these areas.

In order to make Bangladeshi fabrics competitive and to improve the performance of Bangladeshi fabric producing units following policy measures are recommended:

Target marketing

Instead of focusing the whole market, for fabrics produced in each unit, it would be better to select one or more suitable group of consumers or market segment bearing homogeneous features.

Marketing mix

Product: To face the competition Bangladeshi fabric producers have no alternative of producing quality fabrics with attractive design as desired by the target market. Producers should try to develop something special on quality that the competitors do not have.

Distribution: Effective distribution network is very critical to generate sales. In order to develop an effective distribution network following options can be useful:

- Corporate Vertical Marketing System (VMS)
- Contractual Vertical Marketing System with independent wholesalers or retailers having reputation, financial capability and access to the target market.

In addition to traditional distribution network producers should develop some nontraditional distribution set up in different strategic locations in the country during religious festivals in particular.

Price: Perceived value of a particular types of fabric to the consumer should be considered in setting price. However, higher price of fabrics should be supported by higher quality of fabrics or brand equity or distinctive image.

Promotion: To promote and develop market for Bangladeshi fabrics with distinctive image following promotional techniques would be effective:

- Fashion show and trade fair
- Sponsoring different national and international programs and encouraging concerned persons to dress with Bangladeshi fabrics.
- Personal selling to convince the institutional buyers.
- Communicating with the foreign buyers through circulating company profile, brochure and catalog in the web page (Internet).

Research and Development

In order to collect up dated market information following actions can be useful:

- Financing research studies by the professional researchers or research institutions.
- Special arrangement with the distribution channel members.
- Considering the relevant reports publications of government and non-government organizations.

- considering the findings of published research reports and trade journals journals.
- Internet and web pages of buyers

Other Strategic Actions

- Building relationship with institutional buyers
- Upgrading the existing technology at this moment and in course of time use latest and improved technology.
- Developing forward linkages with the readymade garment manufacturers.
- Development of fashion center.
- Developing strategic alliances with global apparel marketers.
- Creating organizational culture with commitment to continuous improvement, benchmarking to measure performance against the performance of competitors and Total Quality Management (TQM).
- Adopting ISO certification.

Fabrics marketing, around the world is very complex and competitive. In order to be competitive in today's market, producers must be flexible and ready to face the uncertain future. The market place tomorrow may not offer a profitable position for the product generating enough money today. Under the continuous and unpredictable changing environment, company's ability to adapt with the changes and ability to face the challenging market forces will determine the success and survival. Customer and market driven strategies can make companies capable of gaining market in a competitive environment. To ensure survival and sustainable growth fabric producer in Bangladesh should be prepared with appropriate technology, dynamic mind set and appropriate marketing strategies.

However, in order to expedite and facilitate the strategic initiatives and efforts by the fabric producing units, Bangladesh government should take some necessary steps like:

- Much needed economic and administrative reforms.

- Commitment and consensus from the political parties to ensure peaceful business environment.
- Rationalize the fiscal policy to keep the cost lower for the imported raw materials to be used in fabric production.
- Pre-export and post export credit facilities to those units have confirmed fabrics export orders.

The researcher believes that in cooperation with the government initiatives, successful implementation of the recommended strategies would be able to improve the disappointing performance of Bangladeshi fabrics.

CHAPTER – 1

INTRODUCTION

1.1 Socioeconomic Background of Bangladesh

1.2 Textile Industry of Bangladesh

1.3 Statement of Problem

1.4 Rationale and Contributions of the Study

1.5 Scope and Objectives

1.6 Methodology

1.7 Limitations

Chapter- 1

INTRODUCTION

Textile has always been recognized as one of the key industries in the economy of Bangladesh. After jute, it is one of the oldest and largest industries in Bangladesh.. Currently, in terms of contribution to employment, income generation and foreign exchange earnings, textile is also the largest among the manufacturing industries in Bangladesh. It is responsible for the generation of about 7 % of the total employment of the country and around 50% of the total industrial employment (Planning Commission, 1990). It accounts for nearly one-third of manufacturing value added and also has enormous potential for foreign exchange earning. The textile industry can make substantial contribution to the achievement of poverty alleviation and self-reliance. With a huge contribution to the socioeconomic development in Bangladesh, the textile industry as a whole occupies an important position in the economy of Bangladesh.

Historically, Bangladesh was a producer of fine fabrics. Bangladesh had a glorious past in the production of quality fabrics. The cotton textile industry was established in this area long ago. There were references about the textile industry of this area in the writings of foreign travelers like Solaiman, Marco Polo, Ralf-Fitz. In the pre-industrial revolution the present Bangladesh was the center of the cotton textile industry in the world. It is noticed from various sources that in the seventeenth century textile industry of the then Bengal (Present Bangladesh), attained a high degree of efficiency and worldwide reputation. The world famous Moslin used to produce in Bangladesh.

Though in the past the present Bangladesh was fairly an advanced country in producing textile products; but not in modern sense. The process of decay of the textile industry of Bangladesh started from the beginning of nineteenth century and after the industrial revolution in UK. During the liberation war in 1971 the textile industry of Bangladesh experienced disaster with all other economic sectors. After liberation the new Bangladesh

government tried to reorganize the industry by nationalization. But the government initiatives did not work positively. In the recent years, considering the bright prospects and importance of the textile industry in the economy of Bangladesh, Government declared it as a thrust sector.

In order to bring discipline and to ensure the balanced growth of the textile industry with desired economic viability, government formulated the textile policy- 1995. The textile policy has been formulated in consultation with the representatives of all the relevant Ministries/Departments and the private sector organizations/ associations engaged in the production and export of textiles (Ministry of Textile, 1995). As mentioned in the textile policy, the prime objectives of the textile policy are (Ministry of Textile, 1995):

- To attain self sufficiency in textiles for meeting local demand as well as for supplying fabric to the export oriented RMG units; and
- To export fabric directly.

However, despite having traditional advantages, huge market demand and considerable government support the performance of Bangladeshi fabrics is not satisfactory. The fabric producing units have neither been able to meet the domestic demand for fabrics nor have been able to produce quality fabrics to earn foreign exchange. Management inefficiency, ineffective marketing and increasing global competition can be identified as the important factors responsible for such a poor performance. There is a large pool of skilled, semi-skilled and trainable weavers all over the country. There is a huge demand and attractive market potential for fabrics both in the domestic and international market. But the most important thing that Bangladesh do not have is the effective marketing strategy to develop competitiveness and to develop a good fit in the market. So, Bangladesh need to focus on strategic marketing in order to ensure survival and growth of the fabric producing units as well as the textile industry of Bangladesh.

1.1 Socioeconomic Background of Bangladesh

Bangladesh appeared in the world map as an independent country in 1971 with a massive population, widespread poverty and all the characteristics of a least developed country. Bangladesh lies in the deltaic region formed by the three great rivers—The Ganges, the Meghna and the Brahmaputra. Abundant rainfall and warm temperature provide Bangladesh an ideal climate for agriculture. Although the economy of Bangladesh is highly dependent on agriculture, for many reasons agricultural productivity in Bangladesh is relatively very low in the world.

1.1.1 Population

Bangladesh is one of the most densely populated countries in the world with 800 people per square kilometer. The country's 140 million people with 1.7% growth rate and 1.4 million unemployed population is almost evenly distributed throughout the 64 administrative districts (Bangladesh Bureau of Statistics, 1998). According to the Ministry of Information, on average, a district has a population of about 1.8 million. The number of households is about 22,124,320 million. On average, a household consists of 5.6 persons (Bangladesh Bureau of Statistics, 1998). The sex ratio is 106 males for every 100 females. There are 4 metropolitan cities in Bangladesh. These are Dhaka, Chittagong, Khulna and Rajshahi.

1.1.2 Standard of Living

The villagers are mostly dependent on cultivation for their living. However, the landless and the marginal farmers offer themselves as casual labor. Some villagers follow some sort of subsidiary occupations such as weaving, fishing, pottery etc. But in most of the cases these subsidiary occupations are not providing them anything, which can be called a living wage. The demand for labor in agriculture is highly seasonal. In fact, there exists a considerable unemployment in the country. The chronic unemployment represents a significant wastage of most valuable human resources of the country. Undoubtedly such problem retards the economic growth of the country. Unemployment problem could be tackled by rapid industrialization. But the low level of industrialization and slow growth

failed to absorb the increasing working force. Despite considerable economic potential, relatively high rates of growth and slow but steady economic recovery in recent years, Bangladesh still can be characterized by wide spread poverty and low standard of living. The standard of living in Bangladesh is much lower than that of its neighbors and industrially advanced countries. The Following table shows the level of poverty in some countries:

Table:1.1
Poverty and Inequality Indicators

Countries	Population in Poverty (%)		
	Urban	Rural	Total
Bangladesh	49.7	47.1	47.5
India	32.4	37.3	36.0
Nepal	23.0	44.0	42.0
Korea	4.6	4.4	4.5
Pakistan	21.7	26.2	22.3
Sri Lanka	28.4	38.1	35.3
Thailand	1.5	17.2	12.9
Vietnam	8.6	20.2	17.8

Source: Asian Development Bank, Key Indicators of developing Asian And Pacific Countries, Volume XXX, 1999, P.10.

The gap between the poor and the rich is widening day by day. Currently per capita income is about US \$ 289 (Asia Week, 1999). As the growth rate of population is very high and the cost of living is terribly going up, per capita income is not increasing in real sense although the total income of the country is somewhat increasing in terms of money. Poor health and high rates of malnutrition are accompanied by low level of literacy. Only 56% of the population above 15 years old can read and write (Ministry of Finance, 1999).

1.1.3 National Savings and Investment

The economy of Bangladesh is heavily dependent on foreign aid. Export earning covers only a small portion of the import bills. The low levels of domestic revenues and savings have constrained the financing of public investment as well as operations and maintenance activities.

Table: 1.2
National Revenue, Savings & Investment

	1996-67	1997-98	1998-99
Total Revenue (Taka in million)	171,450	187,770	207,760
National Savings (as % of GDP)	148.20	148.30	142.90
Investment/GDP Ratio (%)	172.80	178.10	185.10

Source: Ministry of Finance, Bangladesh Economic Review 1999, Dhaka, P.18, 26.

1.1.4 Macroeconomic Stability

Macroeconomic stability is not in a good shape. Shortage of raw materials and energy, inefficient bureaucracy, widespread corruption, political unrest contributed to the low growth in industrial development and economic growth. Underdeveloped stock market also had a negative impact on the macroeconomic stability of the country.

1.1.5 Industrialization

After the emergence of Bangladesh in 1971, in order to accelerate the pace of industrial development, the then government radically changed the whole pattern of industrial ownership and policy. The government took over all the industrial units for better governance and management. But progress was far behind from the expectations. In 1982, government declared another industrial policy with especial emphasis on private sector development. In order to develop the private sector a large number of state owned enterprises (SOEs) including a good number of fabrics producing units were handed over to the private investors. Government offered a lot of incentives and extended the scope of private investment through simplifying the investment procedure and sanctioning. But

situation remained more or less unchanged. The new industrial policy had no significant impact on the Gross Domestic Product (GDP) and industrial growth, particularly in manufacturing, although the volume of investment increased considerably. Till the declaration of the new industrial policy 1999, the industrial sector in the economy of Bangladesh has remained a weak performer. This is evident from the following information published by the Ministry of Finance.

Table: 1.3
GDP: Sectoral Contribution (%) at 1984/85 Prices.

Sector/Sub-sector	1995-96	1996-97	1997-98	1998-99 (Projected)
Agriculture	32.2	32.4	31.6	31.5
Industry (Manufacturing)	11.3	11.1	11.5	11.2
Construction	6.2	6.2	6.3	6.3
Transport & Communication	12.1	12.2	12.3	12.4
Banking & Insurance	1.8	1.8	1.7	1.7

Source: Ministry of Finance, Bangladesh Economic Review 1999, Dhaka, P.17.

1.1.6 Balance of Trade

Due to poor performance in the manufacturing sector Bangladesh has been facing a persistent deficit in its balance of trade since independence. The volume of export earnings is much lower than the expenses for imports. Export earnings and import expenses in the last few years are shown below:

Table: 1.4
Export-Import (In US \$ Million)

	1996-97	1997-98
Export	4427	5172
Import	7162	7524
Balance	2697	2352

Source: Ministry of Finance, Bangladesh Economic Review 1999, Dhaka, P.46.

As mentioned in the Bangladesh Economic Review (Ministry of Finance, 1999) total export receipts during 1997-98 increased by 16.8% to US \$ 5,172 million compared to US \$ 4,427 in the preceding year with a growth rate of 14%. Export target for 1998-99 was US\$ 5,800 million, 12.1% higher than the previous year. Total import payments during 1997-98 stood at US\$ 7,520 million which is 5% higher than US\$ 7,162 million in the preceding year. In the first six months of 1998-99 fiscal year, total import payments amounted to US\$ 3,839 million, 4.32% higher than the same period of previous year (Ministry of Finance, 1999). In order to reduce the deficiency in the balance of trade, Bangladesh has to try to increase its export earnings and at the same time it should try to less depend on import through developing import substitute industries. Among the import substitutes textile is the most significant one in Bangladesh. Alternately, in order to increase export earnings, Bangladesh should try to develop export lead industries. In that case also, textile has the highest potential.

1.1.7 Economic Reforms and Investment

The government is trying to rejuvenate the industrial sector by offering flexible and attractive terms and conditions to the local and foreign investors. Before the development strategy of the country has traditionally been government regulated and the public sector has been given a larger role in the economy. Past few years, after taking the political power by the democratic government the objective of improving the quality of life, increasing pressure for faster progress on growth and poverty reduction have led to an era of major reforms. Bangladesh is dismantling restrictions on domestic and foreign private business and investment, removing trade barriers and restrictions.

In response to such economic reforms foreign investors are showing interest to invest in Bangladesh. According to Asian Development Bank, US \$ 2 million was invested in Bangladesh in 1995 as FDI. In 1996 it was US \$ 15 million but in the 1997 total foreign direct investment (FDI) in Bangladesh was increased to US \$ 134.9 million. But during that time, foreign direct investment in Bangladesh is much lower than the foreign direct investment in Pakistan, Sri Lanka, Vietnam, Cambodia and other developing countries (Asian Development Bank, 1999). Due to many reasons including political unrest and

bureaucracy expected foreign direct investment is not coming in Bangladesh. Even after signing Memorandum of Understanding (MOU) and making commitment foreign investors are not making investment indeed, which constrained the achievement of poverty alleviation and self-reliance. Nonetheless, if Bangladesh could properly utilize the limited resources it has, foreign aid and grants so far received since independence the socioeconomic conditions of Bangladesh would have been much better than the present.

Right now, the greatest challenges for the government is to accelerate the pace of economic growth, to place the economy in a sound footing and to reap the benefits of globalization through maximizing the economic potentials of limited resources. The present government is committed to market economy and pursuing several policy reforms in this regard. But the frustrating performance of industrial sectors creating problem on the way of economic development in Bangladesh.

However, to address the current problems prevailing in the industrial sector, the government announced the new Industrial Policy -1999. As mentioned in the industrial policy in the past industrial development has been attempted in Bangladesh under widely divergent policy regimes. The early phase of industrialization effort was characterized by an import substitute led strategy under a strong regulatory role of the state. In contrast, the new industrial policy can be characterized as market oriented, deregulated and export led industrial development strategy. There were attempts, in the past, to promote private sector based industrialization with generous public subsidy and protection (Ministry of Industries, 1999). But in the new policy, government gave maximum emphasis on promoting a vibrant and dynamic private sector led industrialization, purely competitive basis, instead of protection and subsidy. The industrial policy is duly updated with necessary modifications to achieve the following objectives (Ministry of Industries, 1999):

- To achieve the objectives of accelerating industrial growth;
- To gain a greater share of industry in the gross domestic product (GDP); and
- To make the industrial policy responsive to the changes occurring in the global economy.

Such modifications are made to bring about the necessary structural changes.

In future, the economic advancement and growth in Bangladesh will depend on increasing pace of economic reforms, good governance, transparency of public offices, effective implementation of policies and sincerity and noble intention of the politicians and business community to national interests. Good thing is that in the past few years political situation in Bangladesh has improved significantly. Despite intense rivalry among the political parties, general elections and transfer of power was accomplished almost peacefully. The Government that took power in 1996 is committed to the economic reforms. It is also a good sign that there are no major differences among the major political parties regarding reforms towards market economy, privatization and other economic policy objectives. Hopefully, with timely and badly needed economic and administrative reforms, coordinated efforts of government and private sector initiatives and organized NGOs, would enable Bangladesh to overcome all the odd situation it has been facing since independence.

1.2 Textile Industry of Bangladesh

It is noticed from published literature that in 1908, the Mohini Mills at Kushtia was the first textile mills established in Bangladesh. After Mohini Mills, the Laxmi Narayan Textile Mills Ltd. was the second in Bangladesh, which was established at Narayangonj in 1927. During 1930s six more mills were established, out of which four at Narayangonj, one at Khulna and the rest one at Chittagong. Adarsha Cotton Mills was the last mill set up in Bangladesh before the partition of India in 1947. Soon after the emergence of then Pakistan, the government gave high priority to the textile and made some rapid advances. Need to mention that before the establishment of these textile mills, the development of the textile industry of then Bengal (present Bangladesh) was centered around handloom.

1.2.1 Composition of The Textile Industry

Currently, the textile industry of Bangladesh comprises of many sub-sectors. The major sub-sectors are: 1) Spinning 2) Power loom 3) Handloom 4) Sericulture 5) Knitting/Hosiery 6) Dyeing Printing & Finishing and 7) Ready Made Garments (RMG). Sub-sector wise number of units, production capacity and actual production are shown in the following table:

Table: 1.5**Textile Sub-sectors: No. of Units, Production Capacity and Actual Production (1996-97).**

Sub-sectors	No. of Units	Capacity (in'000')	Production (in'000')
Spinning	125	196,711 kg	116,810 kg
BTMC	27	44,393 kg	6,885 kg
Private Sector	98	152,318 kg	109,925 kg
Weaving	1,126	765,395meters	258,148 meters
BTMC	7	19,163 meters	865 meters
Private sector	1,119	746,232 meters	257,283 meters
Handloom	212,421	925,000 meters	632,640 meters
Sericulture(Weaving)			
State Owned	2	120 meters	45.03 meters
Private	1,926	2,150 meters	1,329 meters
NGO	2	460,000 meters	276 meters
Knitting/Hosiery	588	57,007 kg	41,402 kg
Export Oriented	254	39,971 kg	35,805 kg
Local	334	17,036 kg	5,597 kg
Dyeing Printing and Finishing	250	1,590,118 meters	1,222,117 meters
Mechanized	75	N.A.	N.A.
Semi-mechanized	175	N.A.	N.A.
RMG	2,400	216,219 dozs.	91,156 dozs.

Source: Textile Strategic Management Unit (TSMU), Annual MIS Report 1996-97,
Ministry of Textile, Dhaka, P.12.

1.2.2 Spinning

The spinning sub-sector has about 125 spinning units, capable of producing 196.7 million kgs of yarn. In addition to that, there are 15 rotor spinning units in the private sector

with installed capacity of 8 million kg yarn. Quality of fabric mostly depends on the quality of yarn. But the quality of yarn produced in the spinning sector is not up to the mark to produce quality fabrics as required by the major domestic market segments, and export oriented RMG units. Besides, in terms of quantity the spinning sector is not capable enough of meeting the demand for yarn by the weaving sector. According to the Textile Strategic Management Unit the public sector spinning mills have continuously been showing a dismal picture of performance during the last few years. The level of capacity utilization dropped from 39% in 1995-96 to 15% in 1996-97. But the private sector spinning mills have been showing an increasing trend in production of yarn during the last few years, having 59.821 million kg in 1991-92 which increased to 109.92 million kg in 1996-97 (TSMU, 1997). This was possible mainly because of various incentives allowed by the government for creation of new capacity and to a favorable investment climate. The projected demand for yarn by 2001-02 and the demand-supply gap are shown below:

Table: 1.6
Demand-Supply Gap of Yarn (in million kg.)

	1995-96	1996-97	2001-02 (Projected)
Demand of yarn	503	542	752
Production of yarn	113	113	113
Demand-supply gap	390	429	639

Source: Planning Commission, Fifth Five Year Plan 1997-2002, Ministry of Planning, Dhaka, P. 310.

It is estimated that the total yarn demand of the country will nearly be doubled by the year 2005, when 263 million kg will be demanded for domestic consumption and 554 million kg will be demanded by the export oriented RMG units. The yarn demand is projected to grow at an average rate of 6.7% by the year 2005 (Dowlah, 1998).

Table: 1.7
Projected Demand for Yarn 1999-2005 (in million kg)

Year	Demand for domestic consumption	Demand of Export oriented RMG units	Total demand for yarn	Projected growth rate
1999-00	207	434	641	8.58
2000-01	218	466	674	5.17
2001-02	231	479	710	5.30
2002-03	245	503	747	5.30
2003-04	259	528	787	5.30
2004-05	263	554	818	3.88

Source: Caf Dowlah, The Consequences of the GATT Uruguay Round for the Textile and Garments Sector in Bangladesh, The GTZ/DCCI Business Advisory Services, Dhaka, Bangladesh, P.34.

Current yarn production capacity is just about 13% of the projected requirements in 2005. Therefore, the gap between production and demand for yarn will continue to widen unless quality spinning capacities are put in place in a substantial manner (Dowlah, 1998). However, with a view to progressively increasing domestic production of yarn government is planning to add new capacity in spinning.

1.2.3 Weaving

Weaving is the next process of fabric production after spinning. Through this process grey fabrics are produced from yarn. In Bangladesh weaving is done in sericulture, specialized textile mills, power loom and in handloom units. Fabrics are produced in different categories like cotton fabrics, synthetic, silk and blended. Following table shows the production of different types of fabrics under these categories.

Table: 1.8
Type and Category Wise Production of Fabrics (In 1996-97)

Type and Category	Production (in'000' meters)
Category:	
Cotton	651,759
Synthetic	215,987
Blended	23,043
Total	890,789
Types	
Grey Markin	157,493
Sheeting & Print	21,213
Shirting & Suiting	95,598
Saree/Lungi/Dhuti/Orna	374,086
Towel/Gamcha	116,355
Mosquito Net	74,115
Chador	3,233
Bed sheet	33,411
Pardha/Poplin	15,340
Total	890,843

Source: Textile Strategic Management Unit, Annual MIS Report 1996-97,
 Ministry of Textile, Dhaka, P.22.

Power loom: The fabric producing units in the power loom sub-sector are heterogeneous by the kinds of fabrics they produce. According to the Department of Textile (DOT), there are four types of power loom units recognized as distinct categories. These are – ordinary power loom, synthetic power loom, cotton power loom and export oriented specialized power loom units. Most of the power loom units are in the private sector other than some of the large units. Privately owned power loom units are mostly very small in sizes having only 10-20 looms without enough preparatory and sizing facilities and are mostly concentrated in the districts of Pabna, Sirajgonj, Narayanganj, Manikgonj, Tangail, Narsingdi and Dhaka. Power loom sub-sector holds a prominent position in the textile industry of Bangladesh.

Handloom: Handloom sub-sector plays a very significant role in the economy of Bangladesh. It is one of the largest sources of employment and income generation for the rural people in particular. About 5 million people are directly or indirectly engaged in this sub-sector (Planning Commission, 1998). At present handloom sub-sector shares 61% of the total cloth production of the country and meeting 36% of the local demand. About 52 million meters of different types of fabrics in the form of saree, lungi, bed sheet, curtain, shirting, grey cloth etc. are woven in handlooms (Planning Commission, 1998). Considering the increasing demand of check fabrics (fabric with a pattern of small squares like that of a chess board) both in the local and foreign market Bangladesh Handloom Board (BHB) has given special attention to produce check fabrics. About 125,000 idle handlooms will be engaged exclusively for the production of check fabrics (fabrics with a pattern of small squares like a chess board) (Ministry of Textiles, 1998).

Sericulture: Sericulture industry emerged as one of the prospective sub-sectors of the textile industry of Bangladesh. In the beginning of the seventeenth century the sericulture industry was a flourishing industry in the former Bengal (present Bangladesh). At present in Bangladesh a few state run units, a good number of NGOs and private firms are engaged directly and indirectly in the production and marketing of silk fabrics. It is noticed that presently around 390,000 people are engaged in the sericulture industry for their livelihood (TSMU, 1997). According to BSF the total production of silk fabrics reached to 4,000,000 meters in 1995 (Shamsuddin, 1998). There are at present 10,217 looms including 8,093 handlooms and 2,124 power looms are operating in the sericulture sub-sector in Bangladesh. As a sub-sector of the textile industry the sericulture is contributing significantly to meet the increasing demand for fabrics in Bangladesh and also to generate employment.

1.2.4 Dyeing Printing and Finishing

Since innovative design and print are the most important key success factors in the marketing of fabrics, dyeing and finishing is very critical for fabrics quality. But it is one of the poor performers in the textile sector of Bangladesh. Following table shows the sub-sector at a glance:

Table: 1.9
Dyeing, Printing and Finishing Sub-sector

Description	Unit/Performance
No. of unit established	250
No. of unit in operation	208
Production (in '00,000' meters)	
Dyed	3186.5913
Printed	1325.66
Bleached	795.40
Total	5307.64
Capacity Utilization (%)	76.86%
Manpower Employed	
Officer	1,450
Staff	4,290
Workers	16,754
Total	22,494

Source: Textile Strategic Management Unit, Annual MIS Report 1996-97, Ministry of Textile, Dhaka, P.29.

Dyeing, printing and finishing facilities play a vital role in the processing of fabrics to meet the quality requirements of market. Bangladesh does not have enough dyeing , printing and finishing facilities with required standards. Only a few mechanized and semi-mechanized dyeing-printing-finishing units are capable of processing fabrics of international standard. In 1972 there were 7 mechanized and semi-mechanized dyeing and finishing units in Bangladesh. The number increased to 141 in 1982 and to 297 by

the year 1992 of which 22 and 94 were mechanized respectively. In 1997 the number of dyeing, printing and finishing units, including both semi-mechanized and mechanized, stood 250, which had annual production capacity of only 653 million kg. The combined dyeing capacity of this sub-sector is only 48 million meters to serve the needs of the export oriented RMG units (Dowlah, 1998).

1.2.5 Ready-made Garments (RMG)

The Readymade Garments (RMG) sector in the textile industry of Bangladesh began its operation in 1970. At the early stage of its development, in 1970, the contribution of RMG sector to the countries export earnings was less than one million US \$. But right now RMG sector is the highest foreign currency earner in Bangladesh.

Table: 1.10

Share of RMG Sector in Total Export Income of Bangladesh (in million US\$)

	1984-85	1989-90	1994-95	1995-96	1996-97	1997-98*
Total Exports	934.4	1923.7	3472.6	3882.4	4418.0	3764.7
RMG's Exports	116.2	624.1	2232.1	2547.1	3001.2	2748.7
% of Total Exports	12.44	40.96	64.2	65.6	67.9	73

Source: Caf Dowlah, The Consequences of the GATT Uruguay Round for the Textile and Garments Sector in Bangladesh, The GTZ/DCCI Business Advisory Services, Dhaka, Bangladesh, P.29.

* Up to March 1998.

Apart from contributing to huge foreign exchange earnings, RMG sub-sector has become the largest source of employment generation. It is estimated that during the Fifth Five Year Plan, about 382,500 persons will be employed in the RMG sub-sector (Planning Commission, 1998). From its inception the RMG sector in Bangladesh has been flourishing with a phenomenal growth and momentum. The extra-ordinary success and

growth of RMG sector in Bangladesh is driven by the GSP facilities in EU and quota facilities in USA. Bangladesh is enjoying guaranteed access under quota facilities in the USA and Canada. In the same way Bangladesh is enjoying preferential market access under the Generalized System of Preference (GSP) facilities in European Union. But the RMG sector is highly import dependent for fabrics and accessories. Currently, the export oriented RMG units are importing about 85% of the total fabrics used in those units. Lack of adequate backward linkages with the fabrics producing units and accessories suppliers the lion's share of RMG export income is going back to outside the country as import expenses for fabrics and accessories.

1.2.6 Knitting/Hosiery

After RMG, Knitting and Hosiery is the fastest growing textile sub-sector in Bangladesh. There are about 588 hosiery and export oriented knitting units in Bangladesh with annual production capacity of about 55 million kg of fabrics. Following table shows the sub-sector at a glance:

Table: 1.11
Knitting/Hosiery Sub-sector at a Glance

Description	Performance
Installed Production Capacity (in '00,000' meters)	570.07
Actual production (in '00,000' meters)	414.02
Capacity utilization (%)	88.49
Manpower Employed:	
Officer	1,344
Staff	3,458
Workers	8,398
Total	13,200

Source: Textile Strategic Management Unit, Annual MIS Report 1996-97, Ministry of Textile, Dhaka, P.30.

1.2.7 Future Plan

As noted in the FFYP the present policy of the government is to privatize the public sector textile mills in phases. Through privatization government is trying to rejuvenate the textile industry. Under Fifth Five Year Plan 1997-2002 government is planning to add new capacities to different sub-sector of the textile industry. Following table shows the number of units proposed to set up during the Fifth Five year Plan:

Table: 1.12
Number of New Units Proposed to be Established

Sub-sectors	1999-2000	2000-2001	2001-2002
Spinning (Each unit of 25,000 spindles)	42	42	45
Waving (Each unit of 120 shuttleless Loom)	46	46	46
Dyeing & Finishing (Each unit of 10 million meters per year)	49	49	53
RMG (Each unit of 0.6 million pieces per year)	153	153	153

Source: Planning Commission, Fifth Five Year Plan 1997-2002, Government of the Peoples Republic of Bangladesh, Dhaka, 1998, P.315.

The estimated investment requirement for creation of new capacity in spinning, weaving, dyeing and finishing, RMG sub-sectors and other textile sub-sectors is roughly Tk. 93,965.10 million. Projected investment in the private and public sector textiles is shown in the following tables:

Table: 1.13**Projected Investment in the Private Sector (in million Taka)**

Textile Sub-sectors	2000-2001	2001-2002
A. New Capacity Creation		
Spinning	9,129.80	8,913.57
Weaving	4,712.20	4,410.52
Dyeing & Finishing	2,610.15	3,056.03
RMG	710.40	623.00
Others	732.10	588.35
Total (A)	17,894.65	17,591.47
B. BMRE		
Specialized textiles	325.00	325.00
Total (B)	325.00	325.00
C. Handloom	120.00	120.00
Total (A+B+C)	18,339.65	18,036.47

Source: Planning Commission, Fifth Five Year Plan 1997-2002, Ministry of Planning, Government of Bangladesh, Dhaka, 1998, P.330.

Table: 1.14**Projected Investment in Public Sector (in million Taka)**

Public Sector	2000-2001	2001-2002
BTMC	75.36	45.20
BHB	137.10	61.15
BSB	16.30	17.50
DOT	152.25	102.75
MOT	5.25	4.75
Total	386.26	231.35

Source: Planning Commission, Fifth Five Year Plan 1997-2002, Ministry of Planning, Government of Bangladesh, Dhaka, 1998, P.330.

* Taka: Bangladeshi Currency.

1.3 Statement of Problem

1.3.1 Under Utilization of Capacity and Unsold Stock

By the year 1995-96 the demand for fabrics in Bangladesh was 3,520 million meters out of which 1,520 million meters was for domestic consumption (Planning Commission, 1998). But the domestic supply was 1,129 million meters including 200 million meters for the RMG units. Considering per capita requirements of 12 meters of fabrics, currently for the 140 million people, the total domestic demand for fabrics is near about 1,700 million meters. But the production capacity is less than the demand. By the year 1996-97 Bangladeshi fabrics producing units were able to utilize only 50% of installed capacity with highest 72.63% in the knitting followed by 68.39% in handloom, 60% in the sericulture and only 33.73% in specialized and power loom weaving units (TSMU, 1997). With the increase in per-capita income and population size the demand for fabric is increasing considerably. By the year 2001-02, the projected demand for fabrics is 5,265 million meters of which 2,037 million meters is for domestic consumption, while the supply from the domestic sources is projected at 1,348 million meters including 268 million meters for the RMG units (Planning Commission, 1998).

Having such a huge demand where demand always exceeds the production capacity, fabric producers should not face any trouble with their fabrics to sell profitably. Accordingly, the questions of unsold stock and under utilization of capacity should not arise. But in reality, most of the fabrics producing units in Bangladesh have been facing trouble with their products in the face of competition from the foreign made fabrics. A large volume of fabrics produced by BTMC and other privately owned units remain unsold.

1.3.2 Increasing the Volume of Imported and Smuggled Fabrics

From the observations of the sellers and the concerned persons on average yearly 400 million. meters of fabrics comes in Bangladesh through smuggling (Selimuddin, 1989). The total cost of fabrics imported in the last few years is shown below:

Table: 1.15

Import of Fabrics and Yarn (in million Taka)

Year	Fabrics	Yarn
1995-96	312,16	150,81
1996-97	102,24	286,70
1997-98	415,41	178,89

Source: Bangladesh Bureau of Statistics (BBS), Foreign Trade Statistics of Bangladesh 1997-98, Dhaka.

In addition to increasing demand in the domestic market the export oriented RMG units are creating a huge demand for fabrics. But only 17.18% of the fabrics used in manufacturing readymade garments are from domestic production. In effect, the import dependency of RMG units severely reduced the net contribution of export earnings from readymade garments to 30% (Lee, 1999). Thus, to meet the increasing demand the volume of imported and smuggled fabrics is increasing day by day.

1.3.3 Loosing Market Share to Foreign Fabrics

With the failure of Bangladeshi fabrics, the market shares of imported and smuggled fabrics increasing considerably and accommodated by a corresponding decline in the market share of Bangladeshi fabrics. Smuggling of huge quantity fabrics has posed a major threat to the existence of the Bangladeshi fabric producing units. Many fabric producing units in Bangladesh have been facing sickness and are on the verge of collapse due to market failure and so many other reasons. The fate of thousands of people, involved in the fabric manufacturing and marketing, have been thrown into a stake of uncertainty.

1.4 Rationale and Contributions of the Study

Industrialization is one of the most important preconditions for the economic development of a country. The importance of industrialization can be revealed by the facts that the rich and advanced countries in the world are industrially developed and the poorest countries are those which are predominantly dependent on agriculture. Industrialization accelerates the growth of the national economy. It helps to increase the national income, to improve the stability of foreign exchange earnings through diversification of exports and eventually contributes in raising standard of living.

In order to place the economy of Bangladesh in a sound footing it must develop its industrial sector. But increasing industrial sickness is one of the major problems on the way of industrial development in Bangladesh. Among all the industrial sectors textile is the largest in Bangladesh. The growth of industrialization in Bangladesh has been experiencing the serious negative impact of such a chronic sickness of many fabric producing units.

Needless to mention that textile has always been recognized as one of the major sector of industrialization. Historically, Bangladesh was a producer of textile commodities with some comparative advantages. In Bangladesh it is a huge source of employment, foreign currency earning and manufacturing value added. It can make substantial contribution to the achievement of poverty alleviation and self-reliance. Moreover, need to mention that textile is not a very capital intensive industry, it is a labor intensive industry. Success in fabrics marketing can provide a developing country like Bangladesh with excellent opportunities:

- To generate huge employment opportunities for its large number of unemployed people;
- To develop managerial capability of its people; and
- To move up the industrial ladder to more sophisticated goods and services.

At the moment, such a development is badly needed for the betterment of the economy of Bangladesh. But unfortunately, the very fact is that the large part of the textile industry

including the fabric producing units are obsolete, loss making and unable to supply fabrics with quality as required for international markets. Almost all of Bangladesh's fabric requirements in the export oriented RMG units, therefore, have to be imported. It has been found that many fabrics producing units in Bangladesh could not reach in break-even and could not operate profitably. Fabrics produced in these units have mere customer acceptance. With large volume of unsold fabrics these units were listed themselves in the list of sick industrial units.

In order to increase local production of fabrics, government encouraged private investors by offering attractive and extended facilities. Throughout the last few years huge amount of capital has been channeled into the textile industry. But unfortunately, such attempts did not produce any significant improvement in the textile sector in Bangladesh. In various studies it is identified that ineffective marketing is one of the major reasons of frustrating performance of the fabrics producing units in Bangladesh. Crisis in the marketing of Bangladeshi fabrics lies mostly in the inability to match the fabrics with the users needs, taste and fashion trends. Throughout the last few years some changes in practices were taken to improve the performance of the fabrics producing units. But in comparison with efforts and supports necessary to make Bangladeshi fabrics competitive in the domestic and international markets, these attempts were inadequate and insufficient. That is why, in effect, those attempts did not bring any remarkable positive results in improving the performance of those fabric producing units.

However, with the prevailing situation reasons to believe that there is something wrong in the existing marketing strategies and policies of those units. Need to mention that in today's competitive business world success lies in creating competitive advantages and exploiting opportunities in a more efficient manner than that of its competitors. To create competitive advantages and to exploit the opportunities Bangladeshi fabric producers need to develop an effective marketing program with strategic orientation. Under the given situation, a study with strategic orientation in marketing would be helpful to the Bangladeshi fabric producers in creating sustainable competitive advantages, identifying opportunities, setting organizational objectives, formulating strategies and policies,

developing and managing an effective marketing program. But so far knowledge goes on, there has not been any study with special focus on those matters mentioned. Therefore, any study of advanced nature in this specific area will be of immense importance to the Bangladeshi fabric producers and marketers. Understanding the fact, attempts have been made in this study to identify the competitive advantages, opportunities & threats and to develop a strategic marketing program to make Bangladeshi fabric competitive.

1.5 Scope and Objectives

Textile industry is composed of different types of activities from raw cotton production to the manufacturing of different types of textile items including fabrics and readymade garments. Currently the textile industry of Bangladesh comprises of many sub-sectors. The major sub-sectors are: 1) Spinning; 2) Power loom; 3) Handloom; 4) Sericulture; 5) Knitting/Hosiery; 6) Dyeing printing & Finishing; and 7) Ready Made garments (RMG). For this study only the fabrics producing units in the power loom, handloom, sericulture, knitting and hosiery sub-sectors were considered with special attention. In this study the researcher touched almost all the value chain activities of the fabrics producing units but maximum emphasis was on the marketing of Bangladeshi fabrics and relevant issues. In order to assess the market potential of the Bangladeshi fabrics, domestic individual household market, institutional buyers, business market were studied with due attention to the export market potentials.

The specific objectives of the study are:

- 1) To analyze the situational aspects of fabrics marketing;
- 2) To ascertain the existing marketing system of Bangladeshi fabrics;
- 3) To analyze the competitive factors affecting the marketing of fabrics;
- 4) To identify the competitive advantages in favor of Bangladeshi fabrics; and
- 5) To develop a strategic marketing program to create competitive advantages and to exploit the opportunities for Bangladeshi fabrics.

1.6 Methodology

The methodology followed for this study is as follows in details;

1.6.1 Primary Data

- The current population size in Bangladesh is about 140 million with 22,124,320 households and 5.6 persons per household (BBS, 1998). In this study a sample of 100 households were selected covering the major geographic locations i.e. metropolitan, urban and rural. A margin of error (MOE) of 10% and 95% confidence level were used for this study. The corresponding z value from the normal distribution table corresponding to the 95% confidence level was used. The required sample size was determined by using the following formula:

$$n = z^2 [p(1-p)] / (\text{moe})^2$$

Thus, the required sample size = $(1.96)^2 * (.5*.5) / (0.1)^2 = 96.04$

For the purpose of collecting primary data a Usage Attitude and Image (UAI) survey is conducted using structured and pre-tested questionnaire.

- A sample of 30 sellers including retailers and wholesalers were selected using convenient sampling method from Dhaka, Rajshahi, Khulna for the purpose of collecting information relevant to the marketing of fabrics.
- A sample of 20 fabric producing units, covering different categories like 10 from power loom followed by 5 handloom and 2 knit and 3 silk fabrics producing units were selected conveniently.

- For the purpose of collecting market information 25 RMG manufacturing units and 5 buying houses were selected conveniently. Key executives of these organizations were interviewed using structured questionnaire.
- A focus group discussion was also conducted to get the valuable comments and feed back. The focus group consisted of 10 members including 4 male consumers, 2 female consumers, 2 retailers, one RMG manufacturer and one buying house representative.
- In order to get feed back and to understand the needs and tastes of the European markets, the researcher talked with two CBI (Center for the promotion of imports from the developing countries) consultants in Dhaka. They expressed the attitude of the European buyers about Bangladeshi fabrics without any reservation.

1.6.2 Secondary Data

This study is basically based on primary data, personal observations and experiences of the researcher while visiting different business enterprises directly related to manufacturing and marketing of fabrics. But secondary data from various sources were also collected and analyzed in formulating the recommendations. Published material related to fabric production and marketing is collected through correspondence, Using Internet and personal visits to various sources; the main sources are:

Ministry of Textiles, Dhaka, Bangladesh.

Department of Textiles, Dhaka, Bangladesh.

BGMEA, Dhaka, Bangladesh.

BTMA, Dhaka, Bangladesh.

DCCI, Dhaka, Bangladesh.

FBCCI, Dhaka, Bangladesh.

BBS, Dhaka, Bangladesh.

EPB, Dhaka, Bangladesh.

BIDS, Dhaka, Bangladesh.
BSF, Dhaka, Bangladesh.
TSMU, Dhaka, Bangladesh.
BASC, Dhaka, Bangladesh.
ITC, UNCTAD, Switzerland

In addition, different journals related to textile and fabric business and annual reports of some fabrics manufacturers formed a great deal of the secondary data. Some of these are:

Journal for Asia on Textile & Apparel, Hong Kong.
America's Textile International, Atlanta, USA.
Textile World, Atlanta, USA.

To understand the current state, future trend of the industry and fabrics market the researcher used these materials.

1.6.3 Analysis

In order to make the dissertation more informative, useful and purposeful all the collected data and information have been tabulated, processed and analyzed critically using quantitative tools and techniques. The study process and analysis involved the following steps:

- i) Collection of available literature/ materials;
- ii) Review of collected literature /materials;
- iii) Classification of reviewed literature/ materials;
- iv) Critical analysis of relevant secondary data and official data;
- v) Primary information collection through personal interview and correspondence;
- vi) Statistical analysis of collected data;
- vii) Synthesis of all relevant information from primary and secondary sources.

1.7 Limitations

1. In case of UAI study, consumers often consciously do not know what their motives are. Their attitudes often have an emotional base rather than logical. In some cases they were unable to express their state of mind in response to the questions by the interviewer. Besides, in many cases it is found that buying decisions are joint decision, buyers and users are the different persons. In those cases it was really difficult to determine the relative importance of each participant in the decision. Further, as the household consumers do not maintain any records and accounts, data regarding the annual income and expenditure on clothing were supplied based on their memory.
2. Fabric producers mostly, do not maintain any modern data recording system or MIS. As a result the researcher has to depend on the information supplied by the respondents based on their memory and draft official records. Besides, Many units showed reservation to disclose financial facts and figures. Which limits the researcher to do analysis about the profitability and other financial aspects of the industry players operating in the domestic market.
3. Inconsistency and inadequacy of statistics supplied by the concerned government agencies gave trouble in making a basis for analysis and projection. Besides, lack of current census in the textile industry, and lack of published source of up to date secondary data the researcher has to depend on somewhat old information and draft official record of those organizations. But in some cases, lack of modern data preservation system made it difficult to get official data.
4. Secondary data were not available in a common format. Cost data are in local currency, some in US dollars
5. Although a comprehensive UAI study encompassing the whole Bangladesh could give a vivid picture of the consumption pattern of fabrics, but paucity of time confined the researcher to complete the study on a limited scale as it is completed.

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CHAPTER – 2

REVIEW OF LITERATURE

2.1 On Going Discussion

2.2 Research Gap

2.3 Conceptual Framework

Chapter- 2

REVIEW OF LITERATURE

This chapter reviews the relevant literature and presents the conceptual framework of strategic marketing. It begins with the brief review of prior studies done in relation to the manufacturing and marketing of textile products.

2.1 On Going Discussion

In 1969, a study by Shepherd analyzed the export trade of cotton textile items from developing countries to the UK and EEC markets. The study revealed that despite heavy protection at that time UK and EEC countries were unable to avoid import of textile products from the developing countries. Because, the developing countries enjoyed some comparative advantages over the developed countries. Although the study has thrown a light on the past and lost markets of textile commodities produced in the developing countries, it was confined to the analysis of market potentialities of textile from developing countries based on comparative advantage (Shepherd, 1969).

In 1983, a study by Datta focused on structural changes in the textile industry. In his study on the handloom weavers he analyzed the socioeconomic, macro structure of handloom weaving in Bangladesh. But the study did not consider the marketing aspects of the handloom fabrics (Datta, 1983). To ensure the success Rab gave emphasis on the role of government and infrastructural improvements. In order to promote future development and export, he suggested for improvements in fabrics quality, development of quality dyeing and finishing facilities, favorable change in fiscal measures, XPL benefits for the fabrics used in RMG units etc. In his report, he briefly described the various aspects of specialized textile industry like structure, products, markets, export prospects, impact of fiscal measures and government assistance policies. But the study mainly focused on the specialized textile units. No discussion was made on the other important marketing variables (Rab, 1984). In line with Datta and Rab, Sobhan and

associates also focused on some macro economic issues. In the study on Bangladesh's handloom industry they examined the pace, character and effects of structural adjustment, labor use pattern, financial and economic rates of return in the industry, competition, supply and per capita availability of fabrics in Bangladesh. But marketing of fabrics and related affairs were not discussed in their study (Sobhan and Associates, 1988).

In a study Mahmud briefly analyzed the fiscal and trade policies affecting the fabrics marketing in Bangladesh with special attention to pricing and its impact on consumer demand. He also analyzed various restrictive measures on import of fabrics like tax, duty and its impact on the demand for local fabric. But again, not much discussion was made on the marketing of Bangladeshi fabrics (Mahmud, 1988). Talukder, in his study analyzed markets and controllable marketing mix variables for grey cloth. To increase sales volume and to avoid competition he suggested some measures like, quality improvement, restrictions on import, tagging system etc. But the study was confined to some selected mills under Bangladesh Textile Mills Corporation (BTMC) and considered only gery cloth. Other producing sources like handloom units and uncontrollable marketing variables were not considered (Talukder, 1986).

But Latif in a study discussed the growth of handloom industry highlighting the government protective measures. He pointed out that the factors helped to keep competitiveness of the handloom are the low wage, low overhead cost and handloom products like saree and lungi. He also pointed out that the major sources of competition faced by the handloom products are the second hand clothing and smuggled fabrics from India. But as the study mainly focused on the growth of the handloom industry in historical perspective, there was a very little scope of analyzing the marketing of handloom fabrics in details under current and incoming business settings (Latif, 1988).

Chowdhury and Latif, in a study discussed various aspects of handloom industry like over all size, growth, stagnation and decline in handlooms. But marketing aspects were not considered (Chowdhury, 1990). Chowdhury also focused on the protection regime in

operation in the traditional textile sector in Bangladesh and suggested for import rationalization (Chowdhury, 1995).

In a study, Islam analyzed the productivity and employment opportunities in the handloom weaving in Bangladesh with a very little attention to the marketing of handloom fabrics (Islam, 1980).

In 1979, a study discussed the productivity and capacity utilization in the handloom and power loom sub-sectors. In this study the researcher tried to relate capacity utilization with productivity and operational cost (Islam, 1979). Hossain in his study examined the comparative efficiency, productivity and capacity utilization of handlooms and power looms versus larger textile mills. He suggested for the development of facility center to provide necessary marketing facilities for the textile units. But his study mostly focused on the distribution of textile products (Hossain, 1980). It is very true that capacity utilization is one of the indicators of performance in marketing and increasing market share. Capacity utilization is a function of demand. But his study did not touch the marketing aspects to create demand. However, Zaid Bakht in his study analyzed the demand structure of fabrics, consumption pattern and reasons for preference to imported fabrics. But nothing is suggested to increase the demand and nothing is mentioned about the role of marketing in this respect (Zaid, 1989).

In 1987, Ishihara in a study tried to describe the real situation of production and marketing of the handloom fabrics. The study focused on the traditional market and marketing of handloom products in the rural areas in Bangladesh (Ishihara, 1987). In a study by Chowdhury and others discussed price variation, margin in respect of market structure and nature of textile products (Chowdhury, 1988).

A study by Mostafa tried to discuss the consumption and demand of fabrics. But his main focus was on the technical, financial aspects of the handloom and power loom sub-sector of the then East Pakistan. He suggested to develop some ancillary facilities like spare parts manufacturing units for the growth of the weaving sub-sector. But very little

discussion was on the marketing of handloom and the power loom fabrics (Mostafa, 1971).

Mallon and Ahmed attempted to monitor the performance of BTMC mills as profit centers. They opined that profitability should be considered as one of the indicators of performance instead of production and sales. To improve the level of performance they suggested to set up performance monitoring system and to provide necessary market intelligence with trouble-shooting assistance to the mills. Although profitability depends on effective marketing, the study mentioned nothing to improve the effectiveness in marketing of BTMC products (Mallon and Ahmed, 1984). Further, Rab tried to find out the causes of losses in textile product manufacturing units. In the study he opined that BTMC's mills should be treated as profit center instead of output center. In view of the above, decision making power regarding procurement, production and marketing of products should be delegated to the respective mills. At the same time accountability of the mills should be established in respect of profit. He also emphasized the creation of full-fledged marketing department in the mills. But in this study no other discussion about the marketing of output was made (Rab, 1985).

A study by Zaid Bakht and others analyzed the production stages of sericulture and various socioeconomic factors concerned. In the study they have pointed out some constraints of cocoon marketing. But nothing mentioned about the marketing of silk fabrics (Zaid, 1988).

Economic efficiency of an organization can be described by the ability of keeping cost lower. Chowdhury in his Ph.D. thesis mainly focused on the relative economic efficiency of the fabrics producing units in Bangladesh. In his study fabrics markets in Bangladesh and comparative production cost among the sample units were discussed (Chowdhury, 1983).

The committee constituted by the government of Bangladesh for the rehabilitation of the sick industrial units mentioned in their report that the primary reason of failure of the

fabrics producing units lies in the marketing aspects. Many of these units are developed with inferior quality looms and machinery. As such the fabrics, produced in these units could not be exported, nor could be sold in the domestic market at a reasonable profit. The committee felt the necessity of developing these units in such a manner that will ensure the export prospects of the fabrics to be produced by these units. The committee also recommended for additional financial assistance including the waiver of 100% penal interests and 65% normal interests on loans taken by these units (Hossain, 1984). Marketing is the only vehicle, which can generate sales and can ensure the success and survival of a business enterprise. But no adequate suggestions were made in the report for effective marketing to increase the sales of fabrics produced by those units. Besides, the researcher does not fully agree with the generalized prescription for additional financial assistance under the name of BMRE, when it is already identified that failure mostly lies in the marketing aspects.

Saha in his study felt the absence of appropriate marketing strategy for effective marketing of silk products manufactured by Rajshahi Silk Factory. He suggested for product diversification, development of new target market and sufficient promotional measures (Saha, 1996). But the study did not touch industry analysis, competitor analysis and lacks market information.

In a study, Dave focused on the rehabilitation of the sick industrial units of the textile industry in India. To rehabilitate the sick textile units the author also suggested for due importance to marketing (Dave, 1987). Which can be a lesson for the Bangladeshi fabrics producing units. Similarly, Ahmed in his study considered ineffective marketing as one of the most important factors responsible for unsatisfactory growth and performance of the textile industry in Bangladesh. But in his study, major marketing problems except quality and delivery schedule were not identified. Virtually, no notable marketing measures were suggested for Bangladeshi fabrics other than forward linkage with the RMG units (Ahmed, 1990). Weavers' personal touch is considered very important to the success in selling and highly personalized method of handloom fabrics marketing is defined as very advantageous and effective (Chowdhury, 1989)). But most of the

marketing variables and key issues which are essential to create competitive advantages and marketing effectiveness for locally produced fabrics were ignored in his study.

Bhattacharjee and Khaled in a study discussed the patterns and problems of marketing of handloom products highlighting the factors affecting marketing efficiency like organized sales centers, communication and standardization etc. To improve the efficiency market research quality improvement, trade fairs etc. were suggested (Bhattacharjee and Khaled, 1969). In order to improve the effectiveness in marketing, it is needed to identify the problems related to the marketing of fabrics. But the study mainly focused on domestic marketing. The environmental aspects of marketing like legal, economic, political and technological aspects were ignored and to make the product competitive no strategic situation is considered. Hossain, in a study pointed out that poor quality and ineffective wholesale services resulted in ineffective marketing of Bangladeshi fabrics (Hossain, 1982). Rahman in his study attempted to provide a conceptual approach to understand the pricing and to forecast the important market variables for fabrics like production, consumption and demand. But the study confined to understanding and reforming price policies in particular (Rahman, 1988). Virtually, there was no scope of analyzing other important marketing variables.

Shamim in his study on one fabrics producing unit under BTMC, analyzed some aspects of fabrics marketing and identified some problems like inadequate and improper marketing measures, uneven competition etc. To overcome the problems he put more emphasis on the implementation of marketing information system and research, appropriate marketing mix with protective measures like import restrictions, higher tax and duty on imported fabrics (Shamim, 1988). But Bangladesh is moving towards market economy and government is committed to liberalize the economy. In that case, protective measures will be contradictory to the concepts of market economy and globalization. Besides, the study was confined to one of the units of the BTMC. So, it is not representative to the complete picture of Bangladeshi fabrics marketing.

In a study on intermediate power loom industry in Bangladesh, Chowdhury focused on certain descriptive materials regarding the power loom industry. In the study personal and occupational details of the entrepreneurs, production performance, product specialization and diversification and market territoriality were discussed with a very little relevance to the total marketing of Bangladeshi fabrics (Chowdhury, 1989).

Hatti, in an article discussed the concept and growth of power loom industry highlighting the problems in India like financial and marketing problem, under utilization of capacity etc. To overcome the marketing problems he has suggested to set up All India Power Loom Fabrics Marketing Co-operative Society Ltd (Hatti, 1990). But detail analysis of marketing variables and justification of his suggestion is not mentioned in his article. Similarly, Sarkar and Chowdhury suggested for co-operative marketing. In an article they discussed the prospects of handloom industry in Bangladesh and pointed out some problems related to marketing, working capital, technology etc. To solve the marketing problems like smuggling of imported cloth and lack of institutional support they suggested for organized marketing system and weavers co-operative (Sarkar and Chowdhury, 1993). But in the article they said nothing about the development of an effective marketing program for handloom made fabrics which is badly needed for the survival and growth of the industry at the moment.

Mehta in a study discussed the factors affecting consumer decisions. He concluded that in many cases consumer choice, prices and brand name influence quality perception. But the study was done on a very limited scale considering a small sample of married couple belonging to middle and upper income group in relation to ready made T-shirts only (Mehta, 1972). A study by Subramanyam and others revealed the importance of understanding consumer behavior to the success in handloom products marketing. The study also revealed the positive correlation among the level of education and clothing habits, consumer motive in buying, seasonal buying habits and performance of handloom products.

Palmer examined the comparative weakness of Indonesian textile industry. He opined that without the assistance of cooperative and cartel along the line of the Japanese small-scale weaving units, the weak Indonesian weavers has very little chance for competing with the large-scale manufacturers (Palmer, 1972). Instead of focusing on weaknesses Cheong in his study focused on international competitiveness and comparative advantages of Malaysian textile industry. In view of the above, he discussed price factors, non-price factors and the role of government. Finally Cheong concluded that the cost structure is a central part of competitiveness and comparative advantage (Cheong, 1980). Like Cheong, Kasai in his study discussed the relative international competitiveness of textile industry in comparison to Japan, Asian Newly Industrialized Countries (NICs) and the ASEAN countries. In the study price and non-price factors like quality and sales ability are considered as decisive competitive factors. In the study, the International Competing Power Index (ICPI) is used to assess international competitiveness of Korean textile. ICPI indicates competitiveness from the standpoint of the country concerned, so that it allows a comparative consideration of competitiveness by means of the individual ICPI for each country (Kasai, 1984). As an effective measure of competitiveness it can be a useful lesson for the Bangladesh. Mehta, in his study focused on the recent troubles, affecting the South Korean textile industry. The author pointed out that high production cost, scarcity of skilled workers and competition from the fabrics, produced in the countries having cost advantage for labor are the major problems for Korean Textile (Mehta, 1996). Like Mehta, Qingle also worried about the increasing cost of labor in China's textile. Qingle thought that China's competitive advantage regarding low labor cost is diminishing, which is pushing the cost of production high and weakening its fabrics in the international markets (Qingle, 1996).

Saha, in a case study discussed the cost structure in BTMC mills in Bangladesh and ended with some suggestion for cost reduction. But his study considered only the cost structure of yarn production (Saha, 1991).

Khanna in his study discussed the international competitiveness of Indian textile industry. He mentioned that the main competitive advantage of Indian fabrics lies on low

production cost and ability to keep the cost low in comparison to its competitors in the global market. Khanna focused on modernization in production technology as the major source of creating comparative cost advantage (Khanna, 1989).

IIPU in a study mentioned that Bangladeshi fabrics are not competitive in terms of quality and cost (IIPU, 1985). Shamsuddin also opined that quality of fabrics produced by the mills under BTMC is not competitive. But the studies did not provide any guideline to make Bangladeshi fabrics competitive in terms of quality and cost (Shamsuddin, 1986). It is given that to achieve organizational objectives companies have to market products in a competitive environment. In that case companies have to develop competitive strengths to offset the weaknesses. But a very little has been done with the competitiveness of Bangladeshi fabrics.

A UNIDO study it is pointed out that productivity level in the textile weaving in the developing countries is much lower than that of in the advanced countries. The study revealed that technological problem relating to quality and productivity and inadequate marketing efforts are pushing fabrics of developing countries like Bangladesh to higher production cost and inability to compete with foreign fabrics. Although to improve the competitiveness of fabrics produced in the developing countries the study suggested to give necessary attention to the marketing efforts, but in fact maximum emphasis is placed on adoption of appropriate technology (UNIDO, 1979). Fabayo and Gatugupta in a study discussed Japan's efforts in domesticating import technology in its textile sector. They termed technology transfer as an important instrument to improve technological capability, which is necessary for rapid, stable and sustainable growth in industrialization. They also discussed the role of trading houses in utilizing information to promote external market, which provides the large base for Japan's textile products. The study provides some useful lessons for the LDC's in the Japanese experience with successful technology transfer in textile but in fact marketing aspects were not discussed (Fabayo and Gatugupta, 1983). Sinha gave maximum emphasis on the modernization and technological advancement for the production of quality fabrics (Sinha, 1997).

In a case study Rahman described the process of introducing technological change in textile mills and its impact on the productivity. Technological change has significant impact on the quality of products and cost of production (Rahman, 1989). But to enhance the competitiveness of Bangladeshi fabrics a very little have been done about technology. Aside from the technology, quality and price are also very critical for competitiveness. But the study did not discuss those points.

Anson mentioned that clothing industry is heavily fashion dominated. He concluded that in the face of competition fall in prices has made it increasingly difficult for the EU fabric manufacturers to defend their market share without sacrificing profit margin. To meet the challenges they have to keep costs low (Anson, 1997).

A study conducted by the BIDS, analyzed the world trade regulations, Generalized System of Preference (GSP) and Multi Fiber Arrangement (MFA). To improve the competitiveness of Bangladeshi fabrics the study suggested for quality control (BIDS, 1988). Focusing on the international legislation framework, Ahmed tried to forecast the adverse impact of GATT Uruguay Round on RMG exports from Bangladesh. He suggested for regional cumulation (Ahmaed, 1994). But according to the concerned firms, the negative SAARC cumulation has already created serious problem for Bangladeshi fabrics for the use in export oriented RMG units. Lisa emphasized ecological aspects of fabrics considering the increasing consciousness of consumers to environment (Lisa, 1995). Khondokar analyzed the future prospects and challenges for export market of Bangladeshi fabrics in respect of the international legislation framework (Khondokar, 1996). To justify the competitiveness, business enterprises have to comply with the market requirements and with the legislative framework in the global settings. These are very critical and challenging for the success in Bangladeshi fabrics marketing. But the studies mentioned here, did not provide sufficient guideline to create sustainable competitive strengths for Bangladeshi fabrics.

2.2 Research Gap

It is true that the prior studies touched many aspects of manufacturing and marketing of textile products including fabrics. But the analysis of many strategic issues and factors relevant to the marketing of Bangladeshi fabrics including the situational aspects, industry analysis, competitor analysis, consumer behavior analysis, dynamics of market forces and market trends, competitive strengths and sustainability of competitiveness, key success factors etc. are not good enough. Still there are some questions that Bangladeshi fabric manufacturers have to face. Some of the questions are:

1. How should the Bangladeshi fabric producers compete in the given situation under the emerging global settings?
2. How does a Bangladeshi fabric producer achieve a fit between its capacity and the demand posed by its market forces?
3. What strategic options the Bangladeshi fabric producing units should adopt to create competitive strengths and to face the competitors successfully?

However, the earlier studies somehow tried to answer these questions and provided some measures. But the insights are based on a very limited context, assuming that Bangladeshi fabric producing units are operating on domestic basis. Besides, a considerable time has already passed after these studies were conducted. By this time consumer outlook, consumption pattern, choice and taste etc. and marketing environment have changed significantly. In particular, with the new legislative measures, global business environment for textile will be changed by the year 2005. All kinds of quota, Generalized System of Preference (GSP), Multi Fiber Arrangement (MFA) and Most Favored Nation (MFN) arrangements will be removed. After 2005 the business system and environment will be quite different from the current situation, where the earlier studies were conducted. So, the policy measures, suggested in those studies might lose effectiveness in the face of changing environment.

2.3 Conceptual Framework

The enormous changes in political, economic, social and environmental events are creating complexity in business operation. At the same time with the emergence of globalization and the liberal economic policy of the Bangladesh government will change the dynamics and magnitude of competition. Keeping an eye on the competitive situation will help a company to avoid surprises, to separate rumor from reality, to identify threats and opportunities, and to make market positioning.

In addition, to out perform the close competitors through appropriate and timely strategy, marketers need to know the strengths and weaknesses of those competitors. Thus, recent worldwide experience of high competition in business has provoked policy makers and marketing managers to look for strategic marketing for the success in their operation. The concept of strategic marketing has been gaining increasing importance in recent years. There are a number of factors favoring this trend including World Trade Organization (WTO) regulations, emergence of new competitors, erosion of traditional sources of comparative advantages and competitiveness and new dimensions of cross border strategic alliances.

It is necessary for the Bangladeshi fabrics' manufacturers to make the whole organization aware of the environmental issues, current state of business, dynamics of market and competition. It can be done through situation analysis. Strategic marketing concerned with resource allocation that is based on an analysis of the environmental factors, organizational capabilities, defined mission and objectives of the organization. It is argued that strategic marketing provides an organized and cohesive framework for understanding and improving the managerial approach to marketing and to total practice of marketing. Note that this view implies that the central focus of the marketing concept should be directed primarily to the functional level, leaving the broader issues of what markets are to be served to be determined at the business unit level.

Therefore, if a decision is made to serve a particular target market, that decision is based on demand and on the organization's ability to supply that demand. Given that decision, the marketing concept becomes central to implementing the market entry (Howard, 1985). Strategic marketing helps to determine the company's objectives and goals. Strategic marketing will guide to decide:

- Where a company should place its efforts?
- Which markets and market segments should it choose to compete?
- What product design and quality should it attempt to offer to those markets; and
- At what price, through what types of channel of distribution and promotional measures?

These strategic decisions will provide a right direction for the Bangladeshi fabrics producing units to achieve the set goals and objectives. Taking all these into consideration the researcher believes that for the effective marketing of Bangladeshi fabrics, there is a great scope of further study with strategic orientation as the present study is designed and completed.

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CHAPTER – 3

ENVIRONMENT ANALYSIS

3.1 Economic Environment

3.2 Legal Environment

3.3 Political Environment

3.4 Technological Environment

3.5 Government Policies

Chapter- 3

ENVIRONMENT ANALYSIS

The environment has become an important issue in the textile marketing particularly for fabrics. In this section of the dissertation current domestic and world economic situation, legal framework for production and marketing of fabrics, political environment in Bangladesh, worldwide technological advancement and government policies are discussed.

3.1 Economic Environment

In recent times Bangladesh economy is experiencing a favorable trend in terms of economic growth and poverty alleviation. According to the Bangladesh Economic Review the GDP growth rates of 5.9% and 5.7% have been achieved in 1997 and 1998 respectively. Target for GDP growth rate for 1999 in real terms was set at 5.2% (Ministry of Finance, 1999). A massive poverty alleviation program by the World Bank, ADB, Government and Non-Government Organizations resulted in increasing employment and income generation. In addition, a lot of reform programs resulted in a significant foreign investment and employment generation in Bangladesh. Thus, with the rising per capita income and standard of living increased the demand for fabrics in Bangladesh.

World economy is also improving significantly. Asia has overcome many of the problems that led to the 1997 crisis and continues to gain strength, while Europe is getting healthier. The NAFTA region, led by the United States, has remained strong in the recent financial crisis. GDP and personal consumption of clothing in US is given below:

Table: 3.1**Disposable Income and Consumption of Clothing & Apparel In USA.****(in billion US \$)**

Year	GDP	Disposable income	Consumption	Population (in millions)	Per capita Consumption	% of Disposable Income
1996	7,813.2	5,677.8	258.6	270.00	0.957	4.56
1997	8,165.1	5,884.7	271.1	270.30	1.002	4.6
1998	8,516.3	6,125.1	292.2	273.30	1.069	4.77
1999	8,852.8	6,360.7	320.1	274.00	1.168	5.03
2000	9,180.9	6,561.9	342.8	274.63	1.248	5.22

Source: Soras, G. Constantine, 2000; 2000: Business For The Taking, *America's Textile International*, Jan 2000, P.40. & The World Almanac, N.J. USA, P.391.

3.2 Legal Environment

World trade in textiles has been subject to an increasing array of bilateral quota arrangements and other legal restrictions over the past three decades (ProFound 1998).

3.2.1 Multi Fiber Arrangement (MFA)

As noted in the working paper of Center for International Business Education and Research (CIBER), in order to prevent disruption to their domestic industries, developed nations have a framework to manage the international trade of textiles since the 1960s. This framework or trade regime, was formally adopted in 1974 and is known as the Multi Fiber Arrangement (MFA). It is explained in the same paper (CIBER) that protective policies in the textile industry have existed since World War II. The objectives of MFA are to expand textile trade and reduce trade barriers to textile products, while avoiding any disruptions of markets and production in both importing and exporting countries. The MFA also acknowledged the importance of developing countries and aimed to secure a substantial increase in their export earnings from textile products and provide scope for a greater share for them in the world trade. The MFA was renewed in 1977 and in 1981. Now, most of the nations are expecting to see the phasing out of the MFA in the next few

years. Need to mention that many Asian countries with the developed countries are aggressively working for the phasing out of MFA. India, Pakistan, Turkey, Brazil, Thailand and many other countries have pushed for the quick removal of MFA. These countries are primarily textile products exporting countries. They believe that they will be benefited from the departure of MFA. With the phasing out of MFA, there will be a mad rush of export efforts by all the countries having sound infrastructure and sustainable competitive advantages. So, it can be assumed that in the incoming years, having no sustainable competitive advantages Bangladeshi fabrics will face hard time in the global market to gain market share and to improve its position.

3.2.2 Agreement on Textile and Clothing (ATC)

ATC is formed to integrate the textiles and clothing regulations into the World Trade Organization (WTO). According to the decisions taken during GATT Uruguay Round Agreement on Textiles and Clothing replaced the discriminatory Multi Fiber Agreement. Under Multi-Fiber agreement and GATT, less developed countries like Bangladesh are allowed to access to some of the international markets, while other countries are restricted through a quota regime. But with the introduction of the Agreement on Textile and Clothing, these restrictions and free access will be limited to about 50% by the year 2002, completely by 2005.

Need to mention that Bangladesh has been enjoying the Generalized System of Preferences (GSP) to the European Union markets for its readymade garments. By the year 2005, after the abolition of all types of discriminatory arrangements, playing field in the global market will be leveled. In that case Bangladesh will have a very hard time to compete in the global market for textiles with its current business proposition. Experts opined that during the transition period, the benefits to developed countries would outweigh the gains in the developing countries. But in the end, with the complete removal of the MFA and quotas situation will be favorable to the developing countries engaged in exporting of textiles and will add to the benefit to tariff cuts on textile and clothing in the developed world. However, much of the benefits of exporting by the

developing countries would, depend on their capability of expanding markets in the developed world under a freer regime reforms (Dowlah, 1998).

3.2.3 Environmental Issues

Aside from the elimination of discriminatory regulations there will be some bindings regarding manufacturing of fabrics. For the exporters of textile products health, safety and environmental issues are very important to comply with the requirements for fabrics in the international markets. Many azo-dyes are now prohibited in many advanced countries. The USA is refusing any textile or clothing items that fails to comply with an applicable flammability standard. Legislation on eco-labeling, eco-auditing, waste management and recycling are also the most significant.

3.2.4 Labor Issues

In addition to the physical properties of fabrics, companies in developed countries are increasingly considering labor conditions as a criterion for trade with companies in developing countries. Demand concerning labor issues includes following basic conditions (ProFound, 1998):

- Prohibition of child labor;
- Prohibition of forced labor
- Non-discrimination;
- Freedom of labor organization; and
- collective negotiations for conditions of employment.

Finally, globalization of textile under new arrangements of GATT Uruguay Round, phasing out of MFA will be very crucial for the development of textile industry in Bangladesh. Incoming legal framework for global trade of textile commodities will eliminate preferential access of Bangladesh to western markets enjoyed under the guaranteed quota scheme. In future marketing of fabrics will be on a purely competitive basis. So, for Bangladesh to reap the benefits of free market and the sustainability in textile business will be determined by the approach it will take to face the legal framework is going to take place with a lot of changes. Gaining competitive strengths to

out perform the competitors in a particular market segment, bargaining power over its counterpart in complex negotiations and necessary changes in its business proposition including structural adjustments are very critical in such a situation.

3.3 Political Environment

Basically, Bangladesh is a multiparty democratic country. Right now the government is run by a parliament composed of 330 members headed by the Prime Minister. Parliament is the highest body for the formulation of any laws and regulations of national interests.

Bangladesh has been experiencing severe political crisis since independence in 1971. After liberation, in most of the times Bangladesh was ruled by the military dictators. Every time the military dictators removed the elected government by coups, blaming for inefficiency and corruption. It seems that military is one of the most active and very powerful stakeholders in the political map of Bangladesh. Other stakeholders are politicians, bureaucrats, trade unions, academicians and the intellectuals, and the general people.

After the military, in Bangladesh bureaucrats are very organized as stakeholder. They are the one who is responsible to implement the rules, regulations and policy formulated by the politicians. In the political history of Bangladesh bureaucrats are always a very powerful force.

During the last decades, due to lack of strong political leadership Bangladesh experienced a lot of political turmoil. Indecision in major economic issues and severe power conflict pushed the economy of Bangladesh in a critical situation. Which also created the room for the bureaucrats and military to dominate over the politicians.

Trade unions are very militant and unruly. These trade unions are somehow directly and indirectly related to the political parties at the national level. Instead of existence and survival of the industrial units, leaders of the trade unions preferred to personal economic and political interests. Such attitude resulted in mismanagement and widespread corruption in the industrial units.

In a democratic system, general public supposed to be the most powerful stakeholder. But in reality, in Bangladesh general public is predominantly neglected except at the time of voting. Probably this happened due to the ignorance and illiteracy of mass people. However, in 1990, to bring a revolutionary change in the political history of Bangladesh by removing the military dominated government, general people and academicians and the intellectuals showed a very strong voice and played very crucial role.

Thus, sincerity, honesty, efficiency and transparency of the Politicians and bureaucrats in Bangladesh were always under question mark. In many cases, till now, lack of commitment, vested interests and irresponsible behavior of the bureaucrats, trade unions, and the politicians are some of the main impediments to the rapid economic growth in Bangladesh. Poor law and order situation and political unrest resulted in unlimited sufferings to the social and economic lives are the common features of politics in Bangladesh. Every one is blaming others for the damaging situation prevailing in the country. It is good for Bangladesh as soon as the stakeholders particularly the politicians and bureaucrats will realize the situation of the country and behave accordingly.

However, in recent times, political situation in Bangladesh has improved a lot. Since 1991 general election, democracy and the role of general people are gaining increasing importance to the political parties. Considering the public sentiment, negative impact of political unrest on social life and on the economy, the politicians are showing increasing patience. Although, still there is power conflict among the major political parties, but it is fortunate that presently Bangladesh is enjoying political consensus across all the political parties regarding major economic issues and reforms. Everyone is agreed that in order to accelerate the economic growth, competition and market-oriented economic reforms are essential. As a result, Bangladesh is gaining confidence of the foreign investors. Hopefully, with the expected improvement in political environment, Bangladesh would be able to make up all the economic damages happened during the last decades after independence. Thus, in the near future, with the noble intention, sincerity, commitment and cooperation from all quarters Bangladesh would be able to place its economy in a sound footing.

3.4 Technological Environment

Textile industry is one of the oldest industries, existing for thousands of years. During this time, it has evolved from manual to mechanized one. However, as mentioned by Liu bai-mao, it was only until the 20th century that textile manufacturing technique underwent three revolutionary changes that turned it into an independent, complete and modern industry.

The first revolutionary change occurred in the textile industry when chemical fibers emerged. The use of man-made fibers in 1911 and synthetic fibers in 1938 as input materials had made people to realize for the first time that natural fibers were not the only raw materials for textile fabrics. In the following decades, chemical fibers continued to challenge natural fibers in terms of quantity, variety, quality and functionality. The development of chemical fibers has, therefore, provided unlimited source of raw materials for textile fabric production.

The second big change was the application of micro-electronic technology in textile machinery, which allows to turn it at high speeds, automatically and continuously improving industry. Representatives of these improvements can be found in: blowing carding units, high speed ring spinning machines, highly automated original equipment-spinning and air-jet spinning machines, fully automated winders and shuttleless looms.

The third landmark was found in the formation of non-woven fabric sector. In the weaving, the century began with the shuttle looms and it will also end with this supposedly primitive fabric forming device, still in the majority, with no fewer than 1.5 million shuttle looms are installed worldwide and 77% of which are in Asia. According to ITMF the shuttle looms are in terminal decline, with a 29% reduction in the global installed capacity level in the past 10 years alone. Shuttleless weaving began to make its presence felt in the post-war years (Lui, 1999).

3.4.1 Weaving Technology

Bandara, described the latest development in textile weaving technology and its impact on cost of production and quality of fabrics. Bandara mentioned that the advances in shuttleless weaving over the past 20 years or so have been made thanks to gains in material technology and machine design. With the increased performance of weaving machine there is a strong need to minimize machine downtime. This implies not only the ability to reprogram a machine for a different weave style , but also to configure it so as to optimize weaving conditions. Today technological advancement offered a lot of options for the fabric producers that a weaving machine can be provided with according to requirements. Some of the main features of weaving options are as follows (Bandara, 1996):

- **Projectile weaving:** Projectile weaving has maintained a unique position in fabrics weaving. The machine is well known for its high reliability, low energy consumption and versatility.
- **Rapier weaving:** Rapier type machines are the most versatile of the four variants discussed here, in their ability to cater for a wide variety of materials and their unrivaled weft selection capability which can be as high as 16 colors.
- **Air-jet weaving:** Air-jet weaving has undergone extensive development over the past 20 years and has proved to be the most productive type of machine due to the fast weft insertion speeds and improved machine width. Today it is the most automated type of weaving machine. It has the ability to optimize its operation dynamically, as well as to automatically recover from weft related stoppages. The energy costs of air-jet weaving is higher than the other processes. But the greater productivity and the simplicity of the weaving machine outweighed this limitation. The latest generation of air-jet weaving machine uses a main jet with a profiled weft over a width up to 3.5 m. Weft selection ranges from two to eight colors.
- **Water-jet weaving:** The water-jet type is the fastest of standard shuttleless weaving machines, capable of running up to 2,000 picks/min. Water-jet is more suitable for the weaving of basic fabrics in a number of filament materials in large volume. But presently, the high performance of air-jet weaving seems to have taken some of the competitive edge of water-jet weaving. Historically, most of the world's shuttleless

loom capacity used to be in the eastern bloc where some of the technology was developed. However, currently Asia is the biggest market for new shuttleless machines. Following table shows the use of shuttleless weaving machine in some Asian countries:

Table: 3.2
Top Ten Asian Countries Using Shuttleless Weaving Looms

Countries	Rapier/ Projectile	Air- jet	Water- jet	Total Shuttleless	% of Total Looms in Operation
China	4,138	3,031	2,512	9,681	32.8
South Korea	2,660	670	4,313	7,643	25.9
Indonesia	924	868	1,741	3,533	12.0
Taiwan	640	477	1,157	2,274	7.7
Japan	667	449	271	1,387	4.7
India	741	549	50	1,340	4.5
Uzbekistan	982	0	0	982	3.3
Thailand	509	368	25	902	3.1
Bangladesh	44	298	0	342	1.2
Vietnam	214	0	70	284	1.0
Total	12,201	7,031	10,244	29,476	100

Source: Anson, Robin. 1996; Asia Prospects for the Shuttleless Weave, *Journal for Asia on textile & Apparel*, Jun/Jul 1996, Hong Kong, P.76.

While the present state of development of the standard shuttleless technology can be considered quite advanced, it has been felt for sometime that scope for further productivity gains by them are limited. Greater automation will be a continuing theme in weaving machine design. Some of the likely future developments in this direction as anticipated by Bandara are use of vision technology in weaving machine control, as well as in identification of fabric faults on the machine (Bandara, 1996).

3.4.2 Change in Physical Properties of Fabrics

The ever increasing quantity, quality, variety of goods and general decline in the physical arduousness of work is nothing but the result of technological changes (Hoque, 1995). In fact, technology is the key to improve in productivity. Technological advancement at an accelerated pace, weaving has arguably moved ahead faster than any other process. In the face of changing needs and profiles of users, fabrics producers worldwide are forced to adopt and look for innovative technologies in operation. The need to operate in a pull or consumer driven mode to respond the growing demands of consumers is altering the traditional business landscape. Product varieties are increasing, as product introductions become more frequent. All new finishing technologies have the same goal of altering a fabric through mechanical, chemical or combined treatment to achieve a desired appearance on fabric. The latest trend involves extremely soft finishing that can be achieved not only on cotton fabrics, but also on fabrics with synthetic fibers and blends. Today, yarns and fabrics have changed their appearance, feel and texture through the application of new technologies. Fabric producers using these technologies to expand and modify the physical properties of materials to create a new and different kind of fabric.

Some of the major technological advancements, took place in recent years in fabrics manufacturing related to the physical properties, design and quality of fabrics are mentioned below:

3.4.3 Color and Printing

In the past it was extremely difficult for the fabrics dyers to monitor every step of the production process to achieve the requisite shade on fabrics. With the advent of new technology like online and offline monitoring system, dyers can now apply the latest technical expertise and instrumentation to continually improve the quality and consistency of color in fabric. The main advantages in adopting such a system are as follows (Yeung, 1996):

- Provides a source of production information for long term improvement in color control;
- “Quick response dyeing” can be visualized;

- Reduces number of re-dyeing processes; and
- Minimizes color batches of the dyed fabrics.

3.4.4 New Kind of Fabric

Recently, Takasago International Corp. of Japan claimed that a new version of biodegradable polyester could be made. It could have wider uses such as in hygienic materials, diapers, under wears etc (Lee, 2000). Hydorweave, a new kind of fabric is designed to harness the cooling power of evaporation. The new fabric is used in garments to lower the core body temperature. Acquatex Industries Inc. of Huntsville, Ala., developed this new kind of fabric (Alfred, 2000). The fabric can keep people working in severe cool for up to eight hours. The fabric's temperature-regulating properties enable people to work up to 16.4% longer than normal in such a coolest environment when wearing a vest made of hydro weave. This type of fabric is useful in industrial applications.

3.4.5 Improvement in Process

More than any single parameter, the need for product trace ability has driven the move among fabric manufacturers to implement manufacturing executive system (MES) software. To make better product and to improve production processes, the MES system must be able to provide enough detailed information. A fully functional MES should be able to support activity based costing, ad-hoc reporting, and short interval scheduling (Steve, 1997).

3.4.6 Textile Technology in Bangladesh

Like most third world countries, Bangladesh is far behind in technological development. Incomplete facilities and shortages in specialized equipment have had an adverse effect on fabric quality and labor productivity. In Bangladesh people working in the textile industry particularly in the handloom sub-sector are not familiar with the technological advancement in this field. Due to financial constraints and lack of sufficient knowledge in most of the cases the handloom weavers and the small scale power loom units are using indigenous and outdated technology. As Bangladesh significantly lacks in latest

technological know-how, it is losing competitiveness and market share both in the global and domestic markets. However, the close competitors like India, Pakistan, Indonesia, Thailand are significantly advanced in terms of technology and enjoying competitive advantage over Bangladesh.

3.5 Government Policies

After the emergence of Bangladesh, in order to accelerate the pace of industrial development the then government radically changed the whole pattern of industrial ownership. The government took over all the industrial units including the textiles for better management and governance. But progress was far from the expectations. In order to intensify efforts by accelerating economic activities and industrial investment a new industrial policy was announced in 1982. In which the then government gave special emphasis on the development of private sector. As a step to widen the private sector, a good number of state- owned textile units were handed over to private owners. But due to many reasons progress in the textile industry was not remarkable. Considering the economic significance of the textile industry, the Textile Policy- 1995 has been formulated. The prime objectives of the Textile Policy –1995 are (Ministry of Textiles, 1995):

- 1) to attain self-sufficiency in textiles for meeting local demand as well as for supplying fabrics to the export oriented RMG units; and
- 2) to export fabrics directly.

Considering a ‘Thrust Sector’ to revitalize the whole textile industry government has taken different types of policy measures for different textile sub-sectors. Some of these policy measures mentioned in the Textile Policy – 1995 are as follows (Ministry of Textile, 1995):

- 1) With a view to make the local textile products competitive with the imported ones, necessary for restructuring and rationalizing the tariffs and taxes will be undertaken.
- 2) Installation of new weaving units with modern technology will be encouraged in the private sector.
- 3) Necessary skill development training will be provided to the handloom weavers for enabling them to upgrade the quality of weaving and design of handloom products as well as for enabling them to replace handlooms by semi-autonomic looms and power looms.
- 4) New dyeing printing and finishing units will be set up with appropriate state of art technology.

- 5) Necessary incentive for setting up composite textile mills.
- 6) Sericulture activities in the private sector have been extended all over the country in cooperation with the NGOs. Extended program will be undertaken in cooperation with development partners including World Bank to raise productivity and to improve the method of mulberry cultivation. Bangladesh Sericulture Board (BSB) will be restructured with necessary changes including inclusion of representatives from private sector and NGOs.
- 7) The backward linkages of the export oriented RMG units will be established with a view to reduce import dependence for fabrics, ensuring domestic supply of quality fabrics and enhancing value addition from RMG exports.

Besides, the policy measures mentioned above there are a good number of policies included in the Textile Policy – 1995. But unfortunately, such policy measures did not produce any remarkable positive impact on the performance of the textile industry of Bangladesh.

However, under the prevailing situation, Bangladesh Bank wants a drastic reduction in the cash subsidy given to the exporters of indigenous fabrics. Bangladesh Bank complained of frequent abuse of the cash benefits with the use of fake documents (Lee, 1996). Need to mention that the incentive scheme was introduced as part of the 1993-95 export policy. It was designed to encourage backward linkage in the readymade garment sub-sector. But, exporter opposed such government policy change cautioning that any cut in the incentive would jeopardize the initial aims of the textile policy. Fabrics producers in Bangladesh in support of their demand for reduction in import duty for raw materials used in fabrics production argued that reductions in duty is a small relief to them when prices for cotton and yarn are constantly increasing in the international market due to repeated money devaluation. In this regard, fabrics producing units in Bangladesh cited the Indian government's prolonged policy of cash incentive to the fabric exporters. Indian fabric has been benefiting from a 25% cash incentive from the last 25 years. Policy measures like reduction in import duties for raw materials used in the fabrics producing

units can contribute significantly to make Bangladeshi fabrics competitive in terms of cost and price.

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CHAPTER – 4

INDUSTRY ANALYSIS

4.1 Structure of the Textile Industry of Bangladesh

4.2 Supporting Organizations

4.3 Growth and Prospects of the Industry

4.4 Key Success Factors

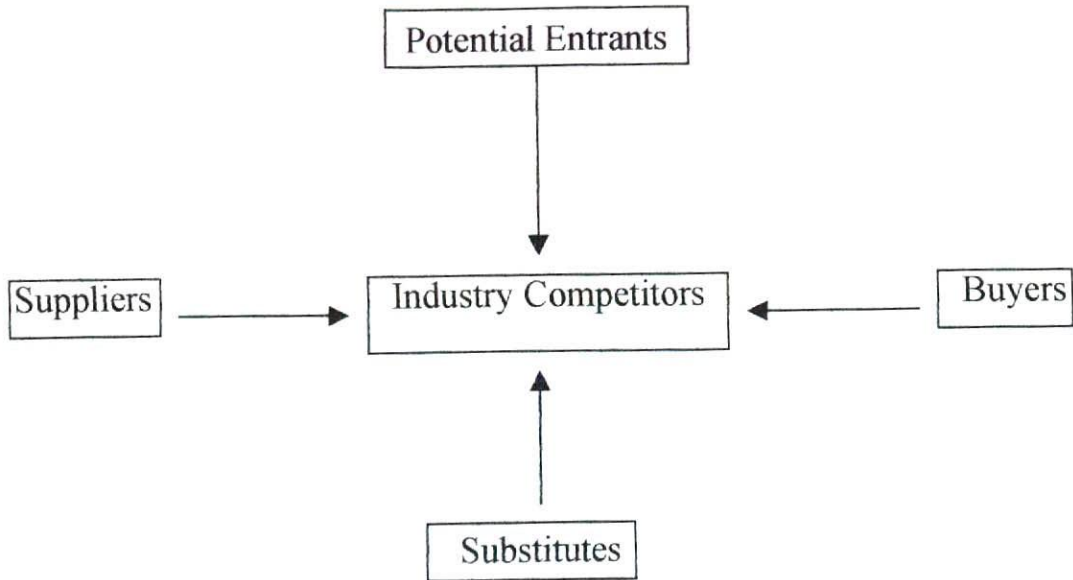
Chapter- 4

INDUSTRY ANALYSIS

Industry refers to a number of firms and organizations engaged in producing or marketing of similar or closely related products or close substitutes of those products. It is one of the key factors in firms' environment. For strategic marketing industry analysis is very critical for strategic marketing decisions. Because, strategy relates a firm to its environment, where it will operate. In this section of the dissertation the structure of the textile industry in Bangladesh, supporting organizations, growth and prospects and the key success factors in the marketing of fabrics are discussed.

4.1 Structure of the Textile Industry of Bangladesh

The intensity of competition in an industry determines the profit potential and the industry structure determines the intensity of competition. According to Michael Porter, industry structure is made up of five competitive forces. The goal of competitive strategy is to find a position that will allow a particular firm to defend itself against these competitive forces. The key to achieve this goal is to understand the underlying sources of power of each of these competitive forces. In view of the above, in this dissertation, industry analysis is done based on the concept of Michael E. Porter's Five Forces Model.



Source: Porter, Michael E. "Competitive Strategy", The Free Press, 1980, P.4.

4.1.1 Buyers

There are various types of buyers for fabrics in Bangladesh like business users, institutional buyers and individual household consumers. Business buyers includes RMG units, buying houses and some business enterprises who usually buy grey fabrics from the fabrics producing units for commercial purposes. After buying grey fabrics these enterprises do the dyeing and printing according to their own brand name, design and print to meet the target market requirements under their own management. Different corporate clients like various government and private organizations, NGOs, foreign missions and international organizations working in Bangladesh are the institutional buyers. The government organization includes defense services like Police, Armed Forces, Hospitals, NGOs, Government Offices, Bangladesh Biman, Parjatan Corporation, etc. Residential hotels are also institutional buyers. These institutional buyers buy fabrics for their official use and office decor.

Availability of varied designed and priced fabrics with different qualities from domestic and foreign sources made consumers powerful over the fabric marketer. In fact, buyers are in the driving seat to influence the marketing program of any fabric marketer. Buyers will try to force prices down, demand more quality or service and set competitors against each other, all at the expense of sellers profitability. Thus, the fabrics market can be characterized as buyers' market

4.1.2 Suppliers

For the production of fabric needs yarns and dyes chemical for sizing, dyeing and printing and finishing. Due to market failure, supply constraints and lack of competitiveness the domestic spinning units are not producing enough yarn. As mentioned by the Textile Strategic Management Unit, the public sector spinning mills had continuously been showing a dismal picture of performance during the last few years. As against the installed capacity, the level of utilization dropped from 39% in 1995-96 to 18% in 1996-97. Under recent privatization effort, liberal investment policy and new capacity the performance of private sector spinning is a little bit better than the public sector. The installed production capacity was 140.73 million kg in 1995-96, which increased to 152.32 million kg in 1996-97. In 1995-96 the actual production of yarn was 98.26 million kg which increased to 109.92 million kg in 1996-97 (TSMU, 1997). Following table shows the domestic production of yarn:

Table: 4.1
Production of Yarn 1995-1998. (in '000' lbs.)

Years	Quantity
1995-96	49,825
1996-67	50,054
11997-98	52,770

Source: Bangladesh Bureau of Statistics, Statistical Year Book 1998, Dhaka, Bangladesh, P. 230.

But the domestic production capacity is not enough to satisfy the demand for yarn. The excess demand for yarn over the domestic production in 1995-96 was 390 million kg,

which is expected to increase to 639 million kg by the year 2001-02. About 67% of this total demand will be for cotton yarn, while the rest 33% will be on account of yarn from man-made fibers (Planning Commission, 1998). Thus, limited supply of raw materials particularly yarn made Bangladesh dependent on the imported raw materials. Taxes and duties on import of raw materials for textile increased the cost of raw materials resulting in higher cost of production for fabrics. But notice from the survey on the fabrics producing units that they usually do not face any problem, except higher price, to get the supply of necessary raw materials in time.

4.1.3 Potential Entrants

Through successive reforms and amendments Bangladesh is trying to develop a liberalized and competitive market economy. Considering the importance and bright prospect of the textile industry, government of Bangladesh declared textile as a 'thrush sector'. Textile Policy-1995 aimed to attain self-sufficiency in fabrics by ensuring the availability of 17.0 meters of fabrics per capita by the year 2005 (Ministry of Textiles, 1995). To meet the requirement of the RMG units through establishing backward linkages and to ensure direct export of textile goods, production capacity will be expanded to produce quality fabrics at competitive prices. Government is offering a lot of incentives including tax holiday, tariff rationalization, removing investment ceiling, repatriation of invested capital to encourage local and foreign investors to set up fabrics producing units in Bangladesh. In response to these offerings and to reap the benefits of competitive advantages, many foreign investors are showing keen interest to invest in establishing composite textile mills in Bangladesh. Some large and medium sized conglomerates in Bangladesh are coming with the concept of developing composite textile units including RMG units. By this time Government has planned a comprehensive program for the creation of new capacity in order to attain self-reliance in fabric for domestic market by the year 2002 and to meet 50% of the fabric requirements of export oriented RMG units. During the Fifth Five Year Plan, 230 fabrics producing units are proposed to be set up in Bangladesh (Planning Commission, 1998). So, it can be

assumed that with the liberalized economic policy and a good number of new entrants, competition in fabrics marketing will be intensified further.

4.1.4 Substitutes

In fact, fabric has no substitutes. But by nature, construction and use non-woven fabrics can be considered as substitutes of woven fabrics. The past decades have witnessed growing demand in non-woven fabrics globally. According to a market study, worldwide end-use and consumption of non-woven fabrics will reach 4.3 million tones by 2005 (Lee, 2000). This prominent market has also showed its mammoth potential in Asia especially in China, Japan and North Korea. Following table shows the projected market of non-woven fabrics:

Table: 4.2
Non-woven Fabrics Consumption by Region, 1995- 2005 (in '000' tones).

Region	1995	2000	2005
W Europe	718	872	1,040
E Europe	62	104	174
N America	1,033	1,194	1,364
S America	57	90	130
Asia	504	824	1,246
Australia	31	45	58
Rest of the World	100	175	288
Total	2,506	3,303	4,300

Source; David Rigby Associates, *Journal for Asia on Textile & Apparel*,
Apr/May 2000, P.28

Non-woven fabric generally refers to textile structures produced directly from fibers in the form of fiber webs or batts strengthened by binding using different techniques. Possessing flat, flexible, porous sheet structures, these fabrics have the properties of abrasion resistant, absorbent, water repellent, light, strong, being elastic and so on.

Indeed, non-woven fabrics' various outstanding performances have provided it with enormous development opportunities in a wide range of end use and applications. Non-woven fabrics can be used in the manufacture of baby diapers, surgical masks, gowns, fabric softeners, pillowcases, interlinings, airbags, thermal and noise insulation etc.

Non-woven fabric generally falls into two categories depending on end use: disposable and durable. Non-woven fabrics provide the basis for a wide variety of consumers, industrial and healthcare products used around the world. The technical criteria for disposable non-wovens includes sufficient strength and extensibility to withstand high speed converting processes; a balance of softness and rigidity to accommodate both packaging and the extended use; fluid transport; absorption; containment or repellency; and density. The types of disposable non-woven converted products include baby diapers, adult incontinence products, feminine hygiene products, medical products and wipes. On the other hand, durable non-woven fabrics are generally used in roll form by other processing or fabrication industries. They are manufactured to fairly rigid engineering specifications, and they compete on an intensive cost performance basis with industrial woven and knit textile fabrics. The durable non-woven converted product included: filtration media, protective apparel, inter linings, home furnishings, geotextiles, agricultural fabrics and automotive fabrics.

The total dollar value of non-woven fabrics shipped throughout the world in 1997 was estimated at around \$40 billion. Which indicates the market demand of non-woven fabrics. It is very true that non-woven like spunbond and meltblown fabrics are finding more applications and gaining market share. As mentioned by Thomas M. Holliday one of the attractive capabilities of meltblown has been the ability to make very small fibers. The ability to contain such micro fibers has allowed meltblown to find some viable end-use markets. But Meltblown non-woven fabrics have very slow strength and poor abrasion resistance, therefore they are not competitive with other woven fabrics in the more typical textile or fabric markets (Holliday, 1997). Thus, although the market for non-woven fabrics is growing in those regions where markets for such items as

disposable diapers and family care hygiene items are more matured, competition between the producers is becoming increasingly intense, but till now, it has very limited use.

4.1.5 Competition

In Bangladesh fabrics weaving and marketing are done both in public and private sectors. Aside from the domestic producers with the emergence of globalization and liberalized economic policy foreign made different types of fabrics are available in Bangladesh. Which may encourage to think that competition will increase in future. But the increasing demand and increasing gap between demand and supply indicates that it would not be a big problem for Bangladeshi fabrics if quality specifications could comply with the market requirements. Based on the demand, growth rate and competitive situation in the industry it can be concluded that fabrics business is still very attractive.

4.2 Supporting Organizations

4.2.1 Bangladesh Handloom Board

In order to improve the quality of handloom fabrics the Bangladesh Handloom Board has under taken different programs and projects. As mentioned in the Fifth Five Year Plan some of the important strategies to strengthen the position of handloom sub-sector are as follows (Planning Commission, 1998):

1. Revitalizing the idle looms and organizing the supply sources of handlooms products;
2. Improvement of loom technology through research and adaptation;
3. Mobilizing the banking institutions ensuring the financing for working capital to the handloom weavers;
4. Establishment of export-linkages through more concerted efforts to market handloom products abroad and also to feed the export oriented RMG units by encouraging non-traditional product base to produce handloom woven shirting, suiting, and furnishing fabrics of improved quality; and promotion of export of handloom fabrics in the overseas market.

4.2.2 Bangladesh Sericulture Board

In 1977, Bangladesh Sericulture Board (BSB) was established by the Government to take care of sericulture development in Bangladesh. Before the creation of BSB Bangladesh Small and Cottage Industries Corporation (BSCIC) used to take care of the development of sericulture in Bangladesh. However, government felt the necessity of a separate organization for the interest of the country's age-old silk industry with the responsibility of developing and promoting the sericulture in Bangladesh. The prime objective of the BSB is to revamp the age-old silk industry of Bangladesh through proper planning, guidance and providing necessary technical support to the people engaged in sericulture.

4.2.3 Bangladesh Silk Foundation

Bangladesh Silk Foundation (BSF) was established in 1997 with the financial assistance of World Bank, IDA. Employment generation, poverty alleviation and raising standard of living of concerned people through promoting and revitalizing the silk sub-sector are the major objectives of BSF. Major activities undertaken by BSF are:

- Operation of grainages to produce quality silk worm eggs;
- Management of field silk training centers;
- Demonstration in chawki rearing technology at the producers' houses;
- providing assistance in designing and developing standard quality silk products;
- Monitoring and evaluating various activities; and
- Maintaining a data base for the silk industry.

4.2.4 Bangladesh Sericulture Training and Research Institution (BSRTI)

BSRTI is working to develop appropriate technology relating to increase the yield of mulberry and silk cocoon, diseases and pest control and improvement of silk quality. Besides, to develop consciousness and skilled manpower BSRTI is also conducting various training and workshop program.

Aside from these, Rajshahi University, Bangladesh Agriculture University, some NGOs like BRAC, RDRS, Proshika, MIDAS, CARE, Swedish Free Church Aid etc. are working for the development of sericulture in Bangladesh.

4.2.5 Textile Strategic Management Unit (TSMU)

In order to initiate action research on different sub-sectors of textile industry and to formulate policies and strategies for integrated development of the textile sector, TSMU was created under the ministry of textile. As mentioned in the textile policy-1995, this unit is now equipped with a data bank and enough computer facilities for collection, processing and analysis of data for publishing various reports. This unit is now carrying out the following activities (Ministry of Textiles, 1995):

- Assists in formulation and implementation for the textile policy and strategic programs for integrated development of the textile sector of the country;
- Evaluating various programs and projects, analyzing and identifying the reasons for their success and failures and advise the concerned officials and organizations; and
- Preparing short term, medium term and long term plans and programs for operation, expansion and over all development of the textile industry.

4.2.6 National Institute of Textile Training Research and Design (NITRAD)

With a view to upgrade the quality of textile products to international standard, the training and manpower development, NITRAD was established. Necessary steps have been taken to improve the existing arrangements of research and testing are improved. NITRAD is an autonomous body under the Ministry of Textiles.

4.2.7 Department of Textile (DOT)

Department of Textile is created in the year 1978 under the Ministry of Textile. The responsibility of the DOT is to assist and guide in setting up of textile products producing units in the private sector. Besides, it imparts technical training through its 33 institutions located in different places of the country. The specific responsibilities of the DOT are mentioned below (Department of Textile, 1986):

- To prepare industrial policy for the development of textile industry both in the public and private sectors;
- To advise local entrepreneurs to set up of new units in the textile industry;
- To prepare textile investment schedule and to implement the same;
- To prepare the important criteria for raw materials and spares;
- To collect different data relating to the production and requirements of raw materials etc.;
- To assist in formulating plan and policy for the development of export oriented textile units; and
- To conduct survey of textile industry of the country.

4.2.8 Export Promotion Bureau (EPB)

Export Promotion Bureau of Bangladesh is established as a semi-government organization in 1978. To promote Bangladeshi fabrics in the international markets the important activities performed by the EPB are (Export Promotion Bureau, 1996):

- Coordination of the efforts of various private and public sector organization in the country and providing assistance, advice and information to increase fabrics and readymade garment exports;
- Participation in international trade fair; and
- Allocation of quota and issuance of Certificate of Origin for the export of textile items;

4.3 Growth and Prospects of the Industry

The current performances in marketing and production of Bangladeshi fabrics are really disappointing. But with the huge demand and growth of demand for fabrics both in the domestic and global market Bangladeshi fabrics have great potentials. Bangladeshi knit fabrics, handloom made specialty saree and check fabrics have distinctive image in the local market and in many international markets. According to Export Promotion Bureau the following items of Bangladeshi fabrics have high export potentials: Bed sheet, Bed Cover, Towel, high quality specialized Saree like Jamdani, Silk, Benarasi etc. Growth and prospects of Bangladeshi fabrics in different categories are discussed below:

4.3.1 Silk Fabrics

Bangladeshi silk fabrics have better prospects both in domestic and global markets. As people in the advanced countries like USA and Europe are shifting from synthetic to natural fiber the world market for silk fabrics is expanding. It is estimated that there is a US \$ 2 billion world market for silk fabrics (Tariquzzaman, 1998). According to the Bangladesh Silk Foundation domestic demand for silk fabrics is currently 26,000,000 meters. Currently domestic production is only 4,000,000 meters. According to a World Bank study (1995) domestic demand for silk products in Bangladesh is growing at a rate of 6-8% (Tariquzzaman, 1998).

Bangladesh has a long glorious history in silk production. Its climatic conditions are also somehow favorable for silk production. Having comparative advantage of abundant and cheap labor with appropriate technology and training, it is quite possible to improve productivity and to make the Bangladeshi silk fabrics competitive in the global market. Bangladesh government has a plan to increase the production of silk fabrics to more than 8 million meters by the year 2001-02. For this purpose government has planned to invest Taka 85.11 million by the years 1997-2002. With the financial assistance of IDA, Bangladesh Silk Foundation (BSF) aims to address the institutional, economic and technical constraints that are affecting the growth of silk fabrics production in Bangladesh. BSF is arranging different activities like trade show inside the country and

abroad, training of local designers. Through its intensive programs within 5 years BSF is trying to increase the export of Bangladeshi silk fabrics by 30% from the current level. Considering the increasing demand for silk fabrics both in the domestic and global markets, BSF is working to increase the productivity, production of quality fabrics through training and technical supports. BSF project will provide funds for undertaking studies on market trends, niche market, income elasticity of demand for various categories of silk products.

4.3.2 Knit Fabrics

Notice from some of the RMG manufacturers that Bangladeshi knit and hosiery fabrics have a distinctive image in the global market particularly in the European Union markets. The export of T-shirts, brassieres, tops, underwears, panties etc. made by Bangladeshi knit and hosiery fabrics are increasing considerably over the years.

4.3.3 Handloom Fabrics

Handloom fabrics for its intricate designs and texture are gaining increasing consumer acceptance in recent times. In particular, Grameen check made in handloom has gained a high degree of reputation in the global markets and has created a distinctive image. It is observed that during the recent Eid and other festivals high-end female buyers in Bangladesh increasingly preferred handloom made Baluchuri saree, Mirpuri Katan, Jamdani saree, and Tangail saree. Even the fashion oriented young generation female consumers are showing preference to different types, design and colorful handloom made fabrics in making fashionable dresses. Development of handloom requires small amount of capital. Basically it is highly labor intensive. Having limited domestic revenues for investment and huge supply of trainable manpower, handloom is showing a good fit with the socioeconomic conditions of Bangladesh. Thus, under the given increasing demand and good fit in market, Bangladeshi handloom fabrics will have higher growth and prospects both in the domestic and global markets.

4.4 Key Success Factors in Fabrics Marketing

Key success factors in fabrics marketing are:

- **Marketing Concept:** Marketers task is to identify the needs, wants and interests of target markets and to deliver the desired satisfaction more effectively and efficiently than the competitors. In fabrics marketing innovative design and novelty print, new design and print in every occasion like Eid and Pooja, are the most effective source of consumer satisfaction.
- **Availability:** In many cases attractiveness of design and prints instantly motivate buyers to buy a particular type of fabric. UAI study shows that Bangladeshi consumers are not after brand name except the specialty items. So, availability is the key to draw consumer attention and create visual appeal in favor of a particular fabric. Thus, availability and exposure at the convenient shopping areas of target market is critical to generate sales.
- **Productivity:** Global competition forced the fabric producers to focus on increasing productivity and cost cutting to remain competitive and maintain profitability.
- **Competitive Price:** Worldwide increase in competition also forced fabric marketers to be cost efficient to keep prices competitive. Price is the most influential factor in buying decision.
- **Customization:** Flexibility to cater the changing customer needs is the most important factor to the success in fabrics marketing. Mass customization has been the key to current and future success in the marketing of fabrics. Particularly for the business market and institutional buyers, strategy should focus on providing the customers with the precision, high performance systems they need to customize products for the end users.
- **Image:** People do not buy fabrics just to cover their body or protection of body. There is something else in fabrics buying motive beyond its functionality. People can use a particular type of fabrics to be a fashion leader or to show social status. In that case image can play a very critical role to encourage them to buy that fabrics.
- **Organizational Culture:** The fundamental aspects of organizational culture, key to the success of the organization are: management commitment to continuous

improvement; employee commitment to continuous improvement; benchmarking to measure performance against the performance of competitors and Total Quality Management (TQM).

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CHAPTER – 5

MAJOR VALUE CHAIN ACTIVITIES

5.1 Management

5.2 Financial Aspects

5.3 Cost Analysis

5.4 Technology

5.5 Procurement

5.6 Production

5.7 Marketing

Chapter – 5

MAJOR VALUE CHAIN ACTIVITIES

5.1 Management

Most of the fabrics producing units in Bangladesh are in the private sector. Other than a few, many of these have only 20 or less looms. These small units do not maintain any formal organizational structure and management. Generally, these units have been run under sole proprietorship or family management. Almost all the value chain activities of these units have been supervised by the owners or by the family members. In most of the cases the entrepreneurs and executives do not have enough knowledge about market and marketing of fabrics in domestic or international markets. But the relatively large composite units, run by the conglomerates, have competent professional managers. These medium and large units are operating as private limited company or registered joint stock company or state owned enterprise. The performance of the companies, in the private sector, having competent management and marketing professionals are considerably better than the state owned enterprises.

The relationship between management and the employees is not sound particularly in the state owned enterprises (SOEs). Mistrust and misunderstanding pushed them to blame each other for the disappointing performance and damaging situation in the industrial units. The employees working in the state run units have feelings that their salaries and benefits are secured. Due to lack of motivation and incentive employees are quite reluctant to do their best job to improve the performance of the units. In addition, most of the units do not have any training and development facilities or policy to improve the quality of employees.

5.2 Financial Aspects

In Bangladesh fabrics producing units are established with mainly borrowed capital. According to the concerned authority of the power loom owners association in 1989 the amount of total loan was near about TK. 4,000 million (Selimuddin, 1989). With interest this figure is now more than double. Financial institutions in Bangladesh usually compute interest on loan from the date of disbursement. But it takes a considerable time to make the units ready for production and to sell their products. For this period borrowers have to pay interest without any earnings.

Lack of enough working capital many fabrics producing units have been facing crisis and closure. However, it is observed that a significant number of entrepreneurs having intention to get financial benefits provided by the government are declaring themselves as sick units. It is also observed that some sick units have already applied for further financial assistance for the purpose of BMRE. In such cases government should take proper steps to justify the feasibility so that the entrepreneurs can not misuse the funds. It is to be ensured that the previous loans were utilized according to the terms and conditions of contract. Otherwise, new loans will be misused in higher proportion than previously done. Instead of further financing, units, which would be found with improper utilization of borrowed capital, should be disposed of to realize the loans. Because repeated financial assistance may not be the solution to industrial sickness, when it is dictated by the taskforce formed by the government for the rehabilitation of the sick units, that problems lies in marketing for the failure of the units. However, financial institutions financing such units can not avoid their responsibilities for such a situation. Lack of proper guidance, monitoring, entrepreneurs were encouraged to misuse the loans.

5.3 Cost Structure

Saree is the traditional female attire in Bangladesh. Here, the cost structure of average quality saree (for ordinary use in daily life) is analyzed. The cost structure is developed

based on the data furnished by the respondents during primary data collection. Yarn quantity is calculated by using the following formula:

$$\text{Quantity of Yarn} = \frac{\text{No. of Count} \times 840}{\text{No. of Ends per inch} \times \text{Width}} \times 95\% \text{ (5\% as system loss)}$$

To produce NE 60/1 counts cotton saree (B grade) with 45 inches net width non-mercerized required 0.61 lbs yarn. Similarly, to produce 'A' grade cotton saree with 47 inches net width mercerized, 0.59 lbs cotton yarn of NE 80/1 count is required.

Table: 5.1

Cost Structure for Saree of Selected Quality

Cost Elements	Quality (Grade) of Saree	
	'B' Grade (5.5 Yards)	'A' Grade (6 Yards)
Yarn	63.63	86.00
Weaving (Per Yards):		
Sizing	0.80	
Wages	1.00	
Electricity	0.70	
Misc.	0.50	
Total	3.00	
Transportation	17.00	18.00
Production Cost (Per Saree)	86.00	106.00
Margin for the Producer	4.00	4.00
Factory Price Per Saree (Grey)	90.00	110.00
Printing Cost Per Saree	50.00	80.00
Margin for the wholesaler	10.00	20.00
Price to the Retailer	150.00	210.00
Retail Margin	10.00	20.00
Price to the End Consumer	160.00	230.00

Source: Survey data.

The production cost of 'B' Grade and 'A' Grade saree are Taka 86 and Taka 106 respectively. But the weavers are selling the grey saree to the wholesalers with a margin of Taka only 4 per saree. The printing cost for 'B' grade is Tk. 50 per saree and Tk. 80 for the 'A' grade saree. The above cost analysis shows that high cost of printing provides sellers higher profit margin.

It is noticed from the sellers that the Indian smuggled sarees of similar quality to 'B' grade are available in the local market at a price of Taka 105 to 115. Indian made smuggled sarees, close to 'A' grade are also available in the local market at price of Taka 200 to 220. Need to mention that Indian made sarees are significantly cheaper and far better than the Bangladeshi sarees in terms of print and color combination.

5.4 Technology

In most of the cases fabric producers in Bangladesh are using obsolete and outdated technology. Very few international standard finishing units are operating in the country. Inevitable results of such technological backwardness are the lower productivity and higher cost of production per unit. Changes in technology lead to increase in productivity. But need to mention that change in technology does not always mean the use of imported technology. Manufacturers often choose imported equipment and machinery instead of locally produced relatively better such items. This is more painful when it will be found that the machinery and equipment made in Bangladesh show considerable cost advantages and better performances than the imported ones.

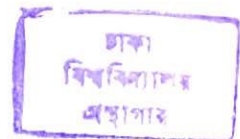
There are a few sizing units in the country. Sizing is a very important preparatory step for better weaving. Lack of enough sizing facilities in the convenient locations weaving units have to bring yarns all the way from weaving station to the sizing units. Which is geographically quite far. Thus, movement of yarns consumes significant time and transportation cost. To avoid such hassle many units are doing the sizing by using indigenous process and materials, which definitely affects the quality of weaving and fabrics.

5.5 Procurement

Although historically Bangladesh is a producer of textile product and has a long cultural heritage in this particular field, till now no strong supply base for raw materials is developed here. Local spinning units are not capable enough of supplying yarn both in terms of quality and quantity. Thus, fabric producing units have to depend on imported raw materials like yarn, dyes chemicals, machinery, laboratory equipment etc. State owned enterprises are usually procure raw materials through open tender for the whole year and forced is to carry a huge stocks. Which in one hand is creating some problems like quality deterioration and pilferage; on the other hand, it needs huge capital at a time. Instead of buying materials at a time for the whole year these units can make arrangements with the suppliers for Just In Time (JIT) delivery system. Such arrangement will save carrying costs and will help to avoid pilferage and quality deterioration. Need to mention that many privately run units are practicing this type of procurement.

Because of the existing fiscal policy imported and smuggled fabrics become cheaper as compared to the locally produced fabrics. Government has imposed no sales tax on imported finished fabrics but 20% sales tax and 15% VAT on locally produced fabrics. Besides, tax has been imposed on raw materials used in the fabrics producing units. Such policy measures are clearly acting as a threat to cost competitiveness of Bangladeshi fabrics. Government should rationalize the fiscal policy by reducing duties and taxes on imported raw materials. If government does so, the state may lose some revenue but it would be able to save and earn more by helping Bangladeshi fabrics to be competitive in terms of price.

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5.6 Production

Fabric production process is composed of following stages:

A. Preparatory stage

1. **Winding:** Winding means winding of yarn in beam for the sizing.
2. **Sizing:** It is a very important stage in the preparation of fabrics production or weaving. In this process of production, yarns are passed through a chemical solution or paste to increase the tension or strength of yarns. Without sizing weaving is very difficult.

B. Weaving

1. **Dyeing:** Before loading in loom the weavers dye yarns using suitable chemicals and dyes depending on the design and color expected in the fabrics. During dyeing yarn is dyed by dye solution. But in many cases, weavers use yarn without dyeing and print the fabrics after weaving.
2. **Winding:** Winding of yarn in weaving beam after sizing.
3. **Weaving:** The weavers set the beam to the loom and arrange the yarn depending on the desired construction and width of fabrics.
4. **Desizing:** In this stage of operation the chemicals or materials used in sizing will be evaporated. In woven fabric preparation, desizing is the most important step. Because the subsequent steps in preparation depend on good size removal. Mercerization has more potential to cause dyeing problems than any other preparation step. Neutralization with acetic acid after mercerization forms sodium acetate, which may act as buffer and affect dyeing, or yellow when the fabric is dried, if not completely washed out during preparation (Perkins, 1997).
5. **Bleaching:** Fabric is often whitened by using bleaching prior to dyeing or printing. Hydrogen Peroxide, Sodium Chloride and Sodium Hypochloride are the most common bleaching agents. Fabrics made from synthetic fibers often do not need to be bleached. But blends of synthetic and cotton are commonly bleached.

C. Dyeing and Printing:

It is a process or combination of processes which is performed to give a reasonably permanent coloration of fabrics. The kind of fabrics and yarn and the desired quality determine the dyeing process and the sort of dye will be used. There are different kinds of dyeing and printing. Some of these are:

1. **Block printing:** In this process different wood made printing blocks or plastic made blocks are used. The selected blocks are dyed by dyes chemicals of selected colors and then transferred the colors in fabrics on a table or floor.
2. **Screen Printing:** In case of screen printing the desired design is made on screen gauze fixed on screen frame. The fabrics to be printed are attached to the printing table. Then the designed screen is placed on the fabrics by rail key and color paste is drawn by squeeze when color is passed through the open mesh to the fabrics. This process is done in dark room.

After printing dye is fixed on fabrics by a) dry heat; b) wet development; c) pressure steaming; and d) normal steaming.

D. Finishing:

Finishing is the treatment of fabrics in order to achieve special characteristics on fabrics, for example better visual appearance, enhance smoothness, or wrinkle resistance. Finishing often indicates the quality of fabrics. So, finishing is very critical for quality requirements.

5.7 Marketing

Marketing is finding out of what people need, offering satisfying goods and services and keeping them satisfied and achieving the organizational objectives. In today's business world it is widely recognized that marketing is the most effective guiding element of business. But traditionally marketing is a neglected area in business in Bangladesh. The existing marketing system of Bangladeshi fabrics is discussed below:

5.7.1 Product

As mentioned earlier that there are different types of fabrics producing units in Bangladesh like synthetic, cotton etc. In the synthetic group major products are shirting, suiting, Lungi (traditional male attire in Bangladesh), saree (traditional female attire), mosquito nets, home furnishings, and curtain fabrics, dopatta, and bed cover etc. In the cotton group major products are bed linen, towels, canvass and shirting, grey fabrics etc. In the silk group saree is the main item.

In most of the cases Bangladeshi fabrics fail to match with the customer choice. The reason is that producers usually define their business as making fabrics rather than helping consumers to satisfy their needs and wants. In other words, in most of the cases manufacturers mainly focus on what they can produce instead of considering what the consumers actually need. Producers in Bangladesh usually give maximum emphasis on longevity of fabrics. They considered longevity as the indicator of quality. To maintain such quality they use much yarn in fabrics to make it thicker texture. This is one of the reasons for higher production cost of Bangladeshi fabrics, saree in particular. No doubt it increases the longevity of Bangladeshi saree. But it is observed in UAI study that such longevity is less important to the users belonging to middle class and lower middle class, the highest and frequent users of such saree. They usually prefer attractive design, novelty print and low price but not longevity.

5.7.2 Distribution

Distribution is one of the integral parts of marketing mix. When an organization is in the process of developing a marketing program it must give sufficient attention to the distribution system, the means for getting the product to the market in time. By making a product available at the right place, in the right time for sale, distribution creates place, time and possession utilities. If goods are not distributed as desired by the users or consumers indeed it has no value and no utility. Understanding what, where, why, when and how the target customers buy is the first step in designing the distribution network.

After developing an effective distribution network, efficient management of the network needs proper control of its activities with sufficient motivation to the distribution channel members. But almost in all the cases the fabric producers do not have any control over the distribution members. In Bangladesh fabrics sold and distributed through many trade channels, most of which are very traditional by nature. The channels of distribution, mostly used by the fabric producers in Bangladesh are shown below:

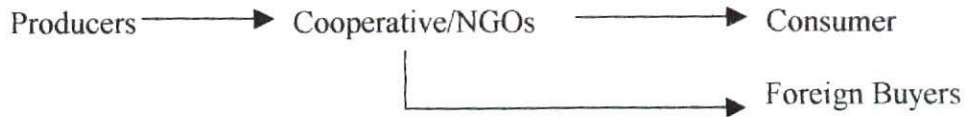
Producer → Wholesaler → Retailer → Consumer

Producer → Show Room → Retailer → Consumer
 Producer → Display Centers → Consumer

Producer → Buying Houses → RMG units → Foreign buyers

Producer → Exporter → Foreign importer → Foreign consumer
 Producer → Agent → Foreign consumer

Producer → Large wholesaler → Retailer → Consumer
 Producer (Contract Basis) → Large Retailer → Consumer



In case of contract manufacturing, the fabric producers are selling just capacity. In fact, in this case no marketing efforts, no research is required from the producers. Design and other product specifications usually come from the large wholesalers or retailers with whom the producers make contractual arrangements. The manufacturers are just adding value in production according to the specifications given by those parties.

Since Bangladesh is a typical wholesale area and the fabrics market is dominated by the wholesalers, the manufacturers usually depend on the wholesalers for the distribution of fabrics. But manufacturers most often do not get fair deal from the wholesalers. Both wholesalers and retailers prefer to sell foreign made fabrics due to higher margin and faster turnover of foreign fabrics. As a result local manufacturers face difficulties in selling fabrics through these distribution members. Following table shows the reasons of disinterest of distributors to Bangladeshi fabrics:

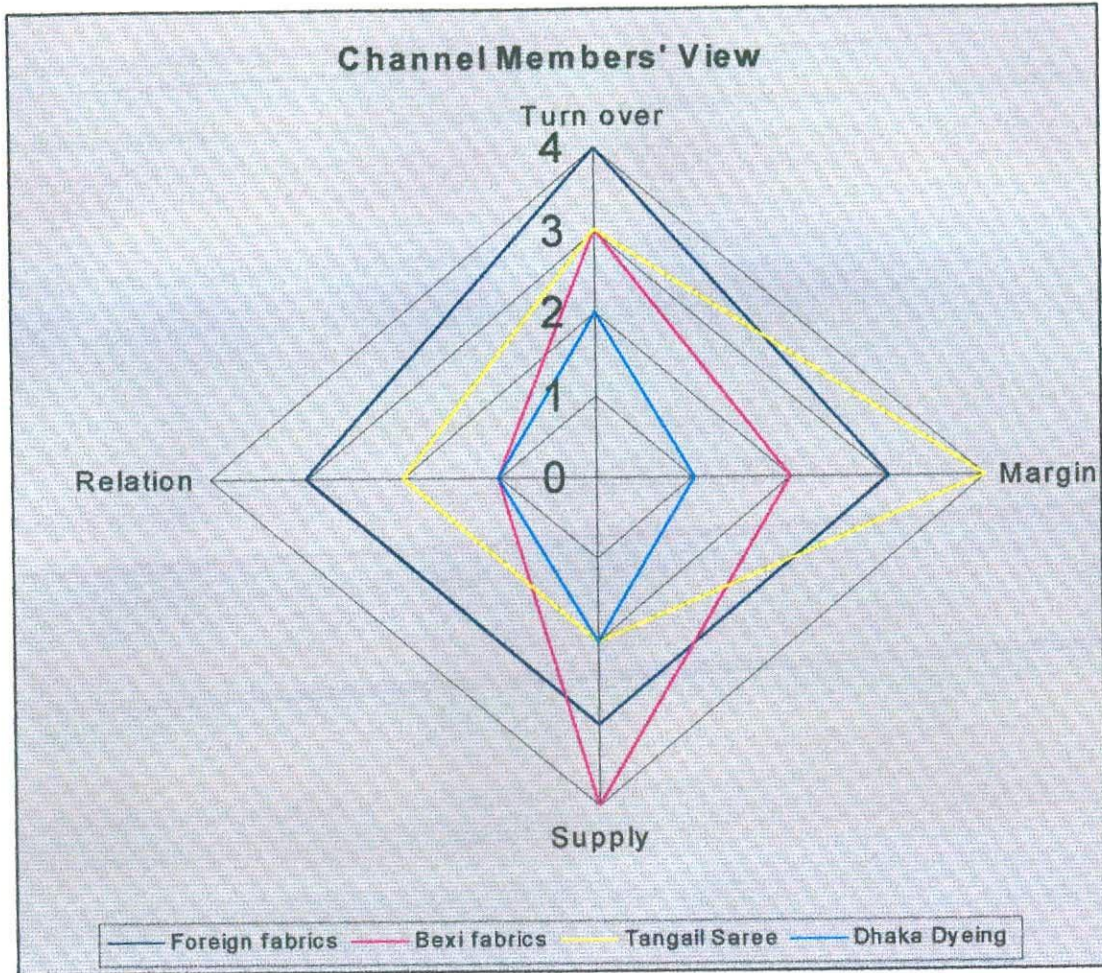
Table: 5.2
Percentage Distribution of Channel Members by Reasons of Disinterest to Bangladeshi Fabrics.

Reasons	No. of distributors	Percentage
Lower turnover	23	76.6
Irregular supply	10	33.3
Lower margin	26	86.6

Source: Survey data.

Graph 1:

Channel Members' View About Some Selected Fabrics



The graph is showing the distribution channel members view about some of the sources of fabrics in respect of turn over, margin, relation with the sources and supply condition. The selected sources are rated using a 4 point scale, 4 being the highest and 1 being the lowest rating. It is observed that foreign fabrics have maximum turnover with highest 4 points followed by Tangail saree, Bexifabrics and Dhaka dyeing with 3,3 and 2 points respectively. In terms of margin Tangail saree is on the top of the list with 4 points followed by foreign fabrics, Bexifabrics and Dhaka dyeing with 3, 2 and 1 points respectively. Regarding supply, Bexifabrics secured 4 points. In terms of relation foreign

fabrics suppliers are on the top of the list with 3 points followed by tangail saree and Bexifabrics and Dhaka dyeing with 2 and 1 points respectively.

As the fabric producers in Bangladesh are financially weak, in many cases they usually depend on the solvent wholesalers or retailers for working capital. In those cases, producers are compelled to sell their fabrics at a very lower margin to the parties, supplied working capital. It seems in such cases producers have no voice in setting price. Besides, as the turn over rate is considerably slow, producers usually sell fabrics to the wholesalers and retailers on credit basis and face difficulties in realizing the sale proceeds.

5.7.3 Price

Price is one of the most effective, tactical weapons which may lead a firm to a success or to a disaster (Nair, 1985). It is always an important consideration both to the buyers and to the seller. Historically, price has operated as the major determinant of buyer's choice (Kotler, 1983). In order to keep price competitive cost control is a must. While visiting the fabrics producing units, notice that following factors caused undesirable increase in production cost:

- Wastage of raw materials;
- Wastage of working time (idle time);
- Defective production; and
- Loss of machine and man hour due to power failure.

Notice that in the state owned units, employees and workers mostly keep sitting idle but taking full salaries and wages. Such a situation of receiving benefits without producing any fabric contributing to higher cost of production. In the privately owned units under utilization of installed production capacity is also pushing per unit production cost high. Actually higher cost of production pushed price high for Bangladeshi fabrics. But no effective measure to control or reduce cost is observed.

However, in developing a sound price policy one has to consider both external and internal factors. But in most of the cases price of Bangladeshi fabrics is usually fixed on the basis of internal factors such as production cost and the expected profit. Manufacturers usually do not consider the consumer's perceived value and competitors price for similar types of items.

5.7.4 Promotion

Modern marketing calls for more than developing a good product, pricing it attractively, and making it accessible to target customers, companies must also communicate with their customers (Kotler, 1983). In a competitive environment where alternatives are available and buyers are very price sensitive and selective in buying habit, effective and timely promotion is essential. A basic fact of life in marketing is that a product can not sell itself. Even a product that is designed to meet buyer's desires perfectly and is offered at a affordable price will not be successful unless information about its availability and benefits is provided (Gultinan, 1985). But it is observed that Bangladeshi fabric producers are quite reluctant in this respect ignoring promotion as a powerful force in creating image and building consumer base. Following table shows the promotional activities by the sample units:

Table: 5.3

Fabrics Producers (Sample Respondent) by Promotional Activities.

Promotional Activities	No. of firms	Percentage	Budget (as % of total sales)
No promotional efforts	12	60	0.0
Advertising	2	10	.05
Sales promotion	5	25	1.0
Personal selling	1	5	.05

Source: Survey data.

A few producers, who are investing significant amount of money for promotional activities are getting benefit out of that investment. Brand name of these producers like Bexifabrics, Perfect, Pride etc. are increasingly acquiring consumers share of mind and building image in favor of fabrics produced by those units.

5.7.5 Research and Development (R & D)

For the successful marketing of products manufacturers need sufficient information about consumers' demography, their consumption pattern, reactions to marketing efforts and changes in market. This requires collection, analysis and interpretation of timely and necessary information. It narrows down the uncertainty and risks attached to the marketing of a particular product. It illuminates a firms' path to profitability and helps it to walk into the dark future without trembling legs (Nair, 1985). But in Bangladesh fabric manufacturers are not sincere about R & D. No such steps have yet been taken to reduce the information gap between the producer and the user of fabrics. As a result manufacturers thinking is far from the real situation existing in the market.

It is unfortunate that many producers do not know who are the end users of their fabrics. Fabrics market is composed of industrial users, institutional buyers, individual and household consumers. Further, household consumers belong to different social classes like upper class, middle class, lower class etc. The buyers of different categories are too varied in their requirements, buying motives and buying habits. But it is observed from the interview with the fabrics producing units that in most of the cases they do not know particularly, which segment of the market and who are the ultimate consumers or buyers of their fabrics. They do not know perfectly the variables of consumer behavior in relation to the use of fabrics. Thus, lack of adequate understanding of consumer behavior and market information producers fail to match the quality and design of fabrics to the needs, choices and requirements of the users.

In fine from the analysis and observation it is clear that the present marketing program followed by the fabrics producers in Bangladesh is not sufficient and effective to create customer acceptance , consumer satisfaction and to achieve the objectives of the firms.

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CHAPTER – 6

MARKET ANALYSIS

6.1 Domestic Market

6.2 Global Market

6.3 Demand – Supply Analysis

6.4 Consumer Behavior Analysis

Chapter- 6

MARKET ANALYSIS

Market analysis includes the understanding of customers, analyzing market demand and growth and future trend. The major objectives of market analysis are:

- (i) to determine the attractiveness of markets; and
- (ii) to understand the dynamics of the market for fabrics.

After food, fabric is one of the basic needs of human being. Fabrics are among the world's most old and useful products. It is not only for clothing but also for many other purposes in human life. Traditionally, fabrics are used for protection against sun, rain, wind and cold as history began to be recorded. Certainly, by the time of the ancient civilizations and continuing through the mediaeval ages, fabrics were playing their part in tents, and marquees, often in multi-roomed and magnificently appointed forms (Hearle, 1996). Since the dawn of civilization the need for clothing has been ever increasingly felt. With the growth of civilization and the multiplication of human wants the need for fabrics not only increased in terms of quantity but also flourished in many splendid varieties.

6.1 Domestic Market

Fabrics market in Bangladesh is composed of individual household consumers, institutional buyers and the business markets.

6.1.1 Individual Household Consumer

Currently in Bangladesh there are 22,124,320 households with 5.6 persons per household on average (BBS, 1998). The per capita fabrics consumption of new cloth in the year 1995-96, was 10.93 meters (BBS, 1998). In Bangladesh the demand for fabrics depends on mainly the growth of population and per capita income. The population of

Bangladesh is now growing at the rate of 1.7%. The per capita income is also increasing gradually. It is expected that the growth of population and increase in per capita income and rise in the standard of living by the year 2002 per capita consumption of fabrics will reach to 17 meters with a yearly growth rate of about 5% (Planning Commission, 1998).

6.1.2 Institutional Buyers

There are a good number of institutional buyers for fabrics in the domestic market. In Bangladesh more than one hundred foreign missions and international organizations are working. Besides, residential hotels, schools, hospitals etc. need fabrics for their official purposes and decoration. In addition, a number of state controlled organizations like Police, Armed Forces, Biman Bangladesh, Parjatan Corporation are buying huge quantity of fabrics of different types like saree, shirting for uniform, screen, bed sheet, towels, curtains, mosquito nets, bandages etc. There is no authentic statistics available about the demand of fabrics for this market. But it can be estimated that the combined demand of these organizations for fabrics is quite significant against the supply of local fabrics producing units. Currently, these organizations are mostly buying the required fabrics through open tenders.

6.1.3 Business Market

Recent rapid growth has made Bangladesh's RMG sub-sector the country's single largest industrial users of fabrics with an estimated annual demand of 2,960 million meters by the year 2001-02 (Planning Commission, 1998). Thousands of varieties of fabrics are available in the market used in the RMG units. Here is a list of some fabrics commonly used to make ready-made garments;

1. 100% cotton solid colors (Sheeting, Calico, Poplin, Flannel etc.);
2. 100% cotton Denim/Chambray;
3. 65/35 Polyester cotton, solid colors (T/C, Calico, Twill, Plain fabrics etc.); and
4. 100% yarn died check fabrics (Poplin, Twill, Flannel etc.).

In fact, in most of the cases buying houses are responsible of supplying fabrics or deciding the fabrics specifications to be used in the RMG units. Actually buying houses

are doing this job on behalf of their overseas clients. When business buyers realize that their competitiveness is directly dependent on their supply chain, they tend to drive their suppliers mercilessly. This has a direct bearing on what this business market expect from the fabric suppliers, with ramifications including:

- **An increased emphasis on speed:** The need to fulfill orders faster and more precisely.
- **Increasing variability:** Rising demand for customization of specific product variations to create market niches are increasing product line and process complexity.
- **Quality issues:** It is given that fabrics must comply with the quality requirements.
- **Price:** In order to be price competitive, intense competition forced fabric suppliers to control costs to keep costs at a competitive level.
- **Information:** Buyers more frequently require historical information about fabrics, as well as a current view of supply capability in the light of ongoing change. This is very critical in the face of changing pattern of global business. Fabrics manufacturers have had to prove themselves, because business buyers have reduced their supplier bases to create close relationships where separate legal entities can compete de facto as one.

In addition to these RMG units and buying houses there are some business enterprises usually buy grey fabrics from the fabric manufacturers for commercial purposes. These business buyers do the dyeing, printing and finishing of purchased grey fabrics under their own management according to their own design and end markets requirements. In many cases these business buyers are marketing these fabrics under their brand name.

Notice from the UAI study and Focus Group Discussion (FGD), consumers in the domestic market mostly preferred foreign fabrics. But in case of marketing of specialized fabrics like bed sheet, towels, Lungi, silk and some handloom items the picture is quite reverse. Consumers are buying these items even in the face of available foreign made such items.

6.2 Global Market

Textile companies have become global in every facet of operations, from finding raw material sources to locating manufacturing facilities to develop worldwide markets for their finished goods. Globalization forced companies to become more flexible in their product range and more scaleable in adjusting production schedules and lead times to meet market demands. Globally, fabric market is highly changing. Now a days, the fabric market is dominated by new trends, multicolored designs of increased complexity, shorter delivery time etc.

6.2.1 Major Producers and Markets

The leading fabrics producing countries in the world are China, India, Pakistan, Indonesia, Korea, Taiwan, Thailand, Turkey, United States. Among the exporters of fabrics China is on the top of the list followed by United States, India, Pakistan, Germany and Italy. Major importing countries are United States, France, Hong Kong and UK. As a single country US is the largest market for fabrics with only 5% of the world's population and 14% of the world's textile output, US consumes about 20% of the world's textile and receives more than 21% of the world's textile and apparel exports (Brookstein, 1997). This is due to the higher standard of living in US. As one single market EU is a vast market for fabrics and garments. EU market is composed of several cultures and nations with different market requirements. The textile and garment industry in the EU had a difficult year in 1999. Due to Asian crisis and worldwide recession textile consumption decreased by 6%. Since fabric is an essential consumer item, with the increase of world population, world market for fabrics is expanding. A study, "World textile & Clothing Consumption: Forecasts to 2002" by John Coker found a direct correlation between fabrics consumption and per capita income. Following table shows some selected market information about US and EU markets:

Table: 6.1**Export-Import In Major Markets**

	US	EU
Population (Millions)	374.4	270.3
Textile Imports (Billion Dollars)	19.0	12.8
Textile Exports (Billion Dollars)	23.4	9.0

Asia and the European Union are the major players in the global trade of textile and apparels. European Union is the dominant importer of textile products. In 1997, it imported for almost ECU 60 billion (about US\$ 68 billion) of ready made garments and another ECU 15 billion (about US\$ 17 billion) of grey cloth and finished cloth (ProFound 1998). Asia is the world's foremost exporter, with leading suppliers like China, India, Pakistan, Hong Kong and Korea. The following table shows the volume and value of textile products Bangladesh exported to EU markets:

Table: 6.2**EU Imports of Textile products from Bangladesh (Value in '000' ECU)**

Item	1995		1996		1997	
	value	% of total import	value	% of total import	value	% of total import
Grey fabrics	30		37		59	
Finished fabrics	1186		1201		467	
Ready made garments	966,891		1,131,496		1,439,705	

Source: Eurostat, International trade in Textiles and Clothing, workshop paper entitled, "The Consequences of the GATT Uruguay Round for the Textile and Garment Sector in Bangladesh", ProFound, September 1998, Dhaka.

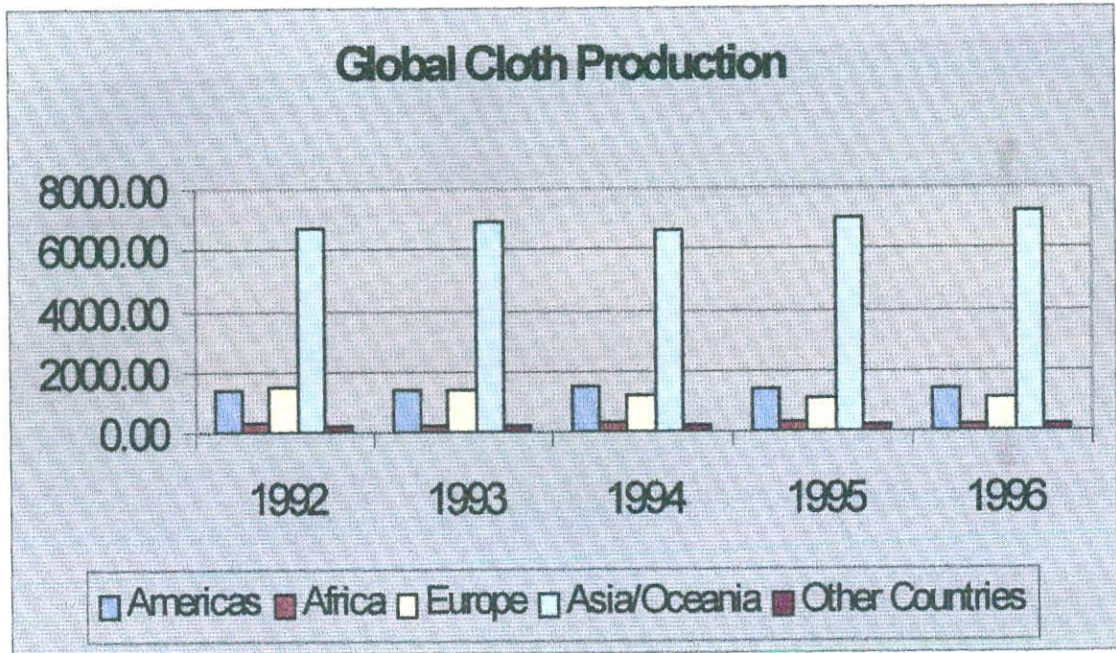
Regarding the supply side there was no noticeable change in woven fabric production on a global level for the past three years. Regarding regional development, Asian manufacturing was rather slack, while European woven fabric production had a distinct revival (Lee, 1998). Following table shows the global fabrics production of last few years:

Table: 6.3

Global Fabrics Production (Figure in '000' metric tons)

	1992	1993	1994	1995	1996	Growth (%)
Americas	1392.00	1373.60	1433.80	1414.50	1413.80	0.3
Africa	262.80	246.30	264.30	254.70	230.60	-2.6
Europe	1519.00	1369.40	1225.10	1114.70	1043.00	7.2
Asia/Oceania	6753.60	6882.90	6608.90	7009.80	7195.60	1.3
Other Countries	224.10	232.40	227.60	233.80	230.10	0.5
Total	10151.50	10104.60	9759.70	10027.50	10113.10	-0.1

Source: Business Recorder (1999), www.brecorder.com



Globally fabrics production has been recovering since the low point of the third quarter of 1995 and was up by a further 1.5% in the 1996. In the 1996, weaving output rose in Asia by just 0.7%. Europe however showed a drop of 2.3% (Burroughs, 1997). According to the ITMF fabric inventories, worldwide, have been dropping since the first quarter of 1996 (-10.4%) with only a slight increase of 0.9% in the second quarter of 1997. Reduction of fabric inventories during last few quarters in US and Europe have been recorded as -23.7% and -15.3% respectively. The European and US indexes for

outstanding fabric orders were down by 2.9% and 4.7% respectively in the second quarter of 1997, but were still higher than a year earlier. By the year 1999, the US and the Asian producers are the main contributors to the 3.2% increase in global fabric production with 5.7% and 5.1% increase in US and Asia respectively. In the same year fabrics production in Europe dropped by 1.2% (Rozelle, 2000). Against the reference period in 1998, the global fabrics stock declined by 7.6%, with the US recorded the largest cut of 20.2%. Europe also saw its fabric stocks fall by 6.8%, while Asia experienced a rise of 1.3% in fabric inventories (Lee, 2000).

Bangladesh is one of the major suppliers of readymade garments both in the US and European Union market. But Bangladesh does not play an important role in the supply of gery fabrics or finished fabrics. Similarly, in the USA market Bangladesh is the 14th largest supplier of various ready made garment items in terms of value and the 12th largest in terms of volume. But Bangladesh does not play significant role in exporting fabrics to the US market.

6.2.2 Global Export and Import

Global competition and innovation of technology have changed the dynamics of textile business worldwide. Expansion of fabric production capacity in the low wage countries contributing in lowering the cost and price of fabrics in the global market. Thus, fabric producers in the US and the European countries have little room to raise their domestic or export price, which eventually made them dependent on import for fabrics and apparels. Following tables are showing the global export and import of fabrics:

Table: 6.4
Global Export of Fabrics (Fig in '000' metric tons)

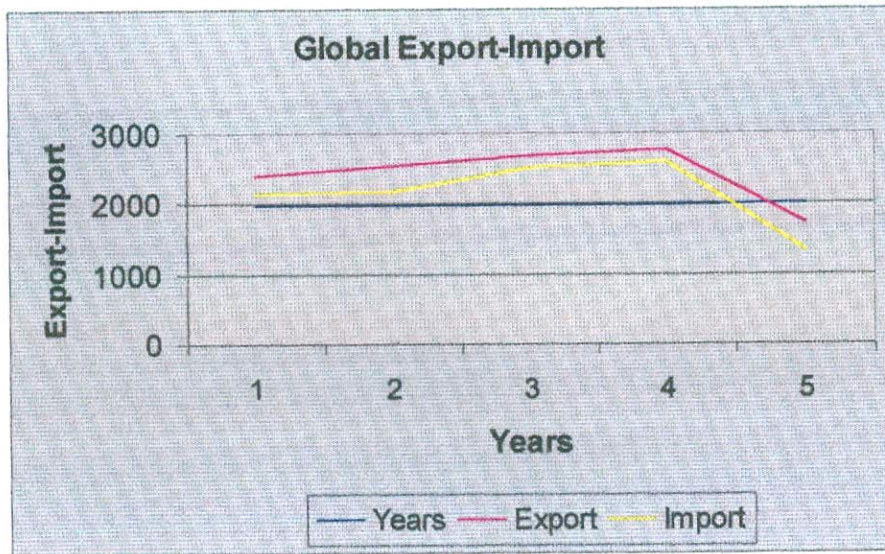
	1992	1993	1994	1995	1996	% Growth
Americas	252.80	246.20	261.70	241.40	189.10	-5.60
Africa	49.00	49.80	59.70	54.40	4.10	-39.20
Europe	561.80	546.00	641.50	698.40	413.80	-7.10
CIS & Former USSR	35.40	31.90	30.30	29.50	0.00	-100.00
Asia/Oceania	1503.20	1665.50	1683.90	1697.60	1116.50	-5.80
Other Countries	0.10	0.00	0.00	0.00	0.00	-100.00
Total	2402.30	2539.40	2677.10	2721.30	1723.50	-6.40

Source: Business Recorder Statistics: Cotton & Textiles, (www.brecorder.com)

Table: 6.5
Global Import of Fabrics. (Fig in '000' Metric Tons)

	1992	1993	1994	1995	1996	% Growth
Americas	508.20	525.20	675.60	710.60	344.10	-7.50
Africa	33.40	35.30	15.00	17.60	8.60	-23.90
Europe	700.60	646.70	762.00	766.10	351.00	-13.10
CIS & Former USSR	7.10	5.50	4.80	4.20	0.00	-100.00
Asia/Oceania	881.00	943.60	1045.30	1066.40	637.70	-6.90
Other Countries	0.40	0.10	0.10	0.00	0.00	-100.00
Total	2130.70	2156.40	2502.80	2564.90	1341.40	-9.10

Source: Business Recorder Statistics: Cotton & Textiles, (www.brecorder.com)



Prospects for the US fabrics producers are not very promising for future. Clothing prices except for 1997 have been on a downtrend since 1992 falling by 1.4% per year. The sharp appreciation of the dollar versus the currencies of countries with large apparel export to the US in the aftermath of the Asian crisis in 1997 has accelerated the decline in clothing prices to 2.0% in the last two years.

6.2.3 New Challenges for the Marketers

Besides, price and cost factors the challenges have been facing by the business people are : the dynamic business environment, rapid pace of technological changes, changing needs and profiles of consumers. During the past decades, the awareness of environmental problem have increased considerably and during recent years the environment has become an important issue in the textile business particularly for fabrics. There are some product standards established because of health, safety or environmental reasons. Differences between product standards in different countries can be huge, but there are some similarities in legislation applicable for global business of fabrics. In recent times, the average consumer has become more aware of the fibers contained in the fabrics that he wears. In the last decade it is observed the rebirth of cotton and other natural fibers, but new fibers which offer special properties are gaining increasing popularity.

It is also observed that a growing sophistication is going on in the marketing chain. Product promotion has been much more refined. In fact, this is an age when even the raw material has to appeal to the end consumers. With growing market exposure of different available materials; greater concern about health, public knowledge increasing about social issues involved in manufacturing and the move towards a greener environment, the consumer has become more concerned about what he wears. Globalization offered huge options, putting pressure on manufacturers to develop better and better fabrics. Now in fabrics marketing it is not so much what the producers can produce and what the designers can design but what the buyers want to purchase.

6.2.4 Growing Market for Silk

It is interesting that there is a growing market for silk fabrics. As people in the advanced countries are showing increasing interest in natural fibers, the world market for silk fabrics is expanding. It is estimated that there is a US \$ 2 billion world market for silk fabrics (Tariquzzaman 1998). In ancient times silk fabrics was used as a luxury item by the royal families and people belonging to affluent society. But with the changes of time the uses of silk increased and widened remarkably. Currently, silk fabrics are used in

manufacturing garments, home decor items, parachutes, fishing line, surgical thread, insulation coils etc.

The leading silk producing countries in the world are China, Korea, Japan, India, Vietnam. Vietnam is the most new comer in the world silk industry. But within a very short period of time its silk production has now reached 5,000 tons (Shahiduzzaman).

In 1995 the total volume of silk export in the world market was US \$ 1.94 billion. The export volume of China, Italy, Korea, and India was US \$ 656 million, US\$480m, US\$ 266m and US\$ 126 million respectively. Among the importers Hong Kong is the number one with US\$ 374 million followed by USA US\$ 285m, Japan US\$ 254m and South Korea US\$ 154m (BSF,1998). Per capita silk consumption is highest in Japan and Japan is the largest market for silk fabrics. In India 85% of its production is consumed by domestic market.

With the increase of standard of living the demand for silk is increasing in China, Korea, Vietnam and Bangladesh. Aside from these Asian countries demand for silk fabrics is increasing significantly in Germany, USA, Sweden, France, Switzerland and other European countries due to increasing health consciousness and popularity of natural fiber.

Aside from silk it is also observed that Nylon is used in a myriad of broad and narrow woven end uses including lingerie, linings, outerwear, transportation fabrics, luggage and coated and protective materials. As noted by Wimalaweera, narrow fabric is a textile structure which does not exceed a defined width. In the UK, fabrics having a width of up to 45 cm are considered narrow fabrics. In the USA this limit is 30 cm. A characteristic of narrow fabrics is that its edges are so constructed to avoid fraying-off of the constituent yarns from the fabric. The formations of these edges are usually done during the production of the fabrics. Now a days, narrow fabrics are used in almost in every part of human life such as in garments, in household goods, for technical and industrial applications. A large variety of woven, knitted, braided or non-woven fabrics suitable for these different applications are available in the markets (Wimalaweera, 1996).

In fine, from the above discussion it is clear that market for fabrics, domestically and internationally is expanding. To tap the prospective market Bangladesh needs effective marketing strategy with required reengineering in the fabrics manufacturing and business process.

6.3 Demand-Supply Analysis

Following are the sources of supply of fabrics in Bangladesh:

- Domestic production:** In Bangladesh fabric is produced in both private and public sectors. A few composite mills, small and medium sized power looms, a good number of handlooms are producing fabrics in Bangladesh.
- Import:** Substantial quantity of fabrics is imported to bridge the gap between demand and supply.
- Smuggled fabrics:** Although there is no authentic and available data on smuggling of fabrics, it is observed that huge quantity of fabrics is coming in Bangladesh through smuggling.
- Leakage from bonded warehouse:** Leakage of imported fabrics under back to back L/C for the export oriented RMG units.

Following table shows the Domestic production of fabrics in different sub-sectors.

Table: 6.6
Type and Category wise production of fabrics in Bangladesh in 1996-97.
(in '000' meters)

Type & Category	BTMC Mills	BTMA Mills	Power Loom	Handloom	Total
Types:					
Cotton	865	7,156	175,581	468,156	651,759
Synthetic	0	1,329	50,169	164,489	215,987
Blended	0	464	22,579	0	23,043
Silk			396	1,254	1,650
Category:					
Grey Markin	186	1,711	32,609	12,987	157,493
Sheeting-Printing	197	946	20,069	0	21,213
Shirting/Suiting	0	2,502	90,389	2,707	95,598
Saree/Lungi	395	2,329	70,235	301,127	374,086
Towel/Gnacha	0	344	0	116,011	116,355
Mosquito net	0	771	20,069	53,275	74,115
Chador	0	0	0	3,233	3,233
Bed Sheet	105	0	0	33,306	33,411
Pardha/Poplin	36	346	14,958	0	15,340

Source: Textile Strategic Management Unit, Annual MIS Report 1996-97, Ministry of Textile, Dhaka, PP.22-23

6.3.1 Saree

Saree is one of the traditional female attire in Bangladesh. According to the statistics supplied by department of textile, there are 75 mechanized and 175 semi-mechanized dyeing and finishing units in Bangladesh. Some of them are producing saree and total production is about 20 million pieces of printed saree per year. Most of the sarees they produce are of low and coarse quality. There are several cottage type hand screen-printing factories, these are also producing sarees, but most of them do not have finishing facilities and are producing low quality sarees. Their production capacity is about 10 million pieces of sarees per year. A huge quantity of sarees is smuggled into Bangladesh from India every year. Having better quality in terms of design and print and color combination these smuggled sarees are more customer alluring than the local products. (BASC, 1995).

6.3.2 Handloom Fabrics

As mentioned in the FFYP, handloom sub-sector of the textile industry, at present shares 61 percent of the total demand for fabrics in Bangladesh, meeting 36% of the domestic demand. About 52 million meters of different types of fabrics in the form of saree, lungi, bed sheet, curtain, shirting, grey fabrics etc. in intricate designs and texture are woven in the handlooms. RMG units are exporting a large quality of handloom fabrics in the form of different sorts of dresses and costumes. Different types, designs, colorful match of check fabrics are used in making these dresses and costumes. Currently, Bangladesh imports about 120 million meters of check fabrics from the neighboring countries in order to meet the demand for check fabrics for the RMG units. It is expected that the demand for check fabrics will exceed 300 million meters by the end of the FFYP period by the year 2002. Considering the increasing demand, Bangladesh Handloom Board has given special attention for boosting up the production of check fabrics. Grameen Uddog, a subsidiary of Grameen Bank has succeeded in penetrating into the international market by exporting these types of check fabrics named Grameen Check (Planning Commission, 1998).

6.3.3 Silk Fabrics

According to BSF domestic demand for silk fabric in Bangladesh is 26,000,000 meters. Eighty percent of the total demand is for saree and female dresses and the rest is for men's garments like Punjabi, shirts, etc. and others like home decor. Currently Bangladesh has been facing huge deficit in supply of silk fabrics. Such deficit is partially met by huge quantity of smuggled and imported silk fabrics. Following table shows the import and export of silk fabrics:

Table: 6.7

Export –Import of Silk Fabrics (Amount in Taka)

Years	Import	Export
1995-96	1,470,969,000	45,016,000
1996-97	2,244,324,000	16,356,000

Source: Workshop Paper of the Silk Development Project, BSF, 1998, P.42.

According to a World Bank Survey in 1995 the total production capacity of 10,217 loom in Bangladesh is 8,000,000 meters of silk fabrics. According to BSF there is no remarkable increase in the existing production capacity till 1999. Whereas demand is increasing by 6-8% (Tariquzzaman 1998). Based on the growth rate it can be assumed that by the year 2000-01 the demand for silk fabrics will reach to 36,881,497 meters. Which indicates a huge deficit of 28,881,497 meters of fabrics. World Bank officials working for the development of sericulture in Bangladesh opined that boosting silk production and reviving the defunct weaving factories could narrow the widening gap between supply and demand for silk fabrics. Realizing the huge demand, many NGOs are coming in silk production with commercial motive. Grameen Bank and other rural based specialized organizations are providing required funds to the interested entrepreneurs to develop small sized handloom units. With the successful implementation of programs taken by the concerned organizations the domestic production of silk fabrics will be increased significantly and hopefully the growth rate of production will exceed the growth rate of demand. With the planned additional production capacity and technological improvements, BSF is expecting that domestic production of silk fabrics as shown below:

Table: 6.8
Demand Supply Gap of Silk Fabrics (in '00,000' meters)

	2000-01	2001-02	2002-03	2003-04	2004-05
Demand	36,466,345	39,018,908	41,750,318	44,672,841	47,799,940
Supply	8,000,000	8,000,000	8,800,000	9,680,000	10,648,000
Demand - Supply	28,466,345	31,018,989	32,950,318	34,992,841	37,151,940

Source: Projection made by the researcher based on the growth rate estimated by the BSF.

6.3.4 Knit and Hosiery Fabrics

There is a growing demand for knit fabrics both in the domestic and global market. Export oriented RMG units are using Bangladeshi knit fabrics to make T-shirts, sports shirts and many other textile items. After RMG, knitting and hosiery sub-sector recorded an encouraging growth over the last three decades.

Table: 6.9
Knitting Fabrics Export From Bangladesh, 1994- 1997. (In US \$ millions)

	1994-65	1995-96	1996-67
Annual Exports	393.26	598.32	763.30
Growth rate (%)	48.8	52.14	27.6

Source: Dowlah Caf, (Calculated on the basis of data from EPB and BGMEA sources.) P. 35.

To meet the increasing demand for knit fabrics, increased the number of knit fabrics producing units in the country. In 1992 the total knit fabrics producing units reached to 530, while in 1972 it was only 141. By the year 1997, there were 588 hosiery and export oriented knitting units in Bangladesh with annual production capacity of about 55 million kg of fabrics (Dowlah, 1998).

6.3.5 Demand for RMG Units

In most of the cases quality of locally produced fabrics other than the knit fabrics is not good enough to meet the requirements of the export oriented RMG units. That is why the RMG sub-sector in Bangladesh is mostly import dependent for fabrics. In 1996-97, the

RMG sub-sector imported more than 86% of fabrics that it used. Of the imported fabrics 96% was in woven and 35% was in knit. In case of knit fabrics situation is a little better. A survey conducted by Bangladesh Project Management Institute (BPMI) revealed that during 1997-98 the total requirement of woven fabrics for the export oriented RMG units was 1,180.38 million meters, of which only 202.79 million meters could be produced with the existing domestic capacity. It was also revealed that the demand for Knit fabrics in the export oriented RMG units was 97.81 million kg while domestic production capacity was 97.5 million kg (Lee, 1999). The fabrics were imported from countries like India, China, Taiwan, Korea, Hong Kong, Pakistan, Sri Lanka, Indonesia, Malaysia and Japan. Currently the actual fabric production capacity in Bangladesh is less than 15% of the requirements of 6.1 billion meters of fabrics in the year 2005.

6.3.6 Demand-Supply Projection

Estimating the demand or the projection of demand of fabrics for a developing country is a very delicate task. One way that it can be estimated is to apply a non empirical formula which assumes the demand at normal price and relates consumption with growth of income and population with other related factors. Total market potential is the maximum amount of sales that might be available to all the firms in an industry during a given period under a given level of industry marketing effort and environmental conditions. It can be estimated by using the following formula (Kotler, 1996):

$$Q = npq$$

Where, Q = total market potential

n = number of buyers in the specific product/market under the given assumptions

q = quantity purchased by an average buyer

p = price of an average unit

Using the above formula, market potential of fabrics for consumers having Taka 5,000 to 20,000 and above monthly income is 773,150,982 meters. In terms of value market

potential is Taka 42,846,050,798 (Exhibit- 7). But in this projection demand for institutional market is not considered. Besides, this projection is made on the basis of the consumption pattern of Taka 5,000 to Taka 20,000 and above monthly household income group people.

Demand projection requires, among other things, reliable estimates of income elasticity of demand for commodities. In case of demand for fabrics in developing countries like Bangladesh, the problems of projection are compounded by many factors, among which the most notable are: i) rapidly growing population; ii) changing preference to other consumer items; and iii) frequent fluctuation in consumer income and prices of essential commodities. However, in the Fifth Five Year Plan, the demand for fabrics in Bangladesh and supply from the existing facilities in the country is estimated as follows (Planning Commission, 1998):

Table: 6.10
Demand –Supply Gap of Fabrics 1997 – 2002 (in million meters)

Fabrics	Actual 1995-96	Benchmark 1996-97	Projected 2001-02
Demand For Fabrics	3,520	3,796	5,265
a) For domestic consumption	1,520	1,596	2,037
b) For export (RMG and other forms)	2,000	2,200	3,228
Supply of Fabrics From Existing Facilities	1,129	1,163	1,348
a) For Domestic consumption	929	953	1,080
b) For Export	200	210	268
Demand-Supply Gap of Fabrics	2,391	2,633	3,917
a) On Account of Domestic Consumption	591	643	957
b) On Account of Export	1,800	1,990	2,960

Source: Ministry of Planning, Fifth Five Year Plan 1997- 2002, Dhaka, Bangladesh, 1998, P.310.

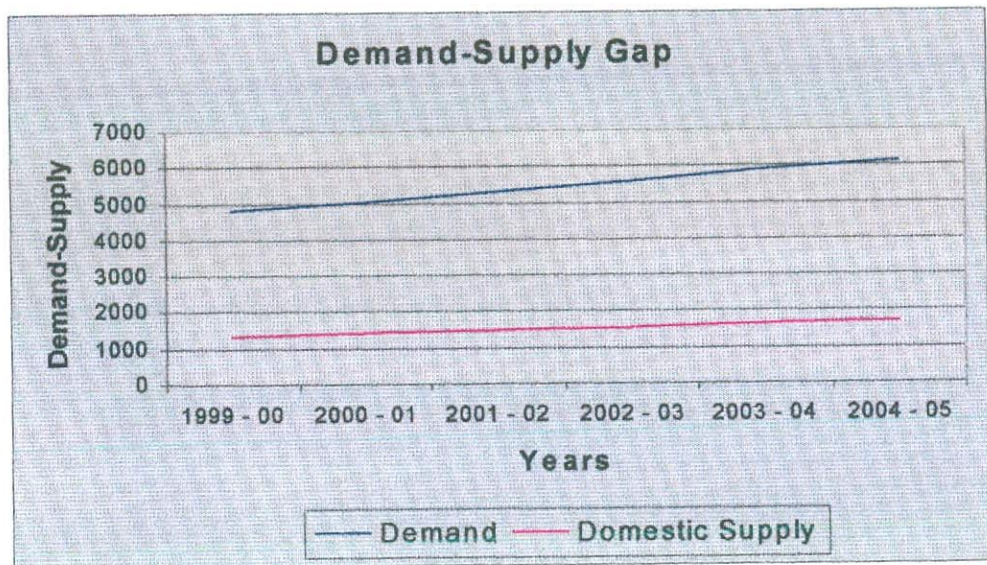
Similarly, Caf Dowlah made a projection for demand and supply of fabrics in Bangladesh.

Table: 6.11

Demand-Supply Gap of Fabrics 1999-2005 (in million meters)

Year	Demand for Domestic Consumption	Demand for export oriented RMG	Total demand	Total production	Demand-supply gap
1999-00	1860	2931	4791	1329	3462
2000-01	1963	3078	5041	1396	3462
2001-02	2079	3232	5311	1465	3845
2002-03	2202	3395	5595	1539	4057
2003-04	2333	3563	5895	1616	4280
2004-05	2370	3741	6111	1696	4414

Source: Bangladesh Textile Mills Association (Quoted from, Caf Dowlah, The Consequences of the GATT Uruguay Round for the Textile and Garments Sector in Bangladesh, The GTZ/DCCI Business Advisory Services, Dhaka, Bangladesh, P.35.)



Following table shows the production of fabrics of different varieties.

Table: 6.12**Production of Some Selected Items 1995-98 (in '000' yards.)**

Items	1995-96	1996-67	1997-98
Saree	500	300	400
Dhuti	100	100	100
Lungi	300	200	200

Source: Bangladesh Bureau of Statistics, Statistical Year Book 1998, P.229.

It appears from the above demand-supply projection of fabrics that the existing production facilities falls short of demand and the gap between demand and domestic supply will be widened over the years. Considering wide gap between demand and supply, in order to attain self-reliance in fabric for domestic market by the year 2002 and to meet the 50% requirements of export oriented RMG units, a comprehensive program will be launched under Fifth Five Year Plan for the creation of new capacity. With the proposed increasing capacity fabrics production from the modern sub-sector composite textile mills, specialized textile and power looms and knitting and hosiery, handloom, sericulture and others is projected to increase 564 million meters in 1996-97 to 2,953 million meters in 2001-02 (Planning Commission, 1998).

Table: 6.13**Projected Production of Fabrics During 1997-2002 (in million meters)**

Sub-sectors	Benchmark (1996-97)	Projected (2001-02)
Modern sector	564	2,953
Handloom	595	690
Sericulture and others	4	8
Total	1,163	3,651

Source: Planning Commission (1998), Fifth Five Year Plan 1997 – 2002, Dhaka, Bangladesh.

The projected production of fabrics has been estimated at 3,651 million meters by the year 2001-02. By the year 2001-02, with the estimated per capita consumption as estimated in the Fifth Five Year Plan, domestic demand will be 5,265 million meters. Fabric production in handloom is assumed to grow at an annual compound growth rate of 3 percent, in sericulture 12 –15%, and in the modern sub-sector at the annual rate of 39%

during 1997-2002. The overall annual growth rate of fabrics is envisaged to be 25.7% during 1997-2002. A comprehensive program for the creation of new capacity in spinning, weaving, dyeing and finishing will be launched in order to attain self-reliance in fabrics for domestic market by the year 2002 and to meet 50% of the fabric requirements of export oriented RMG units (Planning Commission, 1998).

The growth of domestic demand for fabrics mainly depends on the growth of population and the increase of disposable income of people. Right now, in Bangladesh population is growing at a rate of 1.7% and it is expected to continue to grow almost at the same rate. Consequently, income growth is expected to push the domestic demand for fabrics in Bangladesh at a rate of 5% up to 2005. If the projected production achieved, with the increasing demand the total production will be behind of market demand. It can be assumed that with increase in disposable income and rising standard of living per capita fabric consumption will go up. Since demand is upward and local production of fabrics is not increasing accordingly, the demand-supply gap will be widened further. Domestic production of fabrics is not enough to meet the demand for domestic consumption and the demand for readymade garment units. Imported and smuggled fabrics usually meet the deficit.

6.4 Consumer Behavior Analysis

6.4.1 Concept

Consumer behavior is a part of total human behavior. It is consumer response to the marketers efforts in relation to the marketing of a particular product. In the market place consumer can do whatever he likes. Consumers may accept or reject a product offered to them since they are the final decision maker in the market place. Marketers can not sell its products unless it satisfies the needs and wants of the consumer, particularly, where consumer has alternatives to meet a particular need. In every stage of business plan manufacturers or marketers have to consider consumer behavior. In fact, analysis of consumer behavior is the key to improve consumer satisfaction. Which eventually will lead to the achievement of organizational objectives in a more efficient manner.

Most often a purchase is a result of multiple motives (Stanton, 1991). It is very essential to understand consumers motives and actions under given circumstances. Consumer behavior, motives and actions are shaped by the demographic, social, psychological and cultural factors that he/she belongs. Analysis of consumer behavior is the study of consumers life style, identification of needs and expectations, decision making process etc.

Marketing starts with consumers needs and ends with consumer satisfaction. It is a universal problem for the marketer in developing an effective marketing program that what is to be produced and for whom. Here 'whom' is more important than 'what'. Successful selection of target market will make it easy to decide what is to be produced. Therefore, all business concern should start with prospective consumers or target market. In that case it would be a well start if it is based on the findings of consumer behavior analysis.

6.4.2 Growing Importance of Understanding Consumer Behavior

At the very beginning of industrial revolution, consumers needs were ignored and production was the ultimate end and objectives of business enterprises. Then it was believed that goods well produced are half sold. But after the industrial revolution with abundant production business people witnessed those consumers normally do not buy enough unless approached with effective selling and promotional efforts. The producers usually gave maximum emphasis on the increase of sales volume. But with such business thinking the major problem was that it did not take consumer satisfaction into consideration. As a result when the products were unable to fulfil consumers needs, consumers avoided repeat purchase and sales volume decreased considerably.

Marketers began to realize that they could sell more goods, more easily, if they would produce only those goods they had predetermined that consumers would buy (Schiffman, 1992). Thus, consumer oriented marketing concept is reorganized as a new way of business thinking. Study of consumer behavior is proved as a guideline concerning not only what consumers buy but also why, when, where, how and how often they buy it. Recognizing the importance of understanding consumer behavior research covering consumer motivations, cognition's, beliefs, attitudes, learning, perceptions, emotions and opinions has made tremendous strides during last decades.

Marketing has traditionally been a forgotten area of business thinking in Bangladesh. Study of consumer behavior is also a neglected area to the local business community. This is very true that understanding consumer in no sense is complete. But analysis of consumer behavior will uncover so many important aspects of complex human behavior. Which undoubtedly very critical for business decision. The researcher believes, such analysis of consumer behavior will help the fabrics marketer in Bangladesh to develop effective marketing strategies. In view of the above the present Usage Attitude and Image (UAI) study is designed and completed. In this section of the dissertation the various aspects of consumer behavior related to the use and purchase of fabrics are analyzed based on the UAI study.

6.4.3 Various Aspects of Consumer Behavior

Decision Making: In case of urban and metropolitan consumers, the users usually participate actively in buying fabrics for him or her. But in case of rural consumers, head of the family usually purchases fabrics for the members of the family. In the urban and metropolitan areas the voice of the educated housewives and the female consumers have become stronger in the affairs of choosing and buying clothing. It is very interesting that the heads of the families and other male members become more permissive in relation to decision making and buying fabrics by the female members according to their own choice and taste. But it is revealed from the study that salesmen and friends have great influence on choosing fabrics.

Income and Expenditure for Fabrics: Seasonal influence is significant on consumer in buying fabrics. But, consumers mostly buy fabrics at the time of festival and after need arising with the availability of purchasing power. In most of the cases consumption pattern and fabrics buying decisions are influenced by the economic conditions, social and cultural factors. Though the need for clothing is considered as a basic need but the volume of fabrics consumed by the families, generating income from agriculture or small business or other irregular and uncertain sources, depends on the upswing and downswing of purchasing power. Expenditure for fabrics varies considerably according to the geographical location and annual income. On average expenditure for clothing of rural, urban and metropolitan consumers are spending 6.5 – 8.5%, 7 – 8.5% and 7-12.0% % of annual income respectively.

Table: 6.14

Annual Expenditure For Clothing in Respect of Income (Income in Taka)

Monthly Household income	No. of household (Respondents)	Expenditure for fabrics (as % of monthly income)		
		Rural	Urban	Metropolitan
5,000 --- 6,999	12	6.5	6.8	7.0
7,000 --- 8,999	7	6.8	7.0	8.0
9,000 --- 10,999	9	7.0	8.0	8.5
11,000 --- 12,999	28	8.5	8.5	12.0
13,000 --- 14,999	18	--	8.5	11.0
15,000 --- 16,999	15	--	9.0	9.0
17,000 --- 20,000	11	--	10.0	9.5
	100			

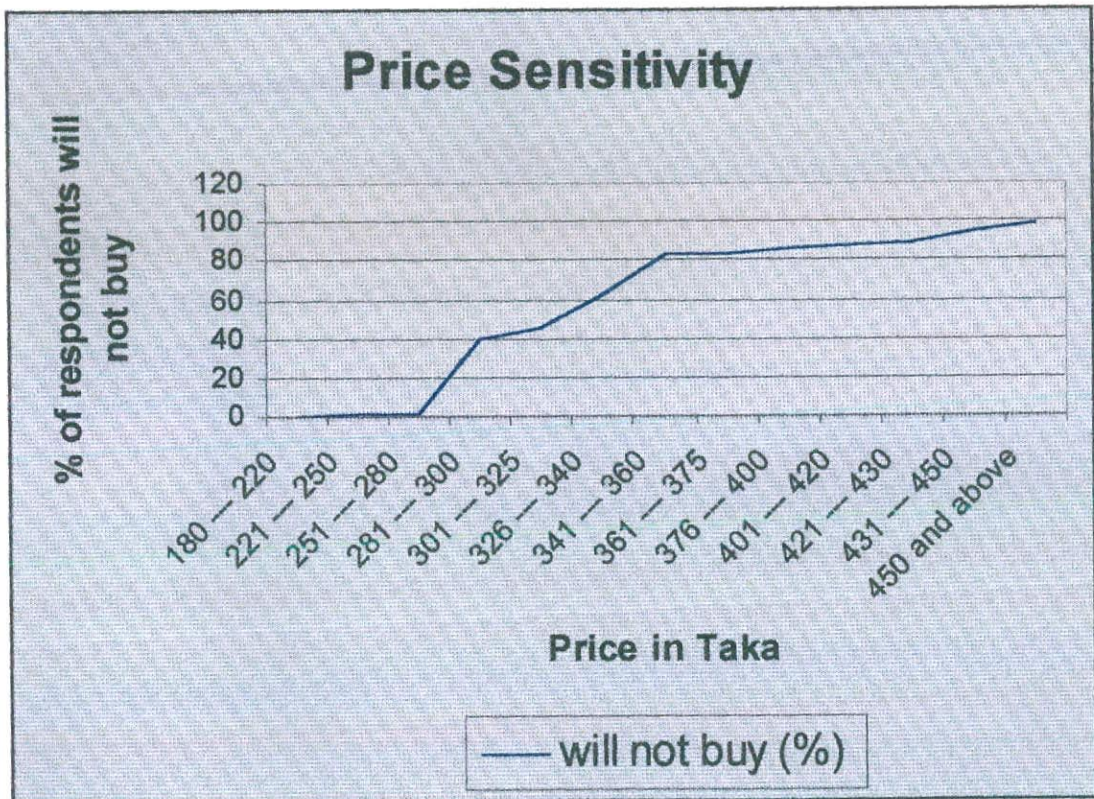
Source: Compiled from field survey by the researcher.

Price Sensitivity: the higher income class people in the Metropolitan areas consumers are normally price sensitive. They have a limited budget for clothing. Consumers belonging to these segments, always try to make up everything within that budget. In fact, customers usually make a trade off between the fabrics attributes and the costs based on customers values and needs. They expect that purchase of particular item will provide them with the highest value for their money. Beyond a certain level of price, consumers usually avoid to buy that particular item and move to the next choice, affordable to them. Following table shows the sensitivity to price of saree for normal use at home:

Table: 6.15

Price Sensitivity in Respect of Saree (traditional female attire in Bangladesh) for Regular Use.

Price	will not buy (%)	Still buy (%)
180 --- 220	0	100
221 --- 250	2	98
251 --- 280	2	98
281 --- 300	40	60
301 --- 325	45	55
326 --- 340	62	38
341 --- 360	83	17
361 --- 375	84	16
376 --- 400	86	14
401 --- 420	87	13
421 --- 430	89	11
431 --- 450	95	5
450 and above	99	1



Fashion Behavior and Preferences: In Bangladesh, a small section of the household consumers living in the aristocratic urban areas are very modern in their outlook and fashion behavior in relation to fabrics. Consumers belonging to the middle class by income mostly stand in the middle position of extreme modern and traditional behavior. A section of consumers in urban and metropolitan areas belonging to upper middle and upper income class show ultramodern fashion behavior. They are very slow in accepting of Bangladeshi fabrics. They have a very strong belief that the fabrics produced in Bangladesh are not quality fabrics and not equivalent to that of made in foreign countries like India, Thailand, Japan, UK etc. Besides, majority of the consumers prefers foreign made fabrics except Lungi and Bedsheet. As the reasons for preference to foreign made fabrics consumers mentioned, novelty print, innovative design and fastness of color.

Table: 6.16

Percentage Distribution of Consumers By Reason of Preference to Foreign Fabrics

Reasons	Rural	Urban	Metropolitan	Bangladesh
Longevity	12.0	8.5	9.0	9.8
Novelty print & design	17.0	25.0	26.0	22.7
Comfort in use	4.0	12.0	24.0	13.3
Fastness of color	26.0	23.0	22.0	23.7
Relatively cheaper	26.0	20.0	7.5	17.8
No particular reason	8.5	6.5	6.5	7.2
Other reasons	6.5	5.0	5.0	5.5
Total	100	100	100	100

Source: Compiled from field survey by the researcher.

Buying Motives: The basic motivation in buying or using a particular type of fabrics are aristocracy, to be fashion leader, strive for economy and pleasing and comfort in use etc.

Quality Perception: In today's competitive business environment, a distinctive product image is very critical for success. Consumers in Bangladesh are mostly poor judges of the intrinsic qualities of fabrics. Consumers usually depend on price, origin of production and the opinion of salesmen. Consumers tend to judge quality not only on the basis of intrinsic attributes but also on the basis of image. The term 'imported' usually signals

better quality to the majority of Bangladeshi consumer. It is observed that consumers choice in Bangladesh depends more on image than the intrinsic value of fabrics. But fabrics manufacturer in Bangladesh other than a very few, are quite reluctant in this regard. The prevailing attitude of the local producers is that they are interested to sell fabrics but they do not want to give due attention to consumers perception and expectation. However, in the UAI study it is found that consumers consider fastness of color, novelty print and design as the definitely important quality attributes in choosing fabrics. In a rating scale of 1 – 4 where 4 indicates definitely important and 1 being the very poorly important attributes. Consumers gave highest weight on fastness of color with weighted average of 4.00 followed by 3.96 for both design and print. Following table shows the importance of various attributes of fabrics:

Table:6.17
Attributes by Consumer Rating

Attributes	1	2	3	4	Response	Average Weight
Longevity	12	32	34	22	100	2.34
Design	96	4	0	0	100	3.96
Softness	72	5	16	7	100	3.42
Novelty print	96	4	0	0	100	3.96
Thicker Texture	24	24	38	14	100	2.58
Color Fastness	100	0	0	0	100	4.00
Color Brightness	23	12	48	22	100	2.46
Comfort in use	81	19	0	0	100	3.81
Easy to wash	25	28	25	22	100	2.56
Brand or producers name	38	19	18	25	100	2.70

Source: Compiled from the data collected through UAI study by the researcher.

Buying Habit: Purchase of fabrics with prior plan or without plan depends on the types of fabrics and involvement of costs. Costly and specialty types of fabrics are usually purchased with prior plan while fabrics for ordinarily use, were usually purchased without plan. In many cases consumers attitudes have an emotional base rather than logical. In that case question of prior plan does not arise.

6.4.4 Major Variables Affecting Consumer Behavior

The major variables influencing consumers' use and buying behavior in relation to fabrics are as follows (category wise):

X (Marketing Mix) Variables

X1 = Wide varieties

X2 = Reasonable price

X3 = Latest designs and styles

X4 = Media coverage and advertisement

X5 = Novelty print

X6 = Fabrics with attractive hand stitch

X7 = Relationship with the sellers

X8 = Premium Price

Ze (External)

Ze1 = Competition

Ze2 = Culture

Ze3 = Disposable income

Ze4 = Fashion consciousness

Ze5 = Economic situation of the country

Zi (Internal)

Zi1 = Imported fabrics are perceived quality fabrics

Zi2 = value for money attitude

Zi3 = Need for fashion apparels

Zi4 = Need for aristocracy

Zi5 = Need for comfort in use

Zi6 = Origin of production and image signals quality

Zs (Situational)

Zs1 = Price consciousness

Zs2 = Tremendous interest to fashion and newness

Zs3 = Occasion or festivals

Zs4 = Budget

Y Variables (Objectives of the marketers)

Y1 = Sales

Y2 = Market share

Y3 = Profit

Relationships of Some Variables

Following relationships developed based on the concept of Lazarsfeld (Lazarsfeld 1973).

Reciprocal

Zi2 = value for money attitude \longleftrightarrow X2 = Reasonable price

X3 = Latest designs and styles \longleftrightarrow Y1 = Sales

Asymmetrical

Zs2 = Tremendous interest to fashion and newness \longrightarrow X3 = Latest designs and styles

Z-Extraneous

Ze4 = Fashion consciousness $\begin{cases} \longrightarrow X3 = \text{Latest designs and styles} \\ \longrightarrow Y1 = \text{Sales} \end{cases}$

Z-Component

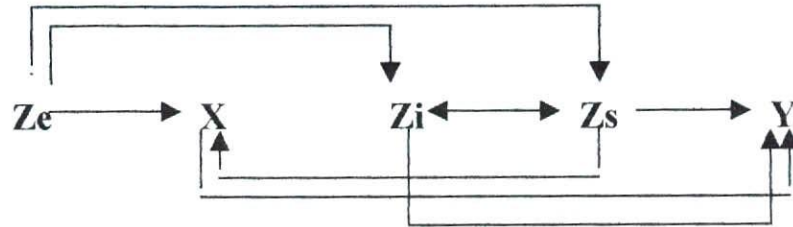
Zi2 = value for money attitude \longrightarrow X2 = Reasonable price \longrightarrow Y1 = Sales

Zi4 = Need for aristocracy \longrightarrow X8 = Premium Price \longrightarrow Y3 = Profit

Z-Antecedent

Zs1 = Price consciousness → X2 = Reasonable price → Y2 = Market share

Guiding Theory:



Where, $Z = f(Z_e, Z_s, Z_i)$

$$Z_e = f(Z_{e1}, Z_{e2}, Z_{e3}, \dots)$$

$$Z_s = f(Z_{s1}, Z_{s2}, Z_{s3}, \dots)$$

$$Z_i = f(Z_{i1}, Z_{i2}, Z_{i3}, \dots)$$

$$X = f(X_1, X_2, X_3, \dots)$$

$$Y = f(Y_1, Y_2, Y_3)$$

Above mentioned several Z variables like disposable income, fashion consciousness, aristocracy, festivals etc. encouraged consumers to buy fabrics. Attractive design, print, reasonable price etc. motivate them to buy a particular type of fabric. Considering the Z variables marketers should design the controllable X variables. Which will generate sales, market share and profit, the Y variables.

6.4.5 Recent Trend

Fabrics market is highly fashion dominated and rapidly changing. It demands new and innovative design, better texture and performance. Consumers not only rely on just aesthetics and comfort but also to safety, environment friendliness and so on.

Consumers, who are being more confident in achieving their own looks, are more demanding of qualities that suit their lifestyle and preferences (Chau, 1996). Recent independent research conducted by the world's fiber producers on the consumer preferences and attitudes have all identified a series of common qualities that consumers demand from their clothes. The qualities that consumers look are (Lee, 1996):

- comfort;
- easy fit;
- shape retention;
- performance;
- transpersonal versatility;
- added value;
- quality and style;
- Ecology; and
- light weight.

Consumer attitude towards synthetic has changed dramatically over the past few years. Balanced combination of natural, artificial and manmade fiber in fabrics is gaining popularity. New developments of fabrics with such a mix of fibers is providing consumers with comfort in use, crease-recovery and easy-care.

In US consumers are increasingly shopping as discount stores, always looking for a bargain price. A consequence of this shift has been considerable pressure on prices of fabrics. It is time for the fabrics manufacturers to rethink where their future markets lie in the globe, as buyers become aware of the trends of a competitive market.

Traditionally people in Bangladesh used to buy fabrics and make dresses by the tailors. But in recent times, it is observed that consumers are increasingly showing interest to the readymade garments in stead of buying fabrics by meter or yard, which indicates that the business market segments engaged in making readymade garments for domestic consumption are expanding.

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CHAPTER – 7

COMPETITOR ANALYSIS

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Chapter – 7

COMPETITOR ANALYSIS

7.1 Levels of Development of Textiles

Textile is one of the oldest industries in the world that has been existing for thousands of years. Toyne described the economic levels of development of textile industry ranging from embryonic to declining. There are five stages: i) embryonic; ii) early export of apparel; iii) more advanced production of fabrics; iv) the golden age - full maturity; and v) decline. Cottage industries, producing simple fabrics and garments from natural fibers for domestic consumption are prevalent in the embryonic stage countries. Many African countries are representing this segment. Economies with relative low wage labor that can be used to produce apparel from components produced in other countries represent the early export of apparel stage. Commonly, goods produced from these countries are at the low level of quality and technical value and are exported to the developed countries. Countries in this stage are Bangladesh, Nepal, Sri Lanka and some of the Caribbean and Latin American states. China is now in the stage of more advanced production of fabric and apparel and its exports are a threat to the health of textile industries in many developed countries including the US. As trade surpluses develop when a domestic textile industry becomes capable of producing essentially all of the products for home markets and when man-made fiber production becomes more advanced and increased in volume, a country find itself in the “Golden Stage”. Countries such as South Korea, Taiwan, US, Japan and Italy are also in this stage. In this stage textile industry of a country is so diversified and internationally active. Developed countries in the European Union such as UK, Germany and France are examples of significant decline. Large trade deficits occur and offshore production increases significantly in this stage (Toyne, 1997).

However, based on competitive advantages and strategic alliances fabrics producing countries in the world are continuously trying to increase and maintain market share through strategic marketing approach and distinctive market positioning. In this section

of the dissertation current state of the competing countries in the global fabrics marketing and their competitiveness are analyzed with special reference to Bangladesh.

7.2 Major Countries in Fabrics Marketing

China

Textile industry is one of the most important contributors to China's economy. Notice that the major advantages of china's textile regarding superiority in natural resources and low labor cost have diminished. It hinders the improvement of product quality and keeping cost lower. High prices and quality problems are weakening the China's fabrics market position in the international market. Exports from China and other major suppliers in the Far East had fallen in recent years (Qingle 1996).

However, this trend has begun to reverse itself. China is lurking once again as one of the major competitors poised to dominate the US market. The US offer not to resist China's efforts to enter the WTO and support of a shortened five year elimination of MFA quotas gave a devastating blow to the Mexican textile industries and a threat to the long-term viability of the NAFTA agreement. During 1998, fabrics export amounted to US \$ 8.78 billion. Between January to October 1999, China exported US \$ 8.66 billion worth of fabrics (Loo, 2000).

Hong Kong

Currently Hong Kong based fabric producers have the freedom to invest in southern China and therefore gain advantages of relatively low labor costs. Hong Kong has three major promotional events to display fashion and draw attention for new entrants. These are Hong Kong fashion week, Interstoff Asia and the Hong Kong Fashion Design Association (HKFDA). The Hong Kong Fashion Center (HKFC) is working as a modern distribution center for fashion in the Hong Kong. Besides, HKFC will undertake year round promotions in the center, including fashion shows, seminars and regular sales

promotions. With the comprehensive data bank of buyers information, and its extensive branch office network and trade promotion activities, it is expected that a regular flow of buyers will be attracted to visit the center to make purchases of fabrics in Hong Kong throughout the year.

India

India is one of the largest competitors in the world fabrics as well as in the textile business. It has significant competitive advantages over the competitors. It has low cost source of cotton and yarn; huge production capacity, moderate technology to produce quality fabrics with international standard; relatively cheaper, experienced and skilled manpower. It has excellent infrastructure for fabrics marketing with sophisticated designers, information technology and institutional base.

During 1999 Indian textile export posted a modest 2.1% growth in dollar terms. But exports of cotton fabrics did poorly registering a negative growth of 3.3% while the performance of man-made fabric is a little bit better. Exports of cotton handloom fabrics dropped significantly in the last few years (Lee, 1999).

However, Indian government undertook a massive plan for technological upgradation of Indian textile industry. Such attempts will make Indian fabrics more competitive in the global market. Quality control and testing laboratories have been set up all over the country to ensure international standard. In India there are many government and non-government training centers for developing quality fashion designers and skilled manpower.

Indonesia

According to the World Economic Forum report Indonesia's overall international competitiveness ranks the 53rd while its garments industry ranks the third in its international competitiveness after China and Thailand (Lee, 2000). Indonesia will be a

Korea

Korea is the world's fourth largest chemical fiber producer with a daily production capacity estimated at 7,557 tons. Within the EU, Korea holds roughly 16% of the market (Lee, 1998). The primary sectors of the Korean textile industry are man-made fibers, cotton and wool fabrics. Business leaders hope that Seoul will emerge as a world fashion center along the lines of Paris, Milan and New York by utilizing this fashion center for the progress of the textile industry of Korea.

But right now, Korean fabric producers are facing rapid domestic wage hikes and shortage of skilled labor. Owing to Asian crisis, most Korean fabrics producing units are suffering from debts because of a closed domestic money market and high interest rates. Mehta noted that Korea's textile to be in trouble. High cost of production at home, scarcity for skilled labor, rising wages, and fierce competition from the low wage countries are the major problems facing by the Korean's textile industry. Many Korean manufacturers have already been scouting for cheaper production sites in South Asia and South East Asia. Problems with manpower shortage and soaring wages have resulted in many textile factories in Korea moving to overseas locations as shown in the following table (Lee, 1997):

Table: 7.1

Movement of Some Korean Textile Units (As of 1996)

	China	Philippines	Indonesia	SE Asia	Latin America
Fabrics	83	17	8	27	1
Dyeing and Finishing	11	15	3	10	1
Total	94	32	11	37	2

Source: Lee, Fan. 1997; The fall in Korean exports: move to it than relocation, Market Focus, *Asian Journal on Textile & Apparel*, April/May, P.42.

tougher competitor for Bangladesh in the global market to get access and acquire market share. Indonesia is taking massive programs to make its textile industry competitive. Indonesia may capture a significant market share with the implementation for WTO's framework by the year 2005. Following are the critical factors that have contributed to the success of the Indonesian textile industry:

- Relatively cheap, disciplined labor force.
- A wide range and variety of fabrics.
- Geographical proximity to Singapore, Malaysia, Korea, Hong Kong and Japan. It is advantageous for the global companies to approach Indonesia instead of going to Pakistan, Bangladesh or India for out sourcing fabrics due to geographical distance, economic stability and cultural differences.
- Despite recent political turmoil Indonesia is maintaining good economic fundamentals;

Japan

Fabric (Woven) export is the main contributor to textile and apparel exports in Japan. In 1998, the ex[port of woven fabric amounted to US \$ 3.33 billion, whcih was 45% of the total textile and apparel export of Japan Loo, 2000).

But in recent times, Japanese fabric producers are suffering due to rising costs of raw materials and labor with falling prices in the international market. The pressure is spurring the larger fabric's manufacturers in Japan to move production to East Asian and other low cost countries. However, still Japan is one of the major contenders in global fabrics business. It has sophisticated technologies and sound infrastructure to produce super quality fabrics, and develop new kind of fabrics. In terms of technology and quality Japan is capable enough of out performing many of its close competitors.

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Korean textile industry recently experienced relatively slow export growth and rapid import growth (McCurry, 1997). China was seen as a strong competitor in related categories to Korea, especially with its imminent WTO entry and low prices.

However, with the timely corrective measures, damaging situation in Korean textile industry is improving. Government liberalizes direct investment in textile industry through five-fold increase in ceiling limits on direct foreign investment. Korean fabrics manufacturers are responding to competition by upgrading quality and efficiency by installing shuttleless looms and required technology development. Korean R & D is capable enough to innovate new kind of fabrics. Korean textile enterprises are investing for environmental protection, energy conservation and developing information technology.

Mexico

For years, Mexico's textile industry was largely sheltered from the challenges of global trade through a high import tariff structure enforced by the Mexican government. As key supporters of the traditional closed Mexican political system, it was able to all but close down their domestic market to foreign competitors. Under NAFTA the Mexican textile and apparel industry has blossomed. Exports to the United States have sky rocketed in recent years. Also, new investment in Mexico is now at an all-time high, with investors flocking from the United States and other countries as well. At present around 243 companies under foreign direct investment are operating in Mexico (Robert, 2000). Several large mills dominate Mexico's textile industry, but there are a variety of small manufacturers that fill specific niches in the Mexican and international market. Data released by the US department of Commerce reveals that Mexico out performed China as the leading supplier of fabrics and clothing to the US market during 1996. Mexico supplied 2.2 billions sq. meters of fabrics to the US in 1996, posting a 42% increase over 1.5 billion sq. meters in 1995. China's export to the US market fell by 2% to 1.6 billion sq. meters from 1.7 billion meters in 1995 (Lee, 1997).

Mexico's success is mainly, due to the relocation of many US companies to Mexico, where labor and production costs are much lower. But it is ironic that Mexico's textile and apparel industries, which are so closely tied to US manufacturers, are now also in danger of being undermined by those very forces that fought so hard to have NAFTA passed in the name of free trade in the first place. Increasing interest of US to China as a probable new comer in WTO also contributing to the odd situation in Mexico.

Pakistan

Over the years Pakistan is a prominent player in the world fabrics business. Pakistan has its own sources of cotton. Pakistan is seriously working for improving the quality of its fabrics and also trying to promote design talent. In order to improve quality and enhance productivity Pakistan has established a fashion center and training institute in Karachi, which began to train up people with improved technology and ideas. At the same time Pakistan government rationalized the value of its currency to make its fabrics and other textile products competitive in the global market.

Pakistan during the year 1999 has exported 594 million meters of cotton fabrics and 243 million meters of synthetic fabrics (Lee, 2000).

Taiwan

Since no cotton is produced in Taiwan, the development of the textile industry as a whole is reliant on synthetics. Major textile enterprises in Taiwan are racing for a larger share of the man-made fiber market. Need to mention that Taiwan is the second largest producer of man-made fiber in the world. According to the Taiwan textile federation, the 1996 export value of Taiwanese textiles amounted to US \$ 15.5 billion (Lee, 1997). Taiwan's main textile export markets are Hong Kong, Southeast Asia, US, and the EU. In the year 1996 the export value of Taiwanese textile to these markets are: Hong Kong amounted to US\$ 6.14 billion, Southeast Asia US\$ 2.2 billion, US \$ 2.46 billion and the EU US\$ 760

million (Lee, 1997). However, Taiwan is also emerging as a buyer of textile items including fabrics with the 1996 value touching US\$ 3.62 billion. Taiwan imported mainly from Japan, South Korea, Pakistan, Hong Kong and Italy.

However, Taiwan's position in the global fabrics market is in a very good shape. Its foreign market is increasing gradually with a modest 11% export growth rate (Lee, 1996). With a view to meet the increasing global demand many fabrics producing units in Taiwan have taken a series of steps to expand their existing production capacity. During the year 1998 Taiwan exported US \$ 8.92 billion worth of fabrics while Korea recorded US\$ 8.78 billion for its fabrics export (Loo, 2000). During 1999, Taiwan exported fabrics worth US \$ 9.04 billion (Young, 2000). With the current state of development and marketing strategy, in the near future Taiwan and Korea will continue to be the two big players in fabric supply in Asia as the two can produce sophisticated fabrics and sell at a very competitive prices.

Thailand

Thailand is gradually gaining increased competitive power. Among others in Asia, Thailand deserves some special attention as its fabric production and international market share are growing fast. In 1998, Thailand exported fabrics amounted at Baht 36.79 billion (1 \$ = 36.98 baht) which is 23.71% higher than that of in 1997. Thailand's major target markets are Saudi Arabia, Singapore and Philippines (Loo, 2000).

To cope with increasing competition in the world market, the Thai fabric manufacturers are taking measures to reduce production cost by minimizing every cost concerned and maximizing productivity with modern technology, managerial skills and effective marketing (Thongpalad, 2000).

Turkey

Turkey has a long tradition of cotton fabrics. Turkey, mostly exports home textiles like curtains, bed sheets, towels jeans and other kinds of fabrics to Europe and US markets. The strategic location and proximity of Turkey to the European Markets provide an edge over its competitors to serve those markets.

According to the Istanbul Chamber of Industry study for 1994, among Turkey's largest industrial establishments there are 123 textile and apparel companies. Textile and apparel production represents 14% of total manufacturing industry, 13% of total production in Turkey (Lee, 1996). Its' textile business mainly concentrates on cotton. Turkey is the sixth largest cotton producing country after China, the US, India, Pakistan and Uzbekistan.

Vietnam

The gradually liberalizing Vietnamese economy presents tremendous opportunities for global textile companies interested in new markets. Within a very short time of development Vietnam is doing very well in silk fabrics production and marketing. Although Vietnam has a comparatively smaller export turnover but it is rising fast. In 1998, Vietnam exported US \$27,411,771 worth of fabrics (Loo, 2000). In order to become competitive in international markets, Vietnam is focusing on increase in productivity and price cut.

A trade agreement signed with the United States recently is expected to revive the sagging economy of Vietnam and push the textile exports to America. Under the agreement, Vietnamese products will enjoy low tariffs in the US. Tariffs are expected to fall, in some cases, from 40% to as low as 3%. For the year ending 31 March 2000, Vietnam ranked 57 among the leading exporters of textiles and garments to the US (Lee, 2000). Having competitive advantage of relatively cheaper labor with the increasing foreign direct investment in textile, in the near future Vietnam will be one of the major threats for Bangladeshi fabrics.

United States

With lower cost of capital and power US is enjoying an opportunity to take advantages of sophisticated technology. But the most significant disadvantage for US textile industry is higher labor cost. Being a labor intensive business, shortage and increasing cost of labor forced many fabrics producing units in US to downsize, layoff, and shifting manufacturing facilities to low labor cost countries like Mexico, Vietnam etc.

According to the American Textile Manufacturers Institute (ATMI), textile manufacturing activity in the US continued to weaken as imports from low cost Asian countries put pressure on domestic price. From the statistics supplied by the US commerce department revealed that the overall of imported Asian fabrics went down by 6.5% (Lee, 2000). Such price fall hurt the export of us fabrics and textiles to the Caribbean Basin Initiative (CBI).

Right now, the US is mainly focusing on the R & D for improved version of fabric development and textile machinery development. Doug Ellis, the president of American Textile Manufacturers Institute (ATMI) opined that in US the most rapid advancement over the next 10 years will in product innovation. Many US companies are focusing in their own labs and in joint efforts with the textile schools to create new products demanded by customers. They are trying to develop fabrics that are more comfortable, better looking, do different jobs and offer more value (Dockery, 1999).

Bangladesh

In the face of recent world trade regulations and quality requirements for textile products many global players like China, India, Brazil, Indonesia and Colombia are taking steps towards coping with the new requirements of their target market. To keep products quality competitive needs complete and timely information on the new quality requirements, appropriate infrastructure for laboratory tests of fabrics. In India, for example, information is being widely disseminated through the concerned organizations on the new regulations and banned chemicals used to use in fabrics processing, a network

of 33 testing laboratories are being established. But unfortunately Bangladesh lacks all these important facilities.

In a global business environment, global market is the arena where a country's competitiveness is to be tested. According to EPB Bangladeshi fabrics have significant export potentials for some items like hosiery goods, Jamdani, Benarasi and Katan saree, and silk fabrics. In the global market for Bangladeshi fabrics competition is expected to increase from India, Pakistan, Sri Lanka, Vietnam, Thailand, Korea, Indonesia, Malaysia and Taiwan.

However, In recent times, in Bangladesh some fabrics producing units in the private sector took some bold initiatives to face the incoming global competition through developing composite textile manufacturing facilities. Amber cotton mills, Beximco Knitting, Padma Textile are the examples of such units.

Amber Cotton Mills has a complete range of textile products from yarn of different counts to fabric of various quality. **Amber Cotton Mills** aims to meet the demand for fabrics in the domestic market as well as in the global markets. It hopes to reach beyond the national boundary and capture a place in the global market. The excellence of its new technological and blooming genius of its talented human resources is the mainstay of its bold initiatives.

Padma Textile Mills Ltd. is a subsidiary of Beximco conglomerate, one of the largest business groups in Bangladesh, are producing fabrics in several categories. Padma Textile set its strategy to become import substitutes for velvet, georgette, addi and a host of printed fabrics. Padma Textile is marketing its fabrics under the brand name of "Bexifabrics" through 200 retail outlets all over the country.

Beximco Knitting Ltd., another unit of the Beximco conglomerates, is producing export oriented knit fabrics and directly selling its fabrics to Beximco fashion Ltd, and the ready made garments manufacturing unit of the Beximco conglomerate. Besides, it is selling

fabrics to the buying houses and directly to buyers in Europe and USA. Need to mention that Bexinco Fashion Ltd has trade relation with global apparel business institutions like Levi's Strauss, Carrera and so on. Such trade relation helped Beximco to develop a captive market for its fabrics in the competitive global market.

The idea behind establishing these types of composite textile mills and complete fabrics producing units is to complete the apparel manufacturing chain and greater control over the value chain activities with cost effectiveness. Under such arrangements the trade partners of Beximco are using its fabrics for the production of readymade garments. Which in effect, maximizes profit for the company and also maximize foreign currency savings for the economy of Bangladesh. These ventures are playing pioneering role to produce various types of fabrics with international standard and to reduce the dependency of Bangladesh's export oriented readymade garments manufacturing units on the imported fabrics.

Now-a-days many conglomerates in Bangladesh are following the same concept of developing composite textile units and gaining satisfactory market share both in the domestic and global market. This is a very good sign for Bangladeshi fabrics as well as for the economy of Bangladesh. But despite the encouraging performances of these few units most of the Bangladeshi fabric producing units are yet to achieve a level from where they can compete with global players. The major bottlenecks in developing global market for Bangladeshi fabrics are:

1. **Supply constraints:** narrow production base, non-competitive technology;
2. **Quality limitations:** lack of creative design and failure to match fabric attributes to the international requirements;
3. **Higher production cost;**
4. **Lack of flexibility:** Production line is flexible enough to meet the diversified needs of the international customers;
5. **Inefficient management:** In many cases inefficient management and lack of competent executive with required expertise are creating problem to develop and manage international business.

6. **Lack of information network:** lack of enough market information and marketing knowledge constrained the development of fabric quality specifications in line with the market demand;
7. **In sufficient promotion:** Limited exposure is limiting consumer base in the international arena ; and
8. **Technological backwardness:** Difficulties in complying with the standard and technical regulations in the target markets like child labor, health and safety regulations, other environmental issues and standardization of process.

7.3 Competitive Factors

Competitive factors are price and non-price factors. Price factors include wages, exchange rate, taxes and duties, economies of scale, productivity etc. Non-price factors include fabric quality, supply capacity, economies of scale, capacity to develop innovative design, relationship etc. In fact, capacity to develop competitiveness depends on effective and balanced combination of these factors.

7.3.1 Cost

Fabrics cost comprises a number of components as discussed below:

Fixed cost: All production costs not directly related to the size of production volume such as cost of capital, maintenance costs, energy cost for heating up the machines etc. are the component of fixed cost. Such costs can not be avoided even there is no production.

Variable costs: Costs directly related to the production of fabrics of certain quantity such as raw materials, direct labor, energy to operate the machine etc.

Overhead expenses: Non production related fixed costs such as administration, office maintenance etc.

Marketing costs: Costs incurred from conceptualizing the product to reach the product to the ultimate consumer excluding the cost of production.

One of the critical aspects of competing in the competitive business is to keep cost competitive. To be competitive one must keep its production costs in line with those of other competitors. In order to keep costs low fabrics producers can look after economies of scale and capacity utilization which eventually will lead to lower the fixed production costs per unit. It can also be done through improvement in production process, improvement in productivity, sourcing cheaper factors of production

Economies of scale: Economies of scale is related to the capacity utilization. It has direct impact on per unit fixed cost. Maximization of capacity utilization will help to bring

down the fabric production cost, which in effect will create competitive advantage in the market.

Productivity: Costs can be lowered either by reducing the earnings of domestic factors of production or by improving productive efficiency. The ultimate goal of economic development is to raise the standard of living. But by reducing real earnings of people it is quite impossible to raise their standard of living. So, in order to keep cost lower or competitive, one of the useful options is improvement in productivity. Improvement in productivity will eventually lead to keep production cost lower by reducing defective production and increasing volume of production in a given man hour and machine hour.

Resource conservation: Many companies in the world particularly in the developed countries and the newly industrialized countries (NICs) are reducing costs and increasing profits by recycling water, heat and many of the by products of their manufacturing processes. Besides, many companies have specific program that calls for a corporate environmental policy, employee education and establishing annual goals and targets for reducing waste and conserving water and energy. Thus, those companies are saving thousands of dollars through chemical substitutions and optimum use of resources. They are finding it easier to comply with federal and state regulations. Companies are also working with their machinery suppliers to develop equipment, which is cost efficient.

Exchange rate: Exchange rate has also direct impact on the price competitiveness of fabrics. Price of local currency against dollar or hard currency dictates the competitiveness of fabrics in the global market. In order to make fabrics competitive in the international market many countries like India and Pakistan are adjusting exchange rates through devaluation. But when major ingredients are imported, such devaluation might increase the cost of raw materials.

Taxes and Duties: Increase or decrease in taxes and duties increase or decrease the export and import price of fabrics and raw materials accordingly. Higher cost of imported raw materials leads to the higher cost of production, which will negatively affect the competitiveness of fabrics in terms of price. Inversely, lower level of taxes and duties on

imported raw materials will help to keep production cost lower and to make fabrics competitive in the market.

7.3.2 Technology

Technology is the key to achieve creativity in design and varieties, improvement in quality and productivity. The ability to use innovative technology, to manage and master the technological changes are decisive in determining the competitiveness.

Although productivity growth has a great influence on the competitiveness of fabric manufacturer, other factors like quality, design, delivery time, and customer satisfaction also play an important role in determining the competitiveness. Nevertheless, productivity and production cost behavior are fundamentals to a producers' ability to compete in the sense that success in marketing ultimately depends on productive efficiency. As noted by Hoque to the extent that products high quality or design command higher prices, the distinction between competition based on price and competition based on quality becomes virtually immaterial. The products may be seen to differ in quality at a given price or to differ in price at the same level of quality. Generally speaking, therefore, international comparisons of productivity to provide and approximate notion of countrys' ability to compete in the world market, rather like a thermometer that can indicate the presence of fever but not diagnose the malady (Hoque, 1995). The issue of what determines the productivity growth has been widely debated, even though it is generally agreed that technological progress is a central driving force for productivity (Hoque, 1995). Quality of labor, awareness and ability of management to implement the technological improvements also play a decisive role in the final outcome (Hoque, 1995).

7.3.3 Quality

Since quality is one of the vital issues in the global business, business people in the developed and developing countries are becoming aware of ensuring quality requirements

and continuous improvement in quality. Basic quality requirements are performance and safety.

Performance

One of the primary functions of fabric is to protect. During cold weather, garments are required to conserve body heat. In this respect the thermal transmittance properties of the fabric is important. Fabric weight and thickness are believed to be the important parameters affecting thermal properties. Therefore, all sample weights and thickness were measured and recorded. Fabric weight is denoted by mass per unit area. In other words, measuring the amount of material or fibers present in a unit area. More fibers would provide more thermal transmittance. Therefore, a higher fabric weight will have a similar effect as thickness such that a heavier fabric will have a lower thermal transmittance (Lo, 1997). It is a well known fact that a fabric's thermal properties depend greatly on the fabric thickness. Thicker fabric gives better warmth retention or gives a lower thermal transmittance. Sophisticated players are looking for improved fabrics with better constructions with better moisturize control, increased strength and enhanced heat resistance.

Safety

Fabrics are not just aesthetics and comfort anymore. Safety is high on the agenda and is having a major impact on the growth of market share.

Health, safety and environmental measures are among the most important requirements for fabric's quality. Different developed countries are adopting different legislation as part of health, safety and environmental protection. Some of these are as follows:

- In EU personal protective cloths must satisfy basic health and safety requirements in terms of design and comfort;
- In Germany, the application of a number of azo dyes in fabric is prohibited since 1996.
- The textile fibers must be declared on the label and international care labeling symbols like washing, bleaching, ironing, cleaning and tumble-drying should be

declared. USA customs may refuse any textile items if it fails to conform to an applicable flammability standard.

- The generic names of the fibers and name of the country the fabrics is produced should be mentioned.

The Commission of the European Communities has adopted following ecological criteria as requirements for fabric's quality (Mories 1998)

- Cotton yarn must have no residues of any pesticide active substances mentioned in the directive 91/1888/EEC(2).
- The emission of volatile organic compounds during polymerization must not exceed 1,2 g VOC/kg of produced polyester resin;
- The amount of antimony in the polyester fibers must not exceed 300 ppm;
- Pentachlorophenol and its salts and esters must not be used during the life cycle of the fabrics before use.
- Must be readily biodegradable;
- No use of Alkylphenoethoxylates, bis Dimethyl Ammonium Chloride, Distearylammonium Chloride, Dimethyle Ammonium Chloride, Nitrilotriacetic Acid or Ethylene Diamine Tetra Acetate in washing, softening and bleaching; No use of carriers containing Chlorine or other Halogens in dyeing;
- In printing no use of chemical products or printing pastes containing more than 5% volatile organic compounds;
- In finishing the amount of free and partly hydrolysable Formaldehyde in the final fabric must not exceed 30 ppm in baby products and 75 ppm in other products;
- Color fastness:
 - a) Washing : level/limit: color change: 3-4
Staining: 3-4

Products which consists of unbleached and undyed fibers do not have to comply with the color fastness criteria, but information on deviations in color fastness must be provided to the consumers.

Some of the common widely accepted requirements for fabric's quality are as follows:

- **Comfort in use:** Comfort includes psychological and physiological comfort. While psychological comfort is very subjective, physiological comfort may be objectively evaluated to a certain degree.
- Color combination: Matching of various colors in fabrics for the creation of visual appeal.
- Fastness of color; It is important to keep the fabrics attractive as it was initially; and
- Texture; It will determine the thickness, softness and the functionality of a particular fabric.

The quality requirements for fabrics are evolving rapidly. As the competition increases and consumer concerns for environmental health and safety factors gain momentum. Companies that will succeed in the future will be those capable of learning and adapting quickly, those that can commit to big decisions with confidence and can foster the creativity and innovation of their people. In other words, competence and knowledge will be the key competitive factors. Need to mention that the major players in the global fabrics marketing like China, Korea, Philippines, Indonesia, India, Pakistan and Latin America are responding to competition by upgrading quality and efficiency. So, to be in the race, Bangladesh has no alternative to comply with all these requirements.

7.3.4 International Standardization

International standards are becoming increasingly important in global business. International standards contribute to simplify the use of products and to increase the reliability and effectiveness of goods and services. Users have more confidence in products, which conform to international standards. The international organization for Standardization (ISO) promotes the development of standardization and related activities in the world, with a view to facilitate the international exchange of goods and services. The aim is to facilitate trade and technology transfer through (Profound, 1998):

- Enhanced product quality and reliability at a reasonable price;
- Ensured product quality and service conformances;
- Improved health, safety and environmental protection and reduction of wastage;

- Greater compatibility and inter-operability of goods and services;
- Simplification for improved usability;
- Reduction in the number of models and thus, reduction in costs; and
- Increase in distribution efficiency and ease of maintenance.

7.4 Competitive Strengths and Weaknesses of Bangladeshi Fabrics

7.4.1 Competitive Strengths

Labor

Bangladesh has somewhat competitive advantage over the other competing countries on low cost labor and abundant supply of labor. From the following table it is clear that labor cost per hour in Bangladesh is minimum but very close to other developing countries and close competitors in global textile business.

Table: 7.2

Labor Cost in Some Competing Countries.

Country	Labor Cost Per Hour (US \$)	
	1990	1996
Bangladesh	0.24	0.44
China	0.37	0.58
India	0.72	0.56
Indonesia	0.25	0.52
Pakistan	0.39	0.43
Sri Lanka	0.24	0.45
Thailand	0.92	1.56

Source: World Bank, *Labor Market Policies for Higher Employment*, Report No. 13799-BD, 1995. Werner International Inc. Spinning and Weaving Labor Cost Comparison, Summer 1990 & Spring 1996 & Bangladesh Bureau of Statistics

Government Support

With other concerned authorities the Government of Bangladesh is also worried about the frustrating performance of Bangladeshi fabrics as a whole. In order to attain self-sufficiency in fabrics and to make Bangladeshi fabrics competitive government is extending its support to the private sector initiatives with highest priority. Considering as “thrust sector” for the development of textile sector in Bangladesh government declared a separate policy and adopted many useful strategies.

7.4.2 Weaknesses

One of the critical aspects of competing in the competitive business is to keep cost competitive. It can be done through improvement in production process, improvement productivity, sourcing cheaper factors of production. As mentioned earlier, other than a very few the fabrics producing units in Bangladesh are yet to achieve a level from where they can compete with the global players. There are a lot of factors responsible for non-competitiveness of Bangladeshi fabric. Some of these are high costs of raw materials, low productivity, lack of creative and quality designers, inefficient management of enterprises, technological backwardness etc. Many units do not have executives with required marketing knowledge and skill.

Higher Cost of Production

Bangladesh’s comparative advantages for cheaper and abundant labor have been nullified by comparatively low productivity, obsolete technology, high cost of capital, militant labor unions, transportation and infrastructural bottlenecks and political unrest and non-compliance with the market trend.

Cost structure of grey fabric production in Bangladesh is shown below:

Table: 7.3

Cost Structure of Cotton Grey Fabric 20X20/(60X60)X50 (in Taka/meter)

Cost Elements	BTMC		Private	
	Cost	% of Total	Cost	% of Total
Raw Materials	17.66	3.32	21.79	68.82
Waste	5.97	1.12	0.76	2.40
Salaries and Wages	*284.16	53.38	2.49	7.86
Power	36.77	6.91	1.60	5.04
Auxiliary	12.41	2.33	0.50	1.58
Capital	145.50	27.31	4.29	13.54
Others	29.98	5.63	0.24	0.77
Total	532.35	100	31.66	100

Source: Textile Strategic Management Unit, Annual MIS Report 1996-97, Ministry of Textile, Dhaka, Bangladesh, P.18.

* BTMC units are operating as state owned enterprises. The workers and employees of these units usually get salaries and other financial benefits disregarding the volume of production and performance. Employees and workers mostly keep sitting idle taking benefits. The practice of receiving benefits without production and under utilization of huge production capacity pushed per unit cost for salaries and wages at a unbelievable higher level as shown in the Table: 7.3.

Following table shows the fabric cost in some selected countries.

Table: 7.4

Fabric Cost in Some Selected Countries 1987 (Cost in US \$ per yard.)

Cost	Brazil	Germany	India	Korea	USA
Waste	0.020	0.022	0.019	0.023	0.019
Labor	0.055	0.351	0.044	0.023	0.019
Power	0.017	0.100	0.090	0.068	0.058
Auxiliary	0.058	0.068	0.070	0.067	0.058
Capital	0.443	0.363	0.329	0.245	0.240
Raw Materials	0.242	0.271	0.232	0.273	0.238
Total	0.835	1.175	0.784	0.725	0.799

Source: Khanna Sushil, *Technical Change and Competitiveness in The Indian Textile Industry*, Indian Institute of Management, Calcutta, 1989, P.19.

Following are the factors contributing to higher cost of fabric production in Bangladesh:

- a) lower productivity;
- b) wastage of raw materials;
- c) defective production;
- d) Higher cost of raw materials; and
- e) higher costs of power.

Labor Productivity

Labor cost is the single most important component of fabric production. Bangladesh is enjoying competitive edge over its competitors in respect of labor cost. But the labor productivity in Bangladesh is much lower than the other competing countries like India, Pakistan, Sri Lanka and so on. Low productivity increases the per unit production cost in Bangladesh. Besides, cheap labor is no longer a sustainable competitive advantage.

Technology

Use of outdated technology and lower productivity contributing to higher cost of fabric production in Bangladesh. Lack of modern technology constraints in improvement in productivity and quality of fabrics.

Yarn and Other Raw Materials

Bangladesh does not have any competitive advantage in respect of raw material cost. Although historically Bangladesh is a producer of textile products and has long cultural heritage in this particular field, unfortunately no supply base for enough raw materials has developed here. Local units are not capable enough of supplying required yarn both in terms of quality and quantity. Thus, in all most in all the cases Bangladesh has to depend on imported raw materials like yarn, dyes chemicals, machinery, laboratory equipment etc.

Fiscal policy with increasing rate of taxes and duties and repeated devaluation of currency are contributing to make raw materials costly for the local fabric manufacturers. Need to mention that raw material cost is the most important cost element in fabric's production. Existing fiscal policy makes imported and smuggled fabrics become cheaper as compared to Bangladeshi fabrics. Government has imposed no sale tax on imported finished fabrics but 20% sales tax and 15% VAT are imposed on locally produced fabrics. Besides, a huge quantity of foreign fabrics is coming in the domestic market imported without tax under back to back L/C for the export oriented RMG units.

The other global competitors of neighboring countries, in particular, are enjoying some advantages over Bangladesh in terms of taxes and duties for imported materials. Raw cotton and cotton yarn enjoy tariff protection at 55% and 65% respectively in Pakistan, 20% and 40% in India.

Table: 7.5
Fiscal Policy Regarding Textile in Some selected Countries. (in %)

Item	Bangladesh		India		Indonesia		Pakistan		Thailand	
	CD	VAT	CD	CV	CD	VAT	CD	ST	CD	VAT
Raw Cotton	0	0	0	0	0	0	0	18	0	7
Cotton Yarn	7.5	15	27	7.3	10	10	55	18	10	7
Cotton Fabrics	45	15	52+	52+	20	10	65	18	20	7

Source: Bangladesh Textile Mills Association (BTMA).

Bangladesh imports more than 90% of cotton needed, whereas India is nearly self sufficient in cotton. While Bangladesh imports cotton and other raw materials from India and other countries at international prices, Indian textile mills procure the raw materials at 25 to 30% below of that price. Thus, limited local supply, higher cost of imported raw materials and uneven competition weakening the competitiveness of Bangladeshi fabrics both in the domestic and international markets.

Lack of Economies of Scale

Having no knowledge of market demand and the chances of getting market share entrepreneurs usually installed the machinery with the availability of loans from the financial institutions. But in fact the market share they are getting is not up to their break-even production. Thus the greater portion of the installed production capacity remains unutilized. As a result per unit fixed cost becomes higher and the finished products do not get entry in the competitive market.

Power

Energy cost is also lower in Bangladesh compared to India, Pakistan. This partly offset the disadvantage of lower labor productivity. But despite the assurance of the government, irregular and deficient power supply continue to remain a major problem hampering production of fabrics.

Besides, in many cases lack of political commitment and vested interests of the bureaucracy and the trade unions are some of the main impediments to the rapid economic growth in Bangladesh.

As competition is expected to increase from countries like India, China, Pakistan, Vietnam, Thailand, Sri Lanka who are now in the global market with significant competitive advantages, it is really a difficult task to create a sizable market for Bangladeshi fabrics in the current global setting. An added threat to the Bangladeshi fabrics is the new international strategic alliances.

Competing in the world market requires exploiting a country's existing strengths i.e. competitive advantages, while searching for new areas of competence (Hoque, 1995). In order to gain competitive strength, countries need to focus on enhancing the advantages it has by positioning itself to catch up with or do better than other countries. In that case a principal determinant of their ability to do so are the technological base and human resources. The producers, for mastering the technological change, require new knowledge, skills and organizational culture. Bangladesh should focus on trimming enough cost out of production and distribution to permit Bangladeshi fabrics to compete effectively and profitably in the global market.

Competitiveness simply means the ability to win the markets, increase profits by outperforming the competitors. The world competitiveness formula is defined as follows (Ramasamy, 1995)):

Competitive Assets X	Competitive Process =	World Competitiveness
Infrastructure	Quality	Market Share
Finance	Speed	Profit
Technology	Customization	Growth
People	Service	Duration

(Source: World Economic Forum, The world Competitive Report- 1993.)

In light of the world competitive formula Bangladesh does not have sound infrastructure and financial market and abundant natural resources. The fabrics producing units in Bangladesh are mostly using outdated and obsolete technology, which constrained quality improvement and productivity improvement. People working in the fabrics production are not knowledgeable about the market, lack the sense of quality, required skills and appropriate training and development. All these are contributing to lower productivity and higher wastage. Competitive process can be developed through strategic policy measures, effective management, and business process reengineering. But lack of strategic policy measures, rethinking of business process and competitive assets Bangladeshi fabric producers are unable to achieve international competitiveness.

7.5 Opportunities And Threats

7.5.1 Opportunities

RMG Sub-sector Forced to Develop Backward Linkage: Currently, Bangladesh has access to the European Union and US market under Generalized Preference System (GSP) and quota. There are no restrictions for Bangladesh to export in the EU and it does not has to pay custom duties on textile items covered by the scheme, under the strictly monitored condition that a certificate of origin accompanies the imported items. With the current back-to-back LC system keeps the Bangladesh RMG sector dependent on imports. Some of the countries that are now supplying fabrics to Bangladesh due to their limitation to market their fabrics to their RMG units in a quota restricted trade. With the removal of quota, under the incoming changes, in the near future, it will become more difficult for Bangladeshi RMG units to procure fabrics from neighboring and competing countries like India, Pakistan, China and Korea. These countries may need their own fabrics for their own RMG units, as a result of increasing export opportunities. Such a situation will create pressure on the Bangladeshi RMG units to develop backward

linkages with the local fabrics producing units, which eventually will create an excellent opportunity for Bangladeshi fabrics.

Cost Advantage: Textiles, fabrics production is labor intensive. World's fabrics production is moving to locations where enough labor force is available with competitive level of productivity. Since Bangladesh is a source of cheap and abundant labor, it has great potential in creating competitive cost advantage over its competitors as long as Bangladesh is capable of improving productivity at the competitive level.

7.5.2 Threats

Lisa (Lisa 1995) noted that consumers are more conscious in their purchasing about ecological issues. This trend is worldwide. At present, the ecological standard is largely focused on the finishing industry. This is because of the simple fact that finishing processes still remain coupled with the use of a lot of water, chemical, and energy. It may create advantages instead of creating threat to the fabric manufacturers. But right now it is a threat to the Bangladeshi fabrics manufacturing units other than a very few. Because, Bangladesh lacks modernized finishing facilities.

Changes in consumer attitude: Consumers, particularly in the developed countries are becoming more critical as to the labor conditions under which products are made. Consumers are aware that the products they buy may be manufactured by child labor or forced labor or by people under poor working conditions. Importing countries are increasingly considering labor condition as a criterion for trade. In fact there is a lot of pressure to implement certain code of conduct. In many cases, in Bangladesh implementation of those codes of conduct is very problematic at this moment. So, such a kind of non-tariff barriers, codes of conduct posed a threat in developing international market for Bangladeshi fabrics.

Rapid Pace of Technological Change: Under the given situation in Bangladesh like financial weakness, lack of technological know-how and lack of enough skilled

linkages with the local fabrics producing units, which eventually will create an excellent opportunity for Bangladeshi fabrics.

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Rapid Pace of Technological Change: Under the given situation in Bangladesh like financial weakness, lack of technological know-how and lack of enough skilled

manpower it is really difficult for Bangladesh to be in the race through introducing sophisticated technology at this moment.

Change in Consumer Needs and Profile: With the technological and environmental changes consumer needs and profiles are also changing. With the current state of Bangladeshi fabrics marketing it is really challenging for Bangladeshi fabric marketer to match with the consumer needs and profiles.

Changes in Global Legal Framework: The in coming changes in global fabric business will make the playing field level. In that case Bangladesh will loose all kinds of regulatory advantages like GSP, Quota etc.

Strategic Alliances by the competitors: As competition is expected to increase from countries like India, China, Pakistan, Vietnam, Thailand, Sri Lanka and Mexico, are now in the global market with significant competitive advantages, it is really difficult to compete against them. An added threat to the Bangladeshi fabrics is the new international strategic alliances.

SAARC Cumulation Rule: With the adaptation of recent SAARC cumulation provision the choice of the export oriented RMG units for fabrics is widened. Earlier to get the advantage of GSP many export oriented RMG units in Bangladesh preferred domestic fabrics despite limited supply capability of the local fabric producing units. But according to the BTMA the SAARC cumulation provision allows GSP for readymade garments made with raw materials from the region (The Daily Star, 2000). Since Indian fabrics are relatively cheaper than Bangladeshi fabrics, the RMG units will prefer Indian fabrics and will enjoy the GSP facility. No doubt it will make Bangladeshi readymade garments competitive in terms of price and will increase export earnings by increasing export volume of readymade garments. But, in one hand it will increase the import bills due to increasing import of fabrics; and on the other hand it will reduce the use of domestic fabrics in the RMG units. So, SAARC cumulation provision can be considered as a great blow to the Bangladeshi fabric producers.

Textile is in the midst of the global economy. Under the continuous and unpredictable changing environment, company's ability to adapt with the changes and ability to face the ever dynamic market forces will determine the success and survival. Customer and market driven strategies can make companies capable of gaining market in an increasing competitive environment.

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CHAPTER – 8

RECOMMENDATIONS, IMPLEMENTATION AND CONCLUSION

Recommendations

8.1 Target Marketing

8.2 Marketing Mix

8.3 Other Strategic Marketing Actions

8.4 Implementation

8.5 Conclusion

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Chapter – 8

RECOMMENDATIONS

Based on the analysis of the strategic issues and critical factors relevant to the marketing of Bangladeshi fabrics following recommendations are formulated:

Strategic marketing can be considered as a useful mechanism to match the organizational resources and capability with the changing environmental conditions and to ensure the healthy market growth. To propel the elements of strategic marketing plan towards goal, business enterprises in first place, need to make sure that the company has a clear mission and specific objectives and goals with company vision where it wants to be after one, three, five or ten years down the line. If the vision is clear enough then it would be easy to set the specific objectives and goals. Need to mention that the specific objectives and goals are somehow different from the company mission. Company mission tends to be abstract, while objectives and goals are so specific.

In order to achieve expected performance Bangladeshi fabric producing units should try to adopt the following marketing measures:

8.1 Target Marketing

It is found from the study that fabrics market is composed of individual household buyers, institutional buyers and the business market including the readymade garment manufacturers. Market for Bangladeshi fabric is not only limited in the national level but also outside the country. Obviously, the consumption pattern, buying habits, motives are not alike. Even the buying habits, consumption pattern, choices and tastes are considerably different among the individual household consumers belonging to different income class and geographical locations. The buyers are also too numerous and diverse in their buying requirements. Instead of competing everywhere, the marketer needs to identify the market segments that it can serve most effectively. To choose attractive markets and serve them profitably marketers should use target market approach. The

heart of modern strategic marketing can be described as STP marketing --- Segmenting, targeting and positioning (Kotler, 1996). So, instead of focusing the whole market it would be wise to select one or more suitable group of consumers or market segment bearing homogeneous nature for fabrics produced in each unit.

The sole purpose of market segmentation is to find one or more target group of customers, where a particular product can find a good fit and can generate maximum sale with enough profit and highest customer satisfaction. Market segmentation will place producers in a position to better understand the market. Better understanding of market will help them to develop better product to meet the market needs, which in effect will generate sales and profit. Instead of scattering marketing effort ('shortgun' approach) marketer can focus on the buyers whom they have the greatest chance of satisfying ('rifle' approach) (Kotler, 1996). It will also help the producers to avoid investing where there is a little hope of market gain and to optimize the use of limited resources.

Target marketing calls for three major steps (Kotler, 1997):

- **Market segmentation:** The act of identifying and profiling distinct groups of buyers who might require separate products and /or marketing mixes;
- **Marketing targeting:** The act of selecting one or more market segments to enter and developing marketing programs tailored to each segment; and
- **Market positioning:** The act of establishing and communicating the products key distinctive benefits in the market.

Market segmentation: Segmentation process for Bangladeshi fabrics can be executed in following phases:

1. Defining the total market;
2. Identify the factors influencing buyers behavior including changing trends;
3. Identify the criteria or basis applicable for segmenting a particular market:

a) Consumer market

- Location
- Demographic features

- Lifestyle
- Cultural factors

a) Institutional buyers:

- Nature of the organization
- Location
- Buying process
- Volume and frequency of purchasing fabrics
- Purpose of buying fabrics

b) Business market

- Location
- Order size
- Size of the customers' company
- Target Consumer of the business buyers
- Purchasing process: In case of individual buyer or household consumer buying decision usually made by the head of the family or the user himself. But in case of business buyers purchasing decision usually made by a separate organizational set up or the decision making unit (DMU). In that case sellers have to identify the structure of the DMU. In case of readymade garments manufacturing units, in most of the cases, this decision making unit or authority is the foreign agent or foreign garments sellers or local buying units on behalf of the foreign trade partner.

4. Segmenting the total market into distinctive market segments based on the above mentioned bases; and
5. Making profile for each market segment.

Market Targeting: Marketers should not try to grab all the opportunities they have without considering the capability of serving the whole efficiently. It is never wise to chop of more than one can chew. So, it would be better to narrow down the target to a specific focus based on the capabilities like availability of resources, expertise in marketing and managing the scale of operation. Instead of trying to make many things at a time it is better for Bangladeshi fabric producing units to achieve excellence or

specialty in one area or on few things in terms of design, quality etc. Market targeting can be done through following steps:

1. Based on the market profile every segment should be evaluated duly;
2. Identify the major player in the particular market segment;
3. Relative market share (RMS) and competitive status of the competitors;
4. Company vision, corporate objectives. In line with the objectives and goals assessing the company strengths and weaknesses; and
5. Targeting segment or segments. At this stage each marketer has to choose a suitable segment or segments that really matched with the company capabilities and objectives. In choosing the best segment or segments fabrics producers should think about the followings:
 - Size of the target market segment or segments to justify the efforts and marketing budget;
 - Annual growth rate of that particular segment, profit potentiality, intensity of competition etc.;
 - Possibility and ability to reach the particular segment by promotional effectiveness and distribution network; and
 - Capability of meeting the requirements of that particular segment in terms of quality, image and quantity of fabrics.

However, it should be remembered that market segmentation is not a panacea, which could be followed blindly. Market segmentation should be followed where it is suitably applicable.

8.2 Marketing Mix

After selecting target market, marketers need to develop a balanced marketing mix so that it can match with the requirements and expectations of the target market. Hopefully, following recommendations will guide to develop a desired marketing mix.

8.2.1 Product

In terms of type and category of fabrics it seems that Bangladesh is good at handloom fabrics, knit and hosiery fabrics and silk fabrics. So, at the moment, it would be better for Bangladesh to focus on these items with special attention. Handloom made Grameen check, Jamdani, Katan, Benarasi saree have better customer acceptance both in the domestic market and abroad. In the European market Bangladeshi T-shirt made of Bangladeshi knit fabrics is enjoying good image. So, Bangladesh should put more resource on these items. In order to develop excellence on these items Bangladesh should capitalize its only competitive advantage, cheap and abundant labor, by expanding small-scale handloom units through proper training, financial assistance through micro credit program.

But it is to be remembered that in the rapid changing and competitive fashion world of today, product quality make the difference among the companies, which are achieving growth and those, just struggling for survival. Producers association and other concerned organizations in Bangladesh, most often, are demanding for imposing restriction on import and stoppage of smuggling of fabrics. But smuggling is an economic device. No laws or protective measures can control or stop smuggling or import as long as there is market demand. Fabric producers in Bangladesh should realize that protection is not a permanent solution to the problems have been facing by the Bangladeshi fabrics producers. . Protection often acts as a disincentive to efficiency. It will limit the consumer to get the benefits of competition. It is consumers' right to enjoy better quality fabrics at a competitive price. Besides, protection and restriction on import will be contradictory to the development of market economy, the new economic agenda of the government. Actually, price and quality are the two very significant factors in import and smuggling.

So, local producers have no alternative of producing quality fabrics at competitive price to face the imported and smuggled fabrics.

But it is to be cleared that what quality is. For the success of Bangladeshi fabrics it essential to ensure the quality of fabrics as per market requirements. Basically, quality is a set of attributes that consumers expect in a particular product. In case of fabrics these attributes may be color, design, chemical properties of ingredients, comfort in use of fabrics, longevity, texture, knitting etc. Different types of consumer prefer different types of attributes. One may consider design, as quality while others may prefer comfort in use over design. So, quality should be settled from target markets' point of view.

Delivery of improved products and services before the rivals will create competitive advantage in the market. Developing products according to consumer expectations can simply satisfy customers. But in today's business world marketers need to go beyond consumer's expectations just to make consumers delight. So, just making good quality fabrics is not good enough to create competitive advantage over the rivals. In a consumer dominated marketing environment success mostly depends on a fast response to rapidly changing customer demands. Most customers will no longer accept or tolerate average quality. If Bangladeshi fabric manufacturers want to stay in the race, they have no choice but to adopt total quality management (TQM), an approach to continuously improving the quality. It is to be mentioned that quality of fabric determines:

1. Form;
2. Features;
3. Performance;
4. Conformance;
5. Durability;
6. Reliability;
7. Maintenance;
8. Style; and
9. Design.

Fabric style describes the look and feel to the buyers. Buyers are normally willing to pay more for attractive style. Design is the totality of features that affect how product looks and functions in terms of customer requirements. Fabric manufacturers in Bangladesh need to focus on developing innovative design through perfect understanding of fashion trend and consumers lifestyle. Since design and print are the key in fabrics marketing it is worthy to invest time and money to develop design. Investing in R & D and managed design development process will bring long-lasting and dramatic benefits for the Bangladeshi fabrics manufacturers.

To improve fabric design and quality manufacturers in Bangladesh should concentrate on the followings:

- Identify the target market accurately;
- Understanding of the needs, expectations and lifestyle of the target market;
- Monitoring and understanding the fashion trend caused by factors like demography, buoyancy of the economy, legislation and lifestyle;
- Involving designers in understanding the market, fashion behavior of customer and how fabrics are used;
- Collecting and analyzing feedback from customers and taking action on it;
- Developing something special in fabric quality that competitors do not have;
- Sometimes, color of fabrics, most obviously in the fashion world, may create their own market. Attractive color combination may be good enough to make a particular fabric desirable to a large number of people. It is proved by the success history of “Benetton”.
- Encourage and motivate the employees to produce the best possible fabrics;
- Develop a company culture which will make full use of skills and ideas of people working in the organization; and
- Introduce technology and systems which will support the above mentioned overriding objectives.

The assurance of quality conformances can be achieved through a reliable and effective documentation of system, which employs the concept of management by fact and systematic review and improvement. Today, International Organization for Standardization (ISO) now extends to environmental management in the form of ISO 9000, ISO 14000 etc. ISO introduced ISO certification and worldwide business enterprises began to adopt ISO certification to develop quality management system that is internationally recognized. It should be kept in mind, adoption of ISO certification can be considered as a stepping stone to total quality management (TQM) for an industrial unit. Major global players, even a good number of fabric producers in India and Pakistan adopted quality control each and every step of production. The results of this are better quality and less defective fabric at a competitive price.

In addition, in order to be competitive by design Bangladesh must develop innovative design. It should not simply copy or modify the designs from India, Hong Kong or any other competitors. Bangladesh should try to develop quality designers in the country through establishing modern fashion technology and textile engineering schools and by sending the existing designers abroad for training. In order to develop attractive design, designers should not rely only on the inspiration from the different eras of culture. The designers should also consider the intelligent information on the latest technology and changing trends of consumer behavior.

In today's ever changing and demanding world of fashion, surface finishing of fabrics has become more important than ever. What consumers want today is softer fabrics. They want to feel the softness, not just to see it. Since finishing is primarily concerned with enhancing the visual and ornamental appeal of fabrics, it must respond more than any other branch of production process, to the constantly changing fashion and tastes.

However, to maintain product quality and minimize the defects, producers should be aware of following defects in physical attributes of fabrics (Kashem):

1. Missing ends/flash mark – Absence of warp yarn in the length wise direction;
2. Irregular pick density – Increased or decreased weft density formed in the fabric;

3. Floating threads – may happen in warp or weft way;
4. Bad selvedge – Irregular selvedge of fabric;
5. Skew/Bias – Weft yarn if not arranged straight way;
6. Oil stain – oil marks on the fabric surface;
7. Color shedding – difference of depth of color in the fabric;
8. Crease mark – light marking on the fabric surface; and
9. Fabric shrinkage – shrinkage after wash should not be more than 1%.

8.2.2 Distribution

As it is found from the analysis of consumer behavior that in most of the cases consumers do not have any prior decision of buying a particular type of fabrics or textile items like saree in particular. Consumers usually took the buying decision after observing the items at the point of sale i.e. at the retail stores or show rooms. So, effective distribution network is very critical to generate sales. In order to develop an effective distribution network following options can be useful:

- **Corporate Vertical Marketing System (VMS):** Units having enough financial ability and brand familiarity can set up some display and sales centers in some strategic locations of the big cities;
- **Contractual Vertical Marketing System:** In order to develop a controlled distribution network, for the units, do not have enough financial capability, Contractual vertical marketing system can be a good option. It would be better for these units to make Contractual Vertical Marketing System (VMS) with the independent wholesalers or retailers having reputation and access to the target market;
- **Selective Distribution:** To avoid unfair deal and difficulties in realizing price of fabrics sold, producers should select some retailers having good reputation and track records from strategically important locations.

In addition to these traditional distribution networks fabrics producers should develop some nontraditional distribution networks like:

- Sales and display centers at air ports, residential hotels like Sonargaon, Sheraton, tourist spots;
- During the time of festivals like Eid and Pooja temporary sales centers can be opened at different strategic locations in the country.

Interested students from colleges and universities can be entrusted with the responsibility of these nontraditional and temporary sales and display centers. Such arrangements will help the unemployed students to generate income. For the producers it will help to make consumers aware and familiar with their fabrics and to generate sales. These types of distribution network will be more effective for the specialty and attractive items.

It is very true that to generate expected level of sales producers need effective cooperation from the distribution members or people working for sales and sales promotion. Producers should remember that they are not only selling fabrics through the channel members but also to them. Middlemen working in the distribution channel must be continuously motivated to do their best job (Kotler, 1983). Producers should have a clear sense of their expectation to the distribution members and similarly, the channel members' expectations to them against the functions and services rendered by the channel members. For the cordial cooperation of channel members in distributing and selling fabrics successfully, manufacturers may offer profit share or may increase margin. In the domestic market of individual household consumers, lack of adequate ability to judge the quality, consumer needs considerable assistance from the salesmen. Assistance of salesman plays a significant role in choosing and buying of fabrics. In such a situation the responsibility of closing the sale rests completely on the salesman. So, the salesman must be continuously motivated to do their best job and to get the effective cooperation of salesman in favor of selling the fabrics.

8.2.3 Pricing

It is observed from the field study that many fabric producing units are struggling for survival. In that case for those units survival should be the prime objective of pricing at the moment. To keep the unit running setting price at a competitive level is a must. It should be remembered that in the local market consumers have the access to the available sources of better quality fabrics at the cheapest price. In such a critical situation profit is less important than survival. If price is good enough to cover cost and to generate sustainable profit the units can survive in business. After survival and product positioning the units can try to earn reasonable profit by increasing price and increasing volume of sale. For effective pricing following aspects should be taken in to consideration:

- Preference to a specific type of fabrics is a particular state of mind, originated from satisfaction. A satisfying experience will tend to strengthen his brand preference. To get the consumers preference Bangladeshi producers should try to ensure consumers satisfaction with their desired quality and affordable price. It is to be remembered that pricing strategy is an integral part of marketing strategy and it should not be taken lightly. Price of any fabrics should be set in consideration of all external and internal factors with relevant marketing issues that influence the buying decisions.
- Price of fabrics should not be based on only the cost components. For effective price consumers perceived value to a particular type of fabrics, brand or producer should be considered. Notice from the focus group discussion and UAI study that in many cases consumers are ready to pay premium for attractive design, prints and quality fabrics. So, creativity in design and prints would enable producers to command premium price. However, in any case, higher price of fabrics must be supported by higher quality of fabrics or brand equity, or distinctive image.
- The availability of price information in the first instance would avoid the dissonance or displeasure, as the need to estimate the price would be eliminated. It would be useful to provide price information along with the presentation of the fabrics by having the price tag on it if possible. In this respect resale price maintenance would have a positive impact on avoiding such dissonance and displeasure of consumer.

8.2.4 Promotion

To promote and develop market for Bangladeshi fabrics with distinctive image following promotional techniques would be effective:

- Fabric producers in Bangladesh jointly can arrange fashion show and trade fair in different places, both inside the country and abroad. Trade fair is still the most effective way of sales promotion, especially if the marketers find a way to share the costs with others.
- Sponsoring different national and international programs and encouraging the concerned persons to dress with Bangladeshi fabrics in those programs may be an effective promotional measure. These activities would help to create image and consumer awareness in favor of their fabrics.
- Personal selling can be effective to convince the institutional buyers like government organizations including hospitals, armed forces, police, foreign missions and international organizations working in Bangladesh, international hotels etc. This institutional buyers have enough purchasing power and need of fabrics with various quality including ordinary to fine and sophisticated. To get entry in this market needs just a creative personal selling approach. Personal selling efforts can also be effective to motivate the business buyers.
- For establishing and maintaining contact with buyers and trade partners abroad, e-mail and Internet is an excellent medium. It is the primary modes of global business communication. Communicating frequently and responding fast to inquiries is possible through e-mail. Doing so, a company can also improve its corporate image.
- The company profile, brochure, catalogues can be digitalized and put on the web. Building a web site will enable the fabrics marketer to update the prospective buyers at any point in time without substantial costs.

Product image is the end result of consumers experience, recollection and impressions regarding that product. For the interest of building image in favor of locally produced fabrics producers should avoid misleading promotional activities. In view of this promotion should be creative, fair, just and enough.

8.3 Other Strategic Marketing Actions

In today's competitive business environment a good marketing mix is not good enough to ensure consumer satisfaction and to develop consumer loyalty. Following strategic actions will support the marketing program and would be useful for the success in Bangladeshi fabrics marketing:

8.3.1 Cost Control

Reality forced Bangladesh with other fabric producers in the world to keep a focus on trimming enough cost out of production, processing and distribution system. It will permit Bangladeshi fabrics to compete effectively and profitably both in the domestic and global markets. As production cost is one of the major components of price, every possible measure should be taken to keep the cost competitive and the price lower. To keep cost at the competitive level following steps would be helpful:

- Due emphasis should be given to the proper training of the people working at different level of production process. It is necessary to enable them to increase productivity, to improve the fabric quality, to reduce defects and wastage and to improve overall efficiency;
- Alternately trained and experienced manpower should be recruited;
- To minimize the production cost, working shift should be rearranged to avoid the peak hour rate of electricity;
- In an effort to reduce fixed overhead costs, retain flexibility and remain competitive, Bangladeshi fabric manufacturers can outsource some of the value chain activities. Other than a few, most of the fabric producing units in Bangladesh have been facing financial crisis. It will be a very hard time for these units to hire competent and creative designers as their regular employees. Because Bangladesh lacks enough quality designers and it can be assumed that such designers will demand high salary which may not be affordable to these units. In that case, instead of maintaining a designer, it would be economical to buy specific design time to time.

No matter what a company chooses to produce, it must keep its production cost in line with those of its competitors in order to stay in business and to be competitive in the market. In fact, faster cost decline, the greater becomes the possibility of gaining market share. Costs can be lowered either by reducing the earnings of domestic factors of production such as labor or by improving productive efficiency. Since lowering earnings is not a good signal for the whole economy, the only alternative left to keep costs competitive is improving the productivity.

8.3.2 Research And Development (R & D)

In a competitive business environment, knowledge of markets and fashion trends become very important. Information is necessary for designing effective marketing program. In an environment where the only certainty is uncertainty, having enough and accurate market information can provide competitive edge over the competitors. Bangladeshi fabrics manufacturers, if intend to compete in the global market through maintaining and increasing market share both in the domestic and international market. It is very essential to make sure that producers understood the market requirements and buyers' needs and expectations. In order to collect up dated market information and understand market trend following measures can be useful:

- Fabric producers may take an effective initiative by financing relevant research studies by the competent researchers or research institutions.
- Special arrangement with the channel members may be an effective measure to collect information regarding consumer needs, choices, attitudes, expectations and fashion trends.
- Bangladesh Export Promotion Bureau can keep Bangladeshi fabrics manufacturers informed about market trends, opportunities and threats and competitors courses of actions.
- Information supplied by the government and non-government organizations in relation to the marketing and production of fabrics should be considered duly.
- Relatively large and companies interested to expand business abroad should try to take the advantages of information technologies. In the Internet and in different trade

journals so much information is readily available. Bangladeshi fabric manufacturers just need to know how to use this information effectively.

But an institutional framework is crucial for collecting strategic market information and making it usable in strategy formulation. To ensure the supply of required information a permanent market research and development department should be established under the management of textile ministry or under the management of the association of the fabrics producing units. Such R & D department will under take the following activities:

- Identify marketing problems and suggest probable solutions for them;
- Provide information regarding market trends;
- Provide advance information regarding fashion trends; and
- Advise the on product development.

Actually MIS is the source for the management to know various information about target markets, marketing channels, price, competition, market share, future prospects etc. Which in fact, develop the basis for marketing decision-making.

8.3.3 Relationship Building

It is clear that the challenge lies in providing customer satisfaction in an increasingly competitive environment. But in case of business market and institutional buyers it is not only fabrics quality and price, but also the service, convenience, image, responsibility are equally important. In such cases, one of the keys in the process of achieving customer satisfaction is relationship marketing. This means building relationships with the objective of delivering long-term value to customers which might lead to long term customer satisfaction. It requires not only an accountable but also a proactive marketing effort.

Contract manufacturing with the global retailers may provide Bangladeshi fabric producers a guaranteed export market for a defined period of time. Besides, Bangladeshi producers can be benefited from the know-how and technology and market information

from the overseas partners. If Bangladeshi fabrics producers can develop good relationship with the renowned apparel marketers that will help them to develop a niche market or captive market for Bangladeshi fabrics. Linkage and relationship with the branded garments marketers like NIKE, Mark & Spencer, Polo etc. can create an excellent opportunity for Bangladeshi fabrics. In order to develop such linkage or relationship Bangladeshi fabrics manufacturers need to be familiar with the developments, trends and preferences of the clients or trade partners.

8.3.4 Technology

Use of latest and improved technology is a source of gaining competitive advantage and improving sales and profitability. With weak financial position it is not the right time for the Bangladeshi fabrics manufacturers to install new and innovative technology. Then perhaps it would be better for them to upgrade the existing technology – a relatively less expensive way of meeting the market needs.

Internet technology enables production, distribution and consumption of goods and services to be done in a more efficient manner than in traditional economy. To ensure the access in the global market Bangladeshi fabric producers, who want to go global, should develop web pages with brief and attractive description of fabrics produced by them. Customers particularly the global business customers, now a days, use Internet and web pages to search suppliers and place orders for fabrics. Use of Internet technology for promotion and developing web pages will match the marketing efforts of Bangladeshi fabric producers or exporters with the buying strategies of the global buyers.

To address the environmental issues fabric producing units should focus on choosing the appropriate chemicals or avoiding the use of harmful raw materials. Besides, substitution of hazardous chemicals, proper storage of raw materials, careful preparation of chemicals to prevent spilling and over doses, appropriate technology will help producers to comply with the environmental standards.

8.3.5 Developing Forward Linkages

The export oriented RMG sector in Bangladesh is heavily import dependent for fabrics. Around 86% of total fabrics used in the RMG units is imported from India, Pakistan, Korea, Thailand, Malaysia, Taiwan, Japan, Sri Lanka, Indonesia, Hong Kong and China. Currently almost 65-75% of export earnings of the RMG sector ends up with the importing of fabrics. Forward linkage between RMG units and fabric producing units could save the country from this drain of foreign exchange. Effective forward linkage will benefit both the RMG units and the fabrics producing units in different ways.

Firstly, it will help RMG units to be cost competitive by reducing cost of production. Currently RMG manufacturers are buying fabrics at international prices with the support of back-to-back L/C, but prices are not necessarily competitive. On top of that, they have to pay high interest for a certain period almost for 120 days in addition to paying other charges, commissions, and fees for the services of the middlemen and for custom clearance. Effective linkage can eliminate the need for back to back L/C and reduce production cost in the RMG units.

Secondly, notice that a significant volume of fabric comes in the local market instead of using in making readymade garments for export. Need to mention that import of fabrics under back-to-back L/C for the export oriented RMG units usually is enjoying exemption for import duty. But under the current fiscal policy, fabric producers in Bangladesh have to pay import duties for all kinds of raw materials used in fabric production and have to pay VAT.

Moreover, present practice of back to back L/C involves various types of import bottlenecks like delays in obtaining the raw materials in time due to shipment problems, expiry of L/C validity, and cancellation of export orders which often affect the production schedule and result in contract cancellation. Such a situation usually makes the manufacturers vulnerable to incur heavy financial losses. These difficulties are pushing forward the urgency of establishing back ward linkage with the fabrics producing units in Bangladesh. Since effective backward linkage will limit the need for import of fabrics

under back-to-back L/C it will save Bangladeshi fabrics from such uneven competition. In effect, such linkages will make a captive market for Bangladeshi fabrics.

8.3.6 Development of Fashion Center

To day for the success in fabrics marketing marketers should try to comply with fashion trend. Ignorance of fashion trend will certainly welcome failure. People wear fabrics or dresses not just to protect themselves from heat or cold or not just to cover their bodies, but to mean something else. Aside from the functional aspects, motive behind dressing with likely fabrics can be to present themselves in pleasing manner, to be a fashion leader, to make him different from the others, or to express his tastes and culture. Notice that in the global market consumers are becoming fashion crazy. Even in Bangladesh a small section of consumers but significant in number are highly fashion oriented. So, developing a fashion center would be a timely initiative to support the strategic marketing approach of Bangladeshi fabrics. Fashion center can help to promote Bangladeshi fabrics in different ways. Some of these are as follows:

- Acting as fabric library and show room with a wide range of collection;
- Collecting data regarding fashion behavior from different sources like fashion magazine, fashion designers, films etc.; and
- Source of information to the buyers about the availability of fabrics with latest and unique design.

8.3.7 Development of Facility Center

For the small power loom and hand loom units, not capable enough of establishing sizing, dyeing-finishing and printing facilities on their own, in cooperation with the Department of Textile, common facility centers should be set up in strategic geographic locations particularly in the northern part of the country. Power loom owners association and the handloom weavers association should take the initial attempts.

8.3.8 Go Beyond Domestic Market

Aside from the domestic market there is an expanding market for fabrics in the international arena. The current state of international marketing can be better explained by the changing world economy, emergence of many developing countries with greater potential and changing competitive structure. To capitalize on the competitive advantages and hidden potentials many companies operating in the national level are now crossing border. By virtue of such international operation these companies are enjoying far better bottom line than what they had been getting from the domestic operation. It is true that in some cases, in the international level every country has its own priority, different quality requirements with a lot of diversity in needs and wants. If Bangladeshi fabric producing units can successfully develop the production capability with international standard, it would not be problem for them to find a good fit for Bangladeshi fabrics in the international arena.

For internationalization a firms options range from exporting to over all manufacturing in the foreign countries including licensing, joint venture, contract manufacturing and so on. Most of the Bangladeshi fabrics producing units do not have enough financial, technological and managerial capabilities of running business global basis through manufacturing in the foreign countries. With the given situation, at this point, it would be suitable for the Bangladeshi fabrics producing units to go for exporting, contract manufacturing and if possible joint venture with the global companies having acceptable brand equity. At the pace of to-days developments, there is too little time for the companies to learn and do things all by themselves. They have to team up with other players, through the formation of alliances, joint ventures, and partnerships.

It is good news for Bangladeshi fabrics that there are some fabric producers in Bangladeshi, although a very few, are capable enough of producing fine fabrics with export quality. With appropriate planning and initiative it is quite possible to find out an export market for fabrics produced by those units. But it is to be remembered that overseas market is very sensitive to quality. So, export oriented units need to maintain

consistency in quality. At the same time products should be kept up to date with market trends.

8.3.9 Strategic Alliance

Since more and more fabric producing companies are facing stiffer and stiffer competition, they are beginning to look overseas for growth and profits. The giant players in the global fabrics business realized that they can no longer ignore the vast potential of operating in foreign markets. A key to global market growth will continue to be linking with partners who have a similar vision. Alliances and partners are becoming more essential in executing business strategies in global settings.

8.3.10 Change in Organizational Culture

There is no word that is used more in business other than the word 'Change'. The enormous changes in nature of work, working conditions, employee attitude along with changes in legal, political, social, economic and environmental events increased complexity in business operation and employee relations. Which also forced people concerned to restructure business, rethink about management style and change typical mindset. However, all these ongoing and future changes will force business to adopt new missions, structures and human relationships. It is obvious that with all the changes human attitude and behavior are also changing. Peoples' expectations, life styles, working habit everything are influenced by these changes. Old management practices are no longer valid or effective in the face of new changes. The magnitude and speed of these changes demand more and complete utilization of human resources in particular. In other words, sound employee relations can be considered as a source of competitive advantages.

However, these changes are not only created complexity and challenges but also opportunities. Business need to develop required capability of facing and mastering these

changes. To do this needs collective and coordinated efforts from all levels of employees working in the organizations. Promoting communication, building trust and coordination between the employees and management are critical for the success in the increasing competitive business environment. For this purpose Bangladeshi fabrics producing units need to ensure job satisfaction with reasonable payments, reduce grievances, and improve working conditions. Fabrics manufacturing units have to develop a new kind of mechanism to manage human factors effectively.

For effective management of human resources, the researcher thinks, developing sense of responsibility and sense of ownership in employee's mind are very critical. In that case the concepts of transparency, profit sharing, information sharing, and empowerment can be considered as the most effective ingredients. Transparency and information sharing will allow employees to know what is going on in the industry, business environment, volume of business and profits. Which also help them to rationalize and justify their demands. Empowerment will allow employees to come up with new and creative ideas and to maximize their potentials. Sense of responsibility and sense of ownership will motivate employees to do their best job for the interest of the company.

But it should be remembered that these tools are not panacea. This mechanism can not be used blindly. Before using this mechanism fabric producing units must have to make sure that employees are ready to shoulder the sense of responsibility and ownership or matured enough to exercise the empowerment properly. That means management should know employees better and then should act accordingly to manage them effectively.

Instead of simply employee management should consider employees as the essential part of success or failure of the company. Management should realize the pain of employees and employees should understand the limitations of management. Fabrics manufacturing units need to enhance speed in operation and decision making. Team based management and quality circle can be effective in this regard. Corporate vision and commitment from all levels of employees can make an organization fit for facing challenges successfully.

8.3.11 Government Interference and Support

It is very true that it is not the business of government to be in business. But a country like Bangladesh, where private sector is just emerging or at the beginning stage, government should extend help to private sector to be competitive. But government interference should not be protective. In order to expedite and facilitate the strategic initiatives and efforts by the fabrics producing units, Bangladesh government should take some necessary attempts like:

- In stead of protective measures, Government should take necessary actions to expedite the implementation of the various reform measures in order to enable the fabrics producing units to gain competitive advantage in the global market. The much needed reforms in privatization and administrative reforms deserve special attention in this connection. An efficient and transparent administration is a precondition to accelerate the growth business and economic activities in the country.
- In order to maintain the smooth operation of the fabric producing units and the expected growth, commitment and consensus from the political parties to ensure a peaceful business environment is very critical. Bangladesh will have to face tougher competition in the 21st century. In that case if the current trend of politics continues, the country will not be able to survive in the face of intense competition.
- Government should rationalize the fiscal policy by reducing the taxes on imported raw materials used in fabric production. Since yarn and other raw materials cost is the major part of the total production cost, any reduction in raw materials cost will increase the cost competitiveness of Bangladeshi fabrics.
- In case of institutional buyers particularly the state owned enterprises should have the policy to give preference to the locally made fabrics. Besides, government should take appropriate steps to promote Bangladeshi fabrics by encouraging the persons concerned dressed with the Bangladeshi fabrics in all national and international programs.
- Pre-export credit for export processing and post export credit facilities should be provided by the financial institutions to those units, which have confirmed export orders.

- Notice that many fabric producing units have applied for further financial assistance and concessions under the liberal policy and extended facilities offered by the present government. But before granting any assistance government should take proper steps to justify the appeal of those enterprises. Such attempts will be helpful to minimize the misuse of Public money. Further, it is to be ensured that the loans already taken are properly utilized according to the terms and conditions of credit. A time limit should be set for those units facing financial crisis to be a profitable ones, to make their units economically viable. Units, which would be found with improper utilization of borrowed capital and having no prospects of improving the current situation under present state of management and operation should be disposed of to realize the loans instead of granting further financial assistance. Because repeated financial assistance may not be the solution to problems facing by these units.
- Since dyeing finishing and printing is the key in fabrics marketing, govt. should take initiatives to encourage foreign investors to develop such facilities with sophisticated technology to ensure the production of quality fabrics.
- Government should form a coordination cell comprised of experts from the Ministry of finance, Ministry of Commerce, Ministry of Industry and the Ministry of Textile. This cell will cooperate and coordinate between the concerned agencies and offices to eliminate the barriers and irregularities retarding the growth and prospects of Bangladeshi fabrics in the domestic and international market.

8.4 Implementation

It is very easy to set objectives, but very difficult to achieve those objectives. To achieve those objectives needs successful implementation of the strategies recommended. The strategies recommended may not be implemented at a time. It needs some sort of ground work and preparation. It would be better to implement the recommendations phase by phase as shown below:

Phase – 1: Building Awareness and Making People Ready

Actually, the people working at the organization will implement the strategies applicable for a company. So, first of all it is essential to make these people ready to accept the strategies so that they can extend cooperation in implementing the strategies. Employees are habituated with the traditional working pattern. To adopt something new they need to unlearn the old. Which is really difficult. In that case it would not be wise to push the strategies or insist employees to implement something new. It would be better to give them an informative briefing about the present position and the future of the company and expected benefits of the recommended strategies. Such initiatives should come from the top management of the company. Employees may not be aware of the changing pattern of global environment, dynamics of market mechanism and sustainability of competitiveness. It is management responsibility to make them aware, to develop their sense of responsibility. Such awareness and sense of responsibility will enable them to realize the relationship between their fate and the sustainability of their company. If employees are able to understand the situation and benefits of new strategies they will be interested to implement the strategies enthusiastically.

Phase –2: Up Gradation of the Existing Technology

Most of the fabrics producing units in Bangladesh have been facing financial crisis. Owners of many units opined that they keep their units running just to reduce the volume of loss. They never expected to earn profit. Bangladesh economy is not strong enough to give these units required financial support for technological innovation. So, under the given situation it would be better to upgrade the existing technology for the short term, one to two years. At the same time, Bangladesh should try to develop textile

infrastructure in the country with required supply base, dyeing, finishing and printing facilities and rationalize fiscal policy.

Phase – 3: Finding Good Fit in Market

In order to develop a reasonable consumer base, with the strategic marketing proposition, recommended in this dissertation, fabric manufacturers should look for a good fit in the market where they can serve better.

Phase – 4: Modernization Through Changes in Technology

After making people ready and changing their mindset, now, it is time to look for creativity in human resources. At this stage of implementation, hopefully, Bangladeshi fabric manufacturers would be able to ensure survival. After ensuring survival they should look for growth and sustainability. Which needs modernization in technology and process to comply with the global market requirements. Technological innovation will provide Bangladeshi fabrics with the international competitiveness by increase in productivity and quality requirements.

Phase – 5: Strategic Alliances

After the successful implementation up to phase – 4 Bangladeshi fabrics will be competitive enough to bargain in the negotiation for developing strategic alliances. Such strategic alliances will help to expand the market base for Bangladeshi fabrics around the world.

8.5 Conclusion

Textile business around the world is very complex one. In order to be competitive in today's market, a producer must be flexible and ready to face the uncertain future. The market place tomorrow may not offer a profitable position for the product generating enough money today. Under the continuous and unpredictable changing environment, company's ability to adapt with the changes and ability to face the changing market forces will determine the success and survival. Customer and market driven strategies can make companies capable of gaining market in an increasing competitive environment.

8.5.1 Understanding the Challenges

Due to technological advances, deregulation and liberalization the playground of the business sector has expanded to cover the globe. This has led to increasing competition around the globe. Staying ahead of competition forced companies to improve products faster, to bring production costs down further, to constantly innovate and upgrade. Fabrics producers in Bangladesh like it or not, WTO system of globalization with a lot of changes in its legal framework to ensure the playing field level is a reality to them. But in the absence of appropriate technology, effective marketing strategy, innovative and creative efforts from the business people concerned and the absence of sound infrastructure, the survival of the fabrics producing units in Bangladesh is gravely threatened. Under such a critical situation the fabrics producing units in Bangladesh have no alternative to face the challenges boldly through strategic marketing efforts.

Fabric producers in Bangladesh have been demanding for protection in the face of severe competition from the foreign made fabrics. But protection often creates rather than reduces distortions and may eliminate incentives to develop technological capabilities. The results of protection can be inefficiency, technological stagnation and waste (Hoque, 1995). So, instead of seeking protection Bangladeshi fabrics need to be prepared to face

the challenges to intensely competitive global market of the 21st century and to utilize the opportunities offered by the global economy.

Anyone who has been involved with or been observed of the global fabrics marketing in recent years will definitely see a lot of changes in the world economy. Technological advancement with changes in consumer attitude and expectation and legal environment for global business made fabrics marketing more complex. It also offers a lot of opportunities. Consumers are continuously striving for better quality fabrics with various quality requirements like environment friendliness, safety etc. Fabric manufacturers are under rising pressure to meet stricter customer demands for more customized fabrics, faster delivery, more detailed and accurate information. While this pressure exists for everyone in the market, it is particularly acute and challenging for a country like Bangladesh where production process and business attitude, still lacks modernization and dynamism.

The challenge for today's fabric producers for improvement is multidimensional. One dimension exists between external pressures and international pressures to improve and to make operation updated. External pressures come from the markets, while the internal pressures come from the need to create and maintain competitive advantage and to keep and increase desired bottom line. The second dimension comes from the nature of change itself. At one end is the ever increasing pace of changes. At the other end is the impact of operational culture. External pressure is perhaps best seen in how customers strive to improve the level of satisfaction and to protect the socioeconomic interests. All these challenges and changes lead companies towards continuous improvement and innovation.

8.5.2 Prepare to Face the Reality

In a world of ever-increasing competition, Bangladesh need more than just a good technology. Bangladeshi fabric producers should begin with well organized program to create customer-focused environment through deliberate steps that empowered employees. It will help to create the flexibility and responsiveness necessary to support customer needs. This lead to implementation of high performance work systems teams,

organized around manufacturing processes and process changes required to facilitate continuous improvement. In that case, initiative to adopt ISO certification will be a very effective and timely attempt. Such arrangement will help a lot to identify some of the initial process flows and improvement areas. Employee teams will be assigned to implement the process improvement plans, while continuously keeping the focus of their efforts on the customer. All team members should be trained for respective job and well informed about the market demand with required empowerment.

8.5.3 Create Competitive Strength

But, whatever the target market, domestic or international, for the success it is to be ensured that top to bottom employee relation is harmonious in the organization. This is very much essential for operational effectiveness. Corporate vision and commitment from all level of employees can make an organization fit for global operation. Further, in terms of competitiveness, the only competitive advantage of Bangladeshi fabrics is cheap and abundant labor. But cheap labor is not a sustainable competitive advantage. Because, with the economic development and rise in standard of living cheap labor will not remain cheap. Instead of cheap labor Bangladesh should try to increase the labor productivity, which can help Bangladeshi fabrics to be cost competitive in the global market. In order to increase labor productivity Bangladesh need to introduce new and improved technology in different stages of production and finishing processes of fabrics along with timely training for workers.

It is also necessary to make sure good governance and management efficiency. According to Michael Porter, today, globalization is making the notion of comparative advantage obsolete. Companies can source low cost inputs anywhere and new, rapidly emerging technologies can offset disadvantages in the cost of inputs. Using resources productively is what makes for competitiveness today. Because technology is constantly changing, the new paradigm of global competitiveness requires the ability to innovate rapidly. This new paradigm has profound implications for the debate about environmental policy. It is important to use resources productively, whether these resources are natural and physical or human resources and capital.

In fine, the researcher believes that in cooperation with government initiatives, successful implementation of the recommended measures would be able to improve the disappointing performance of Bangladeshi fabrics through improving its competitiveness. Thus, with the encouraging performance of Bangladeshi fabrics, it will not be too much to expect to change the prevailing concept among the business people in Bangladesh that “smuggling is better than trading and trading is better than manufacturing” into “manufacturing is better than trading and trading is better than smuggling”. Hopefully, in that case, with the change in such typical and traditional mindset entrepreneurs will come up with innovative and creative ideas which will bring dynamism and will led to a success in Bangladeshi fabrics marketing.

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EXHIBITS

Exhibit – 1

Global Cloth Production by Countries (in '000' metric tons.)

Countries	1992	1993	1994	1995	1996	Growth
Americas						
Argentina	93.30	97.70	84.00	70.30	87.50	-1.30
Brazil	248.50	277.70	280.00	279.00	283.80	2.70
Chile	27.50	25.30	26.8	24.70	29.40	1.30
Colombia	39.10	36.80	34.9	34.70	35.60	-1.90
Cuba	17.50	8.70	3.6	4.00	3.90	-25.90
Dom. Rep.	3.10	2.80	2.8	2.80	2.90	-1.30
Ecuador	4.90	3.30	3.7	3.20	3.00	-9.30
Guatemala	1.00	1.50	10.5	5.60	8.90	54.80
Honduras	1.90	1.30	1.2	1.30	1.50	-4.60
Mexico	71.70	74.10	124.1	122.80	126.50	12.00
Paraguay	2.30	2.40	2.2	2.40	0.50	-26.30
Peru	30.10	29.40	34.4	32.70	32.20	1.40
United States	848.10	811.90	824.7	827.60	797.20	-1.20
Other countries	3.00	0.70	0.9	0.70	0.90	-21.40
Total	1392.00	1373.60	1433.80	1411.80	1413.80	0.30
Africa						
Algeria	8.20	7.20	6.10	5.90	6.10	-5.70
Burkina Faso	0.20	0.10	0.10	0.10	0.10	-12.90
Cameroon	2.80	2.60	2.90	3.50	4.40	9.50
Egypt	81.00	70.00	94.40	89.50	64.90	-4.30
Ethiopia	19.90	20.20	14.60	13.60	13.30	-7.70
Kenya	9.30	8.50	7.90	7.70	7.70	-3.70
Malawi	3.10	3.00	3.10	3.10	3.20	0.60
Madagascar	6.00	4.20	4.50	3.40	5.80	-0.70
Senegal	3.80	4.00	5.10	6.50	8.10	16.30
Sudan	7.60	6.40	5.20	0.00	0.00	-100.00
South Africa	20.00	23.90	26.70	31.30	27.50	6.60
Tanzania	32.80	27.30	24.40	18.40	17.70	11.60
Uganda	1.30	1.10	0.70	0.40	0.10	40.10
Zambia	7.90	9.60	10.60	12.60	11.90	8.50
Zaire	6.50	6.80	7.00	7.40	7.70	3.40
Other Countries	0.90	0.50	0.00	0.00	0.10	-35.60
Total	211.30	195.40	213.30	203.40	178.60	-2.60

(Contd....)

Europe	1992	1993	1994	1995	1996	Growth
Austria	8.40	10.00	10.00	9.60	7.80	-1.50
Belgium	39.80	42.80	53.80	45.40	43.90	2.00
Bulgaria	12.80	12.20	11.00	14.00	11.70	-1.80
Czech Republic	35.50	40.80	46.60	48.80	46.30	5.50
Finland	2.80	4.70	5.60	7.90	5.10	12.70
Yugoslavia	7.10	4.90	5.00	3.70	4.10	-10.40
France	98.90	93.90	97.90	92.50	90.60	-1.70
Germany	140.10	136.60	131.60	122.80	146.80	0.90
Greece	48.60	47.80	46.40	46.00	43.30	-2.30
Hungary	15.90	15.90	15.10	12.80	12.30	-5.00
Italy	150.80	144.00	154.10	160.80	151.20	0.10
Netherland	6.70	8.10	9.70	10.10	10.00	8.30
Norway	1.20	0.90	1.00	1.00	0.00	-100.00
Poland	32.00	30.80	34.30	29.40	32.90	0.60
Portugal	40.70	44.10	48.90	46.80	47.90	3.30
Romania	37.90	33.00	36.50	34.20	25.40	-7.70
Slovak Republic	0.00	1.30	1.30	7.00	6.40	0.00
Spain	73.80	75.20	75.80	75.80	76.80	0.08
Sweden	4.50	5.10	5.90	6.80	7.00	9.20
Switzerland	15.70	61.70	68.70	51.80	36.40	18.30
U.K.	23.00	20.00	41.10	14.70	14.90	-8.30
Other countries	0.20	0.20	6.30	11.40	0.00	-100.00
Total	796.40	834.00	906.60	853.30	820.80	0.60

(Contd..)

CIS & Former USSR						
Armenia	2.90	2.10	1.60	1.40	1.30	-14.80
Azerbaijan	9.40	6.80	5.20	4.50	4.10	-15.30
Belarus	13.00	9.50	7.30	6.20	5.70	-15.20
Estonia	15.90	11.60	8.90	7.60	7.00	-15.10
Georgia	2.90	2.10	1.60	1.40	1.30	-14.80
Kazakhstan	13.70	13.70	8.60	2.50	1.80	-33.40
Kirghizstan	8.70	6.30	4.80	4.10	3.80	-15.30
Latvia	4.30	3.20	2.40	2.10	1.90	-15.10
Lithuania	8.70	4.50	3.50	3.60	3.40	-17.10
Moldova	15.90	11.60	8.90	7.60	7.00	-15.10
Russia	518.10	384.90	204.60	168.40	137.00	-23.40
Tadzhikistan	10.80	7.90	6.10	5.20	4.80	-15.00
Turkmenia	2.90	2.10	1.60	1.40	1.30	-14.80
Ukraine	52.00	37.80	29.10	24.80	22.90	-15.10
Uzbekistan	43.40	31.50	24.20	20.70	19.10	-15.10
Total	722.60	535.60	318.40	261.50	222.40	-21.00

Asia/Oceania						
Australia	5.30	6.10	6.60	8.10	8.00	8.60
Bangladesh	9.40	9.40	7.60	7.80	9.20	-0.40
China (Mainland)	2484.50	2645.90	2258.10	2384.70	2288.40	-1.60
Hong Kong	107.80	103.30	96.00	89.50	76.70	-6.60
India	1354.00	1425.00	1498.00	1570.00	1675.00	4.30
Indonesia	705.10	747.90	773.10	784.30	803.00	2.60
Iran	75.00	69.60	78.20	98.60	101.40	6.20
Israel	31.00	31.00	31.00	30.00	31.60	0.40
Japan	249.70	220.30	212.20	186.10	169.00	-7.50
Korea	61.70	61.20	57.10	44.40	45.60	-5.90
Myanmar	13.90	11.80	18.30	19.40	24.00	11.50
Pakistan	532.80	512.40	645.60	889.30	1081.80	15.20
Philippines	66.20	72.90	75.10	75.10	84.50	5.00
Sri Lanka	22.00	25.00	27.00	23.00	21.00	-0.90
Syria	10.50	8.10	7.90	8.30	12.00	2.70
Taiwan	214.90	241.30	244.50	195.00	174.50	-4.10
Thailand	381.10	326.70	286.10	314.80	311.90	-3.90
Turkey	423.60	359.20	281.00	275.30	272.00	-8.50
Other Countries	0.00	0.10	0.00	0.20	0.20	0.00
Total	6748.50	6877.20	6603.40	7003.90	7189.80	1.30

Source: Business Recorder, www.brecorder.com

Exhibit – 2
Global Cloth Export (in '000' metric tones)

Countries	1992	1993	1994	1995	1996	% Growth
Americas						
Argentina	0.10	8.20	12.80	16.60	12.50	162.70
Brazil	62.50	54.30	49.20	0.00	0.00	-100.00
Canada	9.00	9.50	0.00	0.00	0.00	-100.00
Colombia	2.80	1.70	1.80	0.00	0.00	-100.00
Costa Rica	0.00	0.10	0.00	0.00	0.00	0.00
Ecuador	1.00	1.00	0.00	0.00	0.00	-100.00
Guatemala	0.50	0.70	5.10	3.00	4.90	57.90
Honduras	2.40	3.00	0.00	0.00	0.00	-100.00
Jamaica	0.30	0.20	0.00	0.00	0.00	-100.00
Mexico	18.10	10.40	0.00	0.00	0.00	-100.00
Peru	3.10	3.00	0.00	0.00	0.00	-100.00
United States	137.30	146.60	154.00	166.60	171.70	4.60
Venezuela	3.40	3.90	0.00	0.00	0.00	-100.00
Other Countries	12.30	3.60	38.80	55.20	0.00	-100.00
Total	252.80	246.20	261.70	241.40	189.10	-5.60
Africa						
Cameron	1.40	1.40	1.60	1.70	0.00	-100.00
Cote D' Ivoire	10.60	10.80	0.00	0.00	0.00	-100.00
Egypt	22.80	23.50	31.30	24.00	0.00	-100.00
Malawi	0.40	0.40	0.00	0.00	0.00	-100.00
Morocco	2.90	3.00	0.00	0.00	0.00	-100.00
S.Africa	2.90	3.30	2.90	4.30	4.10	7.20
Zambia	1.90	2.30	3.20	5.00	0.00	-100.00
Zimbabwe	2.70	2.90	0.00	0.00	0.00	-100.00
Other Countries	3.40	2.20	20.70	19.40	0.00	-100.00
Total	49.00	49.80	59.70	54.40	4.10	-39.20

(Contd..)

Europe						
Austria	21.30	0.00	0.00	0.00	0.00	-100.00
Belgium	52.80	52.30	84.20	106.90	0.00	-100.00
Bulgaria	1.20	1.00	0.00	0.00	0.00	-100.00
Czech. Rep.	24.50	23.80	25.20	37.60	26.30	1.40
Denmark	5.90	2.20	5.60	9.10	0.00	-100.00
Finland	1.50	1.50	1.60	1.70	0.00	-100.00
Former Yugoslavia	1.00	0.00	0.00	0.00	0.00	-100.00
France	78.40	84.90	89.60	86.20	91.60	3.20
Germany	129.40	120.50	125.70	114.90	118.60	-1.70
Greece	15.00	14.30	16.30	18.00	0.00	-100.00
Hungary	9.70	9.30	0.00	0.00	0.00	-100.00
Ireland	11.90	5.60	12.10	17.80	0.00	-100.00
Italy	74.40	90.20	103.30	115.50	118.70	9.80
Malta	0.60	0.00	0.00	0.00	0.00	-100.00
Netherland	31.80	10.20	32.60	58.30	0.00	-100.00
Norway	1.50	1.50	1.90	1.80	1.80	3.70
Poland	1.80	3.70	2.90	0.00	0.00	-100.00
Portugal	12.00	11.70	12.50	12.40	12.10	0.20
Romania	2.40	2.40	2.30	2.80	0.60	-24.20
Spain	27.10	36.70	37.00	42.90	0.00	-100.00
Sweden	4.80	5.00	0.00	0.00	0.00	-100.00
Switzerland	19.00	18.40	19.70	17.20	10.80	-10.70
U.K.	33.80	29.40	32.20	28.70	33.30	-0.30
Other Countries	0.00	21.40	36.80	26.60	0.00	0.00
Total	561.80	546.00	641.50	698.40	413.80	-5.90
CIS & Former USSR	35.40	31.90	30.30	29.50	0.00	-100.00

(Contd..)

Asia/Oceania						
Australia	1.60	1.20	1.60	1.90	0.00	-100.00
China	713.90	905.90	843.40	892.50	728.30	0.40
Hong Kong	87.30	84.00	76.90	69.70	65.30	-5.60
India	137.00	159.00	163.00	175.00	188.00	6.50
Indonesia	55.10	52.40	63.70	55.80	0.00	-100.00
Iran	0.40	0.50	0.00	0.00	0.00	-100.00
Israel	7.90	8.40	0.00	0.00	0.00	-100.00
Japan	64.80	58.60	53.20	49.60	52.40	-4.20
Korea	60.60	44.30	0.00	0.00	0.00	-100.00
malayasia	18.90	18.80	34.90	47.50	0.00	-100.00
Pakistan	178.80	161.70	0.00	0.00	0.00	-100.00
Philippines	4.50	5.40	5.20	5.30	0.00	-100.00
Singapore	25.30	25.70	0.00	0.00	0.00	-100.00
Sri Lanka	1.00	1.70	4.00	3.00	4.00	32.00
Syria	1.80	1.10	0.40	0.00	0.00	-100.00
Taiwan	78.60	66.80	81.60	68.80	78.50	0.00
Thailand	31.00	31.50	38.70	42.00	0.00	-100.00
Turkey	34.20	38.10	62.70	50.90	0.00	-100.00
Other Countries	0.50	0.40	254.60	235.60	0.00	-100.00
Total	1503.20	1665.50	1683.90	1697.60	1116.50	-5.80

Source: Business Recorder, www.brecorder.com

Exhibit – 3
Global Export of Fabrics

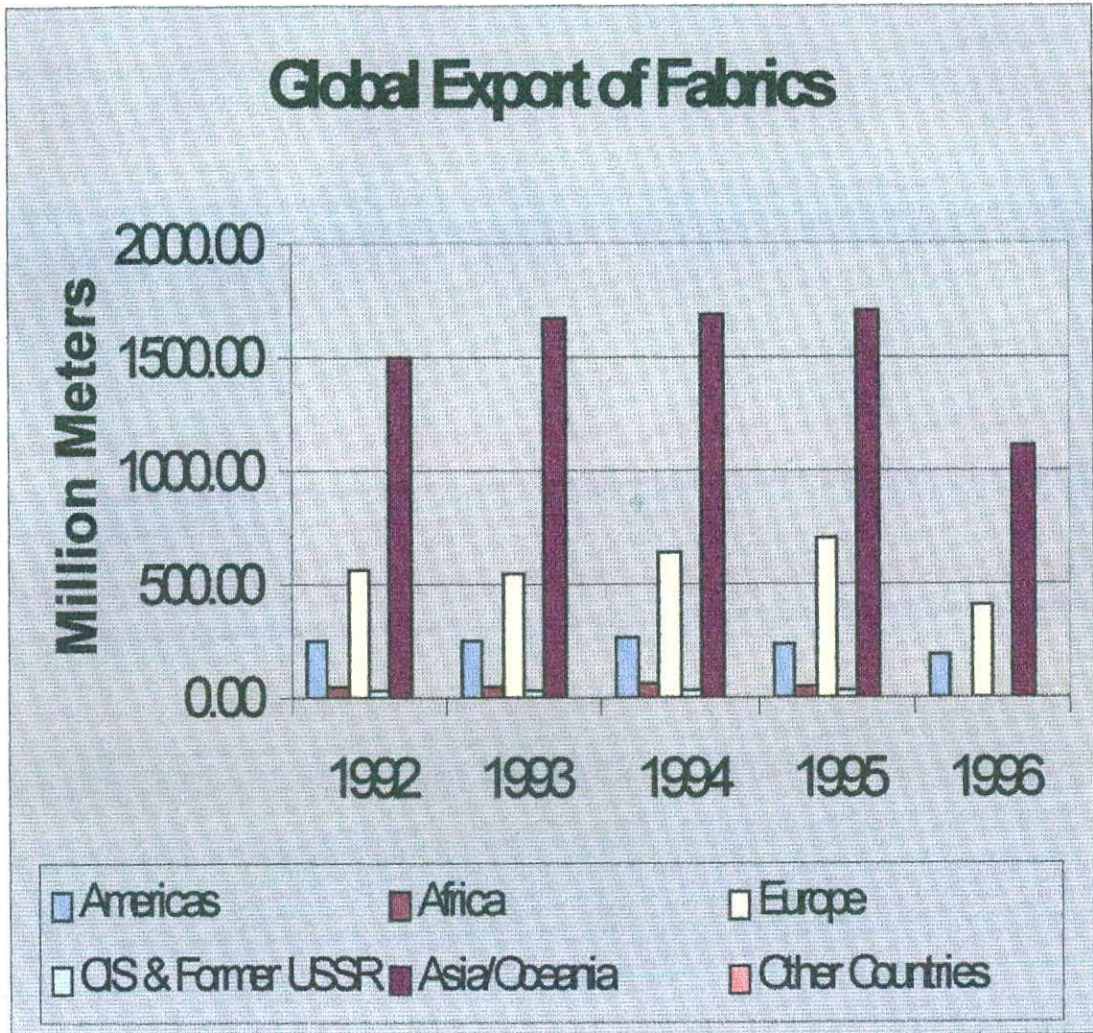


Exhibit - 4

Global Cloth Import in Some Selected Countries (in '000' metric tones)

Countries	1992	1993	1994	1995	1996	% Growth
Americas						
Argentina	10.70	11.50	9.40	8.10	12.40	3.00
Brazil	1.10	2.70	0.00	0.00	0.00	-100.00
Canada	46.30	0.00	0.00	0.00	0.00	-100.00
Chile	10.60	11.50	0.00	0.00	0.00	-100.00
Guatemala	0.80	0.60	2.20	1.00	1.50	13.40
Jamaica	0.60	0.90	0.00	0.00	0.00	-100.00
Mexico	59.10	17.80	0.00	0.00	0.00	-100.00
United States	358.00	397.60	363.50	346.00	330.20	-1.60
Other Countries	21.00	82.60	300.50	355.50	0.00	-100.00
Total	508.20	525.20	675.60	710.60	344.10	-7.50
Africa						
Burkina Faso	2.10	2.00	0.00	0.00	0.00	-100.00
Cameron	1.00	1.00	0.00	0.00	0.00	-100.00
Cote D' Ivoire	1.30	1.20	0.00	0.00	0.00	-100.00
Egypt	2.60	5.80	6.60	7.10	0.00	-100.00
Kenya	0.10	0.10	0.00	0.00	0.00	-100.00
Malawi	2.40	3.10	0.00	0.00	0.00	-100.00
Morocco	10.40	11.00	0.00	0.00	0.00	-100.00
Mozambique	0.50	0.50	0.00	0.00	0.00	-100.00
Senegal	3.20	0.60	0.00	0.00	0.00	-100.00
S.Africa	6.80	6.70	8.40	10.50	8.60	4.80
Zaire	2.00	2.30	0.00	0.00	0.00	-100.00
Zimbabwe	1.00	1.00	0.00	0.00	0.00	-100.00
Total	33.40	35.30	15.00	17.60	8.60	-23.90

(Contd..)

Europe						
Austria	18.30	0.00	0.00	0.00	0.00	-100.00
Belgium	48.70	51.60	76.00	82.20	0.00	-100.00
Bulgaria	2.40	2.30	0.00	0.00	0.00	-100.00
Czech. Rep.	1.90	4.90	0.00	0.00	0.00	-100.00
Denmark	14.00	6.70	11.10	10.40	0.00	-100.00
Finland	7.20	7.30	8.50	8.60	0.00	-100.00
Former Yugoslavia	5.30	0.00	0.00	0.00	0.00	-100.00
France	97.40	98.20	107.70	100.80	96.60	-0.20
Germany	102.00	99.00	112.00	104.60	107.30	1.00
Greece	10.50	14.30	15.70	14.40	0.00	-100.00
Hungary	6.10	6.30	0.00	0.00	0.00	-100.00
Ireland	5.40	2.10	3.30	2.90	0.00	-100.00
Italy	115.60	108.50	143.90	140.00	0.00	-100.00
Malta	3.60	3.80	2.10	2.10	3.40	-1.10
Netherland	46.00	18.90	44.90	43.00	0.00	-100.00
Norway	6.10	6.40	7.30	6.70	6.50	1.30
Poland	11.70	33.30	0.00	0.00	0.00	-100.00
Portugal	22.40	19.50	23.40	22.90	25.20	2.40
Romania	4.20	5.00	8.90	9.70	11.10	21.50
Spain	20.70	20.10	22.80	23.80	0.00	-100.00
Sweden	13.70	0.00	0.00	0.00	0.00	-100.00
Switzerland	7.70	7.50	8.20	8.20	8.10	1.00
U.K.	129.70	99.20	99.20	99.20	92.80	-6.50
Other Countries	0.00	31.80	67.00	86.60	0.00	0.00
Total	700.60	646.70	762.00	766.10	351.00	-12.90

(Contd..)

CIS & Former USSR	7.10	5.50	4.80	4.20	0.00	-100.00
Asia/Oceania						
Afghanistan	0.40	0.40	0.00	0.00	0.00	-100.00
Australia	21.40	24.30	26.70	27.10	0.00	-100.00
Bangladesh	26.90	31.00	0.00	0.00	0.00	-100.00
China	144.80	138.80	171.30	185.50	216.60	8.40
Hong Kong	305.40	332.90	323.60	318.80	297.30	-0.50
Indonesia	18.30	22.00	20.90	21.40	0.00	-100.00
Iran	3.70	1.10	0.00	0.00	0.00	-100.00
Iraq	1.20	1.20	0.00	0.00	0.00	-100.00
Israel	18.90	20.00	0.00	0.00	0.00	-100.00
Jordan	2.00	1.60	0.00	0.00	0.00	-100.00
Japan	92.00	113.70	116.10	98.40	110.00	3.60
Korea	60.70	65.20	0.00	0.00	0.00	-100.00
malayasia	37.40	39.00	52.40	56.90	0.00	-100.00
Myanmar	0.30	0.40	0.00	0.00	0.00	-100.00
Pakistan	1.00	1.20	0.00	0.00	0.00	-100.00
Philippines	31.30	29.50	40.80	43.10	0.00	-100.00
Singapore	52.40	53.00	0.00	0.00	0.00	-100.00
Syria	0.50	0.50	0.50	0.60	0.00	-100.00
Taiwan	23.90	15.40	12.80	14.10	13.80	-10.40
Thailand	24.70	25.50	0.00	0.00	0.00	-100.00
Turkey	13.80	26.90	29.80	48.50	0.00	-100.00
Other Countries	0.00	0.00	250.40	252.00	0.00	-100.00
Total	881.00	943.60	1045.30	1066.40	637.70	-6.90

Source: Business Recorder, www.brecorder.com

Exhibit - 5
Consumer Satisfaction Level (Based on data on scale 1 – 4)

Attributes	Pride	Tangail Saree	Sundari	Zia print	Indian saree
Longevity	3	3	3	3	2
Design and print	2	1	1	1	4
Fastness of color	3	2	2	1	4
Finishing	3	2	2	2	4
Price	1	2	1	1	4

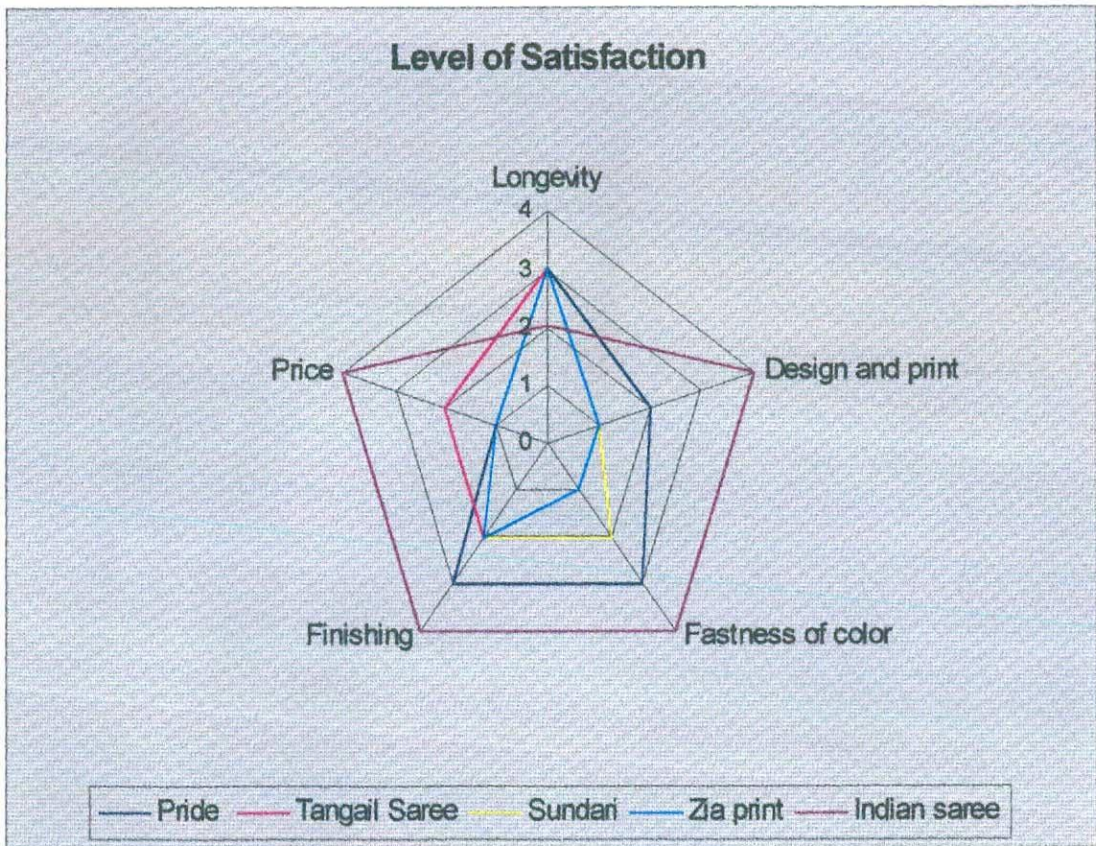
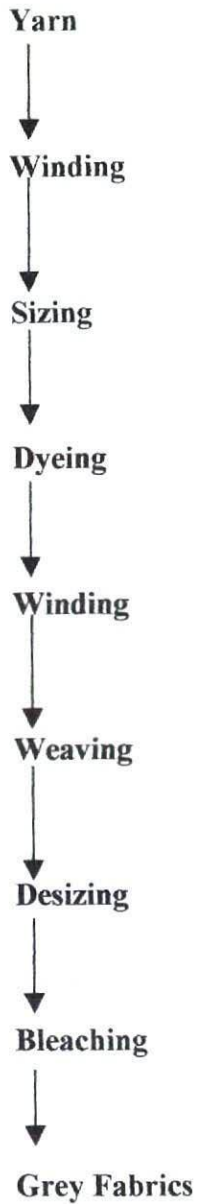


Exhibit – 6
Production Flow Chart

Weaving



Dyeing, Printing and Finishing

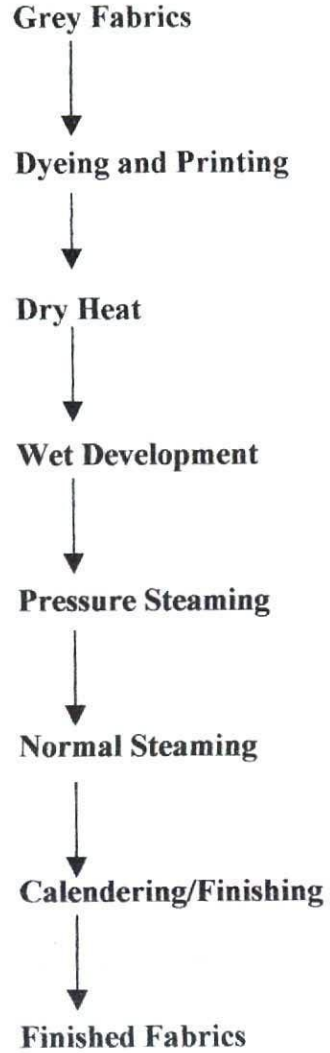


Exhibit - 7
Market Potential for Fabrics in Bangladesh 2000-2001

Monthly Income	Total Population (Adjusted)	Per Capita Consumption (in meter)	Average Price (Taka per meter)	Market Potential (in meter)	Market Potential (in Taka)
5,000 --- 5,999	9,895,756	16	38	158,332,096	6,016,619,648
6,000 --- 6,999	7,164,371	18	40	128,958,678	5,158,347,120
7,000 --- 7,999	3,272,934	18	45	58,912,812	2,651,076,540
8,000 --- 8,999	3,272,934	20	45	65,458,680	2,945,640,600
9,000 --- 9,999	2,939,048	21	45	61,720,008	2,777,400,360
10,000 -- 12,499	4,390,240	21	60	92,195,040	5,531,702,400
12,500 -- 14,999	2,393,775	23	80	55,056,825	4,404,546,000
15,000 -- 17,499	1,975,812	24	85	47,419,488	4,030,656,480
17,500 -- 19,999	1,072,435	24	85	25,738,440	2,187,767,400
20,000 +	3,174,353	25	90	79,358,825	7,142,294,250
				773,150,892	42,846,050,798

Market Potential For the Year 2000-2001

For the calculation of projected market potential following formula (Kotler, 1994) is used:

$$Q = npq$$

Where,

Q= Total Market Potential

n= Total number of buyers in the specific product/market under given assumption

p= Quantity purchased by a buyer on average

q= Average price per unit

Note: In this projection demand for the institutional buyers is not considered.

This projection is based on the consumption pattern of sample respondents.