

Bata
BANGLADESH



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Internship Report on

“Sustainability of Bata as market leader in footwear industry in Bangladesh”

Course Code: BUS400

Prepared for:

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LETTER OF TRANSMITTAL

May 8, 2019

Mr Shamim Ahmed

Lecturer, BRAC Business School

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Subject: Submission of Internship Report on **‘Sustainability of Bata as market leader in footwear industry in Bangladesh’**.

Sir,

It is my pleasure to submit the internship report on ‘Sustainability of Bata as market leader in footwear industry in Bangladesh’ to you as per the requirement of BUS 400 course. I have prepared my report according to the guidelines and tried my level best to make it as informative as I can along with the primary data collected from a survey participated by 56 respondents. Apart from it, I have utilized my analytical abilities to interpret the data and represented them with visuals. I have done my Internship at Bata Shoe Company (Bangladesh) Limited. As I have seen the shoe industry being a part of it, it helped me to prepare the report with direct experience. I sincerely hope it will meet your expectation. However, the report is not free from flaws, I urge you accept it with thoughtful considerations.

Sincerely,

Mia Fuad Hasan

15104057

BRAC Business School

ACKNOWLEDGEMENT

To start with, I am grateful to the Almighty for giving me sound health to finish my internship and accomplish the report. I would like to show my gratitude towards my internship advisor, **Mr Shamim Ahmed** for assisting me to complete my internship report on due time.

I express my utmost gratitude to:

Gias Uddin Biswas, Real Estate Manager and **Sadia Afroz Simu**, Executive of Real Estate department for acting as mentors and guiding me throughout these 3 months period. Their guidance have helped me to adapt to the corporate culture quickly and motivated me to learn the functionalities of real estate department.

Also, I would like to thank the Finance and Legal department for cooperating with me in various tasks and responsibilities.

Finally, I would like to thank my family and friends for their continuous support throughout this internship period, without their support I wouldn't be able to reach this stage of my life.

LETTER OF ENDORSEMENT

This to certify that Mia Fuad Hasan, bearing ID – 15104057, is a regular student of BRAC Business School, BRAC University and has completed the internship report titled **“Sustainability of Bata as market leader in footwear industry in Bangladesh”** under my supervision. His internship placement was at Bata Shoe Company (Bangladesh) Limited. I am pleased to state that he was a responsible and diligent throughout his internship tenure and preparing this report as well. He created a clear image of her responsibilities and learning in the report. The findings presented in the report seemed to be authentic. Though it has some minor slip-ups, it is of a kind which can be used by others for any further researchers want to work on this particular topic.

I wish his every success in life.

Shamim Ahmed

Lecturer,

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EXECUTIVE SUMMARY

The internship report was made on Bata Shoe Company Bangladesh Ltd., where the topic is to find out whether Bata has the capability to sustain as the market leader in Bangladesh. Bata has been the market leader in structured retail footwear industry since its inception, as no other brands like Bata has ever emerged till now. Only, Apex used to be Bata's only close competitor taking second position in terms of market share. However, with time Bata's quality of products started to deteriorate along with hike up in products prices, so customers started to shift from Bata to other brands. There are so many branded retailers now in the market which in turn has made life more difficult for Bata as they now have to compete with 10 to 12 brands, but previously it used to be only Apex Footwear. To cope up with rivals and survive in the industry, Bata can follow the footsteps of global brands and adopt their approaches.

This report finds out the success factors of global footwear brands and made an comparison with Bata's position. Through comparison, the gap between Bata and other brands have been discovered and also mentioned about the challenges that Bata is facing. The report also discusses about the organizational functions, structure and its operations. Lastly, the report also consists of few recommendations that Bata may follow in order to improve its profitability and continue to hold its position in the future

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ORGANIZATION OVERVIEW

The Bata shoe company, founded by Tomas Bata in 1894 and headquartered in Canada, is the world's largest footwear manufacturer and marketer brand in terms of volume and serving more than 1 million customers per day in its 5300 outlets across the globe. In Bangladesh, Bata started its journey before the country's independence back in 1962 and became the first ever multinational company to start its operations in this part of the world. It made a mark in the country by introducing 'Naughty Boy' shoes to the market, which were highly praised due to its good finishes and high durability. Since then, the company has created a great impact on the apparel and footwear industry in the country and became a market leader in terms of market share, revenues and customer base. As of 2018, Bata has 242 retail outlets of its own, more than 10 franchises, 20 godowns and 13 depots, also 1000+ dealers and hundreds of wholesalers all over the country. They have positioned themselves in such a way that there are barely any places where a person will not find any Bata stores.

It is a public limited company enlisted in Dhaka Stock Exchange (DSE) under the guidelines of Bangladesh Security and Exchange Commission (BSEC) in 1985, and later on it enlisted in Chittagong Stock Exchange (CSE) as well. Currently, Bata has two manufacturing plants located in Dhamrai and Tongi (where the corporate office is also located) which produced 26.6 millions of pair in 2017 (Annual Report 2017). Tongi factory mainly produces lower segments of shoes and sandals (fabric, rubber, plastics, converse) and Dhamrai produces upper segments and top brand shoes. Additionally, it imports higher segmented sub-brands from China and India to ensure the most premium quality to its consumers.

The success of Bata Bangladesh depended not only on retail stores and quality shoes, but also the range of sub-brands (Power, Hush Puppies, Ambassador, Marie Claire, Comfit etc.) and the product lines (2000+) it cater according to the customer needs and wants. Furthermore, it made significant changes in its business policy in the segmentation of retail outlets according to the profiles of different market segmentation by introducing city store concepts. The city stores offer a wider range of product lines and brands as well as non-footwear items (socks, bags, backpacks,

wallets, belts) on a spacious floor spaces with elegant decorations allowing superior customer experiences.

Bata Bangladesh is about to step into 57th year of its journey as the most successful footwear manufacturer and retailer in the country. They have been awarded as the best brand in the footwear category by Bangladesh Brand Forum (BBF) for the last 6 consecutive years. Moreover, they are declared as one of the highest tax payer in the country and their annual profit of BDT 1146 million indicates its strong position in this country's footwear industry.

Vision

To make great shoes accessible to everyone

Mission

- To help people look and feel good.
- To be the customer's destination of choice.
- To attract and retain the best people.
- To remain the most respected footwear company.

Values



Team Management

Name	Designation
Mr Chitpan Kanhasiri	Managing Director
Mr. S.N Jha	Finance Director
Mr Md Arfanul Haque	Retail Manager
Mr Patricio Andres Alegria Otieza	Chief Collection & Product Development Manager
Ms Abhaya Shishir	Merchandising Manager
Mr Jalil Ahmed Chowdhury	General Manager Supply Chain
Mr Omar Faisal Chowdhury	General Manager, Non-Retail
Mr Md Hashim Reza	Company Secretary
Mr Md Syed Zahidul Islam	General Manager, Human Resource
Mr Md Humayun Kabir	Head of Internal Audit

Departments of Bata

- Retail
- Merchandising
- Non-Footwear
- Wholesale
- Supply Chain
- Product Development
- E-commerce
- Finance
- Management Information System
- Legal

Retail Department

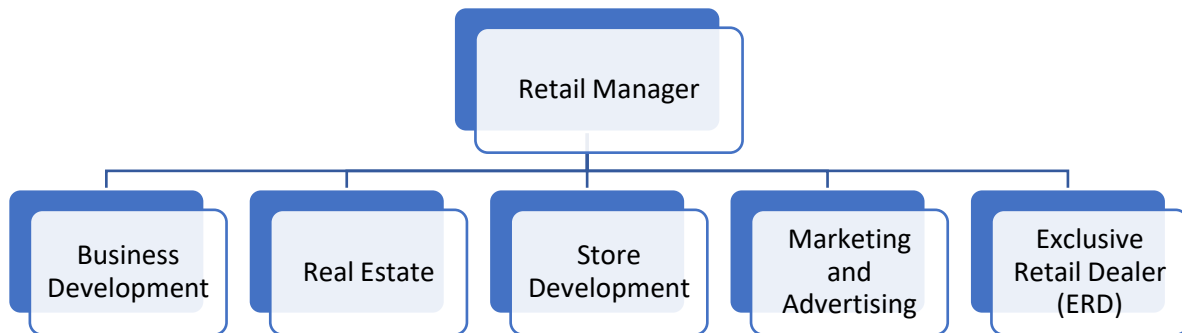


Fig. Organogram of Retail Department

Retail department is one of the largest and a very crucial division of Bata. It is largest because of the number of people involved directly and indirectly with it and most important as majority of the Bata's revenue is generated from its own retail units. Mr Md Arfanul Haque, the new retail manager who took over the charge from Mr Lee Sin Kee, is serving at Bata for more than 12 years in various position including retail and merchandising. He is in charge of providing guidance and leadership to 5 sub-units of retail, which are mentioned above in the chart. All the 5 wings are interrelated and are subset of retail division.

Business development part helps to expand and grow the current business unit and also seek for opportunities to increase customer base and profit generation. They align their work with the real estate department, which is another wing of retail and a subset of business development unit.

The real estate team conduct profitability analysis, breakeven analysis, calculate payback period based on the qualitative and quantitative data generated by business development. They have to deal with the landlords, negotiate with them for lower monthly rents and advances. The department works directly with the finance team for the purpose of rent and advance payment of stores; also with legal team for preparing contracts between the landlords and Bata.



Fig. Retail Department's Team Members

The next is the store development wing of retail. They develop the stores according to their concepts (Angela, Red-1, Red-2) based on the store size, location and socio-economic conditions of the footfalls. They also renovate stores when there is a need for it and are in charge of all the maintenance works of the existing store.

Marketing and advertising department is the heart of retail department. Their main task is create demand which will bring more profit to the organization. They run marketing campaigns during January for school kids' shoes and during various religious festivals. They also run the social media channels and customer service team.

Exclusive Retail Dealer or ERD is basically a fancy name of franchisee operations. This is a new concept introduced by Bata recently where the operation will be conducted by a third party business person and will purchase goods from Bata on cash. However, the outlets design and structure will be no different from the Bata's own retail stores so that customers cannot distinguish between the stores.

Brands of Bata

Bata Bangladesh has currently more than 12 brands including Bata's own merchandises. There are few brands that are locally produced in Tongi and Dhamrai plants, some are outsourced to other native vendors, but majority of the brands mentioned below are imported from South – eastern countries. The brands are segmented gender wise and priced according to various income-groups. Among the brands, Ambassador, Hush Puppies and Comfit are specially made for white collar people who seek comfortable shoes with good-looking design barring the price range. Power and North Star are the most profitable brands of Bata as they serve a wider segment of customers unlike other brands. These shoes give consumers a cozy touch along with a sporty look. Meanwhile, Marie Claire, Scholl and Naturalizer brands are dedicated for women footwear and Bubblegummers and B-First are for school going kids. Furthermore, Bata is the sole authorized importer of merchandises of both Nike and Adidas in Bangladesh.



Fig. Brands of Bata Bangladesh

Introduction to the report/study

Rationale of the study

To find out the success factors of footwear brands in this 21st century. The objective is to compare the key success factors with Bata's current performances and future prospects and, provide solutions to fill up the missing gaps. To sustain in the long run and to cannibalize market share of the rival brands what measures are taken by Bata are the main subject topics of this report.

Statements of the problems

Bata used to be the only shoe manufacturer and retailer brand in Bangladesh for years, but as a result of competitive market, many brands both local and foreign started to develop in the country. The customers are enjoying the benefit of free market economy as they have many options to choose from but from Bata's perspective this has given them a new challenge. Although standing as the market leader, due to competition their market share has been decreasing every year. Bata's sustainability in the long run is now questionable and the main problem of the study.

Scope and Delimitation of the study

The topic I chose for the report is very vast so in order to make it very precise and meaningful I chose only few crucial factors out of many. The time to conduct research, analyze and evaluate results and ultimately write the thesis was limited and also getting accurate result from surveys was also challenging at times.

Objective of the study

The report was made to match the success factors of footwear industry in the 21st century with Bata's current performance scenario and their future likelihoods and, analyze the strength and weaknesses of Bata's business model.

Research Questions

- What are the success factors of footwear brands in the 21st century?
- Is Bata matching up with the performance required to compete with rival brands?
- What are strengths and shortcomings Bata currently facing?

My role during Internship

During the internship period of 3 months commencing from January to March, I have worked with Real Estate department, a sub-division of Retail. Ms. Sadia Afroz, executive of Real Estate acted as my direct supervisor and Mr. Gias as the reporting manager. Apart from them, I also had to report to the retail head and sometimes align with the legal and finance departments due to various tasks. I feel blessed and lucky to have such nice persons to have as my supervisor and reporting person as they assisted me to learn new things and were very friendly to me. My duties and responsibilities are as follows:

- Communicating with the landlords of the retail outlets, understanding their problems with rent, advance, payments or any other issues that arises and solving them promptly.
- Maintaining databases and folders of all the landlords and updating them regularly.
- Preparing investment proposal for new stores; conducting feasibility, comparative and profitability analysis of new retail stores.
- Preparing store evaluation package (SEP) for new stores and for stores to be renewed by comparing the store's turnover, net profit and net cash flow with similar stores.
- Preparing rent and joint venture payment file in spreadsheets for all retail, wholesale and depot landlords by adjusting advance and commission amounts.
- Facilitating finance department in converting cheque payments to direct fund transfer to ensure timely and efficient payment to landlords through Bangladesh Electronic Funds Transfer Networks (BEFTN).
- Assisting the MIS department with data recordings of all the stores and its landlords' information for Bata's ERP software
- Preparing advance protocols for landlords and writing letter to landlords for renewal agreements.

Literature Review

The leather and footwear industry in Bangladesh have become saturated in recent years. The increasing purchasing capacity and rising population of the country have pushed the market to be very competitive (Daily Star, 2017). There is innumerable footwear exporters are shifting to opening their own outlets and the size of the industry mushroomed in recent years. The market size of the shoe industry is now worth of 7000 to 8000 crore taka in 2017 and expected to grow further with rising GDP (Daily Star, 2017). This rising per capita income has also made an effect on shoe consumption behavior of Bangladeshis; they now own 3 pairs of shoes on an average which has doubled in five years span (Ruhul Amin, Orion Footwear). Earlier, Bata Bangladesh was the lone chain retailer in this country with its first outlet opened in Sadarghat, Dhaka back in 1962. But now Bata alone owns 250 retail outlets and 500 wholesale dealers across the country (Annual Report, 2017). Bata's largest competitor, Apex Footwear, also own 220 stores, with Lotto and Bay the other two rival brands also have 90 and 72 outlets operating in the country. With such prevailing condition of the industry and the way our economy is shaping we can expect the competition to become more intense and more players to enter in the nearby future. For Bata, this scenario is not welcoming for them as their market size is reducing due to new intruders and to sustain in the long run and anchor top position they need to follow the footsteps of successful brands and undergo the changes.

All the top brands in the world more or else followed similar footsteps in making them a successful brand towards customers. Their success factors are similar to each other and smaller or local brands consider these factors as benchmarks for them. Brands like Adidas and Nike are moving towards a more automated manufacturing setup by setting up fully automated factory in Germany and Nike has invested in a tech startup called Grabit that uses electro adhesion and has been filling its factories with machines that can work 20 times faster than human workers. (Prachi Singh, Fashion United). With this automation manufacturers will be able to increase their production and will be able to achieve higher efficiency rate at the cost of thousands workers jobs. This clearly indicates where the manufacturing industry is heading towards in the future.

Athletic brands like Adidas, Nike, Asics etc are using a different approach to communicate with their customer base which is called 'brand community'. "Adidas runners", "FrontRunners", "Training Club" are examples of brand communities established by famous sports brands - Adidas, Asics and Nike over the years. This concept helps to engage customer and build relationship to the brand to a whole new level. They facilitate the establishment of a network that fosters conversation, engagement and loyalty (Dana Müller, Zurich University of Applied Science).

Furthermore, for any organization in general, let alone footwear brands, need to change their orthodox structure of organogram and shift to a more holacracy structure. Human resource management for any form of organization plays a pivotal role for its success. In order to have an enrich management, organizations are distributing power throughout the organization giving individuals and teams more freedom to self-manage, while staying aligned to the organization's purpose rather than top-down power control (Zappos). There can be hundreds of success factors for each industry, but not all are relevant to every brand or organizations, above mentioned are few factors that are collected from various sources.

Success Factors for footwear brands to sustain in the future.

1. Creating brand communities

The term brand community refers to a specialized, non-geographically bound community, based on a structured set of social relationships among people who share common affection for the brand. It is a 21st century concept and since its inception, it has been taken seriously by many famous footwear brands. Sports brands were amongst the first brands to form BCs. “Adidas runners”, “FrontRunners”, “Training Club” are examples of brand communities established by famous sports brands - Adidas, Asics and Nike over the years. This concept helps to engage customer and build relationship to the brand to a whole new level. They facilitate the establishment of a network that fosters conversation, engagement and loyalty. People join in the community to from the desire of membership and belonging. This concept got enhanced further due to the advent of digitalization as it got easier for people to form relationship and bonding with each other who share similar needs and interests. As a brand they want to form brand equity as these increases their brand equity in its four components of brand loyalty, brand awareness, perceived quality and brand association also actualize the concept of relationship marketing (Loewenfeld, 2006). But the question is, what benefits do brands get for building this “brand community”? According to Muller Dana in her research paper on brand community she told that brands figured out few factors to evaluate the performance of their brands, these are- identification with the brand, satisfaction of needs, influence on the group, brand client interaction etc. Another researcher said that to get the best out of the concept, brands need to integrate big data, social and mobile media, online brand community and customers together (Giannetto, 2015).

Brands must ensure that they engage more young people into their community as they are the ones who willingly promote the brands on social media. This allows an integrated approach and brands can successfully multiply their communities since customers themselves build and promote the community they are attached towards. Asics’ ‘FrontRunner Community’ members promote the idea of enjoying exercise and inspiring people, plus supporting others along their own running journeys since 2010 (Runner’s Radar, 2010). This community people share their passion, knowledge, training, fun and friendships offline to race days, run clubs and local

communities, as well as online to their digital communities. This concept has significantly helped the brand to increase the brand equity and people started to perceive the brand as its own which also resulted in increase in sales of running shoes.

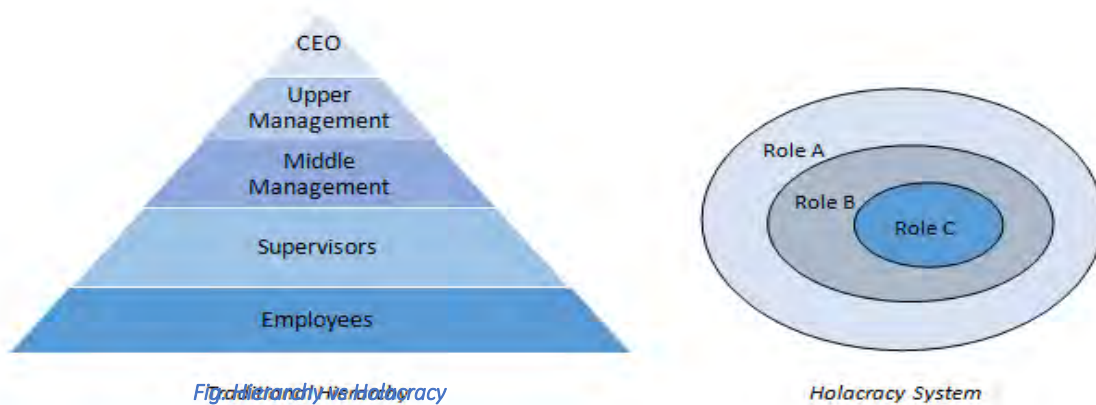
Bata's standings

Bata Bangladesh introduced a loyalty program named as “Bata Club” in late 2015. This is basically a community that Bata created to engage customers and make it more interactive with Bata. Anyone can easily join the community for free by registering through the website and the members are going to earn reward points whenever they make a purchase from retail stores. Each point is equivalent to one taka and can be redeemed by the customers in a multiple of fifty. Although Bata has established this concept 4 years ago, its activities are quite minimal resulting in lesser success for the organization. Currently, there are only 1 million club members and most of them are inactive due to fewer activities offered by Bata. The brand only offered special discounts to its club member's numbers of times and their interaction with the community has been very much limited to this discount program. Lack of awareness of customers and unsupportive sales staffs made customers forget about their membership and forget to redeem their points into cash every year.

But, recently Bata has taken a new initiative to be more interactive with the brand community by taking few initiatives. One is to promote the community and add new members to the community by persuading customers to add themselves to the club by both on and offline methods. Furthermore, Bata is going to affiliate with an organization named “Easy Rewards” to understand about customer buying behavior deeply. Easy Rewards will track the buying behavior, trend, bucket size of the club members. Additionally, they will also track why a regular customer shift from Bata to other footwear brands. They will provide an all in one solution to Bata and help them to find the loopholes in the Bata Club community which in turn help Bata to categorize products and promotions to customers accordingly.

2. Holacracy Approach

Holacracy is a dynamic organization structure which is different from the conventional hierarchy system. Instead of operating top-down, power is distributed throughout the organization, giving individuals and teams more freedom to self-manage, while staying aligned to the organization's purpose (Holacracy Org, 2018). It is a shift in mindset among employees to a greater autonomy and taking action. The concept gives every employee the opportunity to be more innovative and



move the organization forward which will help them to meet customers' needs in the long run (Zappos, 2017). Even in this approach employees need to report to their supervisors, however the employees are shown respect whenever they take decision by their own. The employees are not given any job title internally; however, they are given titles to use them externally in order to communicate with the outside world. It also ensures that employees are compensated based on their market value and not only by the conventional pay scale. The system is useful to organization as holacracy aims to make companies evolutionary by capitalizing on the unique ability those managers and employees have. By doing away with the concept of manager, it effectively breaks down communication and collaboration barriers formed by traditional pyramid organizational structures. Managers like this concept as they do not have to spend their entire time solving everyone's problems, while employees accepted it because they feel truly empowered to act on tensions, problems and opportunities that they recognize.

Holacracy has changed the organizational structure from pyramid shape to circular shape. Instead of thinking of a company as a pyramid of people in different department and with different authorities, it thinks as a set of nested circles that consists of different roles, not people. Another key aspect of holacracy is that it empowers employees. One of the key innovations of holacracy is that the person who fills a role is empowered to execute an assignment the best way he or she sees fit. There is no manager to override that decision and no one has such authority, not even C-suite members. In this sense, holacracy creates a very empowering environment where authority is truly distributed. For an instance, a person fitting a marketing role wants to create a LinkedIn page for the company; he is free to do so without asking anyone's permission. Holacracy is a very different management system that requires employees to rethink their organization from the ground up. It might be uncomfortable and difficult at first but, it may be the only way to install evolution within the organization (Book Video Club, 2015).

Bata's standing

Bata Bangladesh has a pool of approximately 8000 employees working for them. This includes management people working in the corporate office, factory workers, trainers and sales staffs. With such numbers of people, it can be said that the human resource department has had tough times in managing all of the people of the organization. The corporate office alone has 350 employees working for them. It's a very old organization, started its operation in 1962 in this part of the world, and its human resource practices and structure is a mix bag of old and new. They still follow the conventional hierarchy system where power is vested only on top management and are given job title; employees have less autonomy and less power to innovate, make changes and have a voice than top management. This is something that is common and is prevalent in most of the organization in the country. However, a shift in management practices and organization structure can be observed in many organizations nowadays. Banglalink, Grameenphone, and many other organizations have paper-less offices ensuring less harm is done to environment. Also, they have open desk policy which allows employees to be more collaborative and innovative at the same time. These organizations give maximum autonomy possible to each tier of employees to bring the maximum out of them and slowly progressing towards holacracy approach.

Bata is also trying out new things to make sure all departments collaborate with each other. Although, they are quite rigid with their hierarchical system they are showing signs of changes by giving autonomy to officer level employees take decisions. They have open door policy, which means that every employee, even interns have the access to the top management executives at any time to enhance better communication. However, a significant lack of coordination is observed among departments and this increase the lead time for any type of works. Human resource department have all the data about each employee entered in the ERP software and by this they send gift cards and greeting in their birthdays, marriage anniversaries etc. Bata's employees receive their salaries by 25th day of every month, all these factors keeps them motivated to work and allows them to be more committed to the organization. With that being said, Bata is slowly approaching to holacracy system to ensure greater connectivity among departments and greater customer service.

3. Adapting to customer demand and satisfaction

There are numerous factors that contribute to the overall success of the organization; customer satisfaction is one of them. Whether you are selling products or services, it is always important to track this factor and always focus on improving it in order to make customers more loyal and satisfied. One of the main problems of our local organizations is that they shift their attention very quickly from their main stakeholder-customers, once they gain popularity. They shift focus more on to cost reduction and burgeoning profit but fail to realize that it's the customers who will generate revenue to the company. According to Kierczak, good standard customer service can win clients' hearts and make them purchase the brand regularly. Nowadays when social media play such an important role in making decisions it's crucial to keep an eye on a quality of customer service you provide.

Kate Zabriskie once said that "Although your customers won't love you if you give bad service, your competitors will." With increasing competition, there is no way a brand can last long if they fail to realize the important role of its customers. Existence of such factors like, Hiked prices, degraded products, poor customer service and unwary of customer wants can easily destroy the brand value and eventually diminish market possession. Organizations fail because they struggle

to retain existing customers and only focus on attracting new customer base. This is dangerous, as the existing customer base switch to competitor brands and end up being loyal to those brands, this can significantly reduce revenue to the organization. Often, brands that take the first-mover advantage are more successful than late entrants, introducing new and trendy collection before competitor brands can have a significant impact on the brands position in the market.

Bata's standing

Bata Bangladesh currently has 250 retail stores in full operation across the country. 95 of them are located in Dhaka city and its surrounding sub-urban areas and 5 more are about to launch shortly on the eve of Ramadan. If we consider the ratio of stores in urban and sub-urban to rural areas we can clearly see a disparity. Although, considering population density, urbanization and socioeconomic condition this difference is very meaningful. However, persistent economic development and rise in the GDP per capita shows that there are opportunity gap that needs to be explored, for example, there are no retail store at Panchagarh (only dealer shops are there). The retail department of Bata focuses more on urban areas than sub-urban areas. Even, there are significant differences in the store structure and design too. The main problem that a customer faces is that they do not get a wide variety of products like a customer in the urban store would get, because the demand for shoes in sub-urban and rural areas are provided by mostly wholesalers and dealers of Bata, who only keeps low-value small line of products.

Another problem that is observed from customer's point of view is that, both the quality and variety of formal shoes are degrading day by day. People visit Bata mostly to purchase their sub-brands like- Power, North Star and Weinbrenner, and all of them offer sneakers and running shoes. So, due to poor collection and inferior quality customer's satisfaction are disregarded and they end up switching to rival brands.

Bata has introduced new form of business in last year, i.e, Franchise Operations. Here, the retail shop will be run by a separate entity and not by Bata, this is mainly introduced to mitigate the risk of Bata and to explore more diversified location along with retail. Till now it has opened in locations where there are no retail stores and ensuring maximum people of Bangladesh can avail Bata's product.

4. Focusing on visual merchandising

Visual merchandising (VM) is a strategy used mainly by retailers that increases the appeal of a company's products to boost up sales. It plays a vital role in the retailing business as it enhances the look, feel and culture of brands. Retailers focus on it not only to give their outlets or products an aesthetic look, also to increase brand loyalty (Altman, 2014). There are several components of appealing visual merchandising, this includes, store's appearance, theme of the store, color textures, props, ticketing and most importantly presentation. Visual merchandising is basically a gesture that retailers use to communicate with the customers.

Visual merchandising can lead to both success and failure to the brand; it depends on how the retailer is using this concept. Exposing shoppers to the maximum no of products is a useful method in VM, but the retailers need to make sure they do not overcrowd their displays. The work related to VM is a combination of interior designing and marketing. The aesthetic and ambience are determined by the interior designer and the placement of products, props used and visibility of the products are decided by marketers. A good VM is one which promptly captivates shoppers mind and entice them to make a purchase. Merchandisers often use 'Pyramid Principle' method to display products; it is basically a triangular display with the biggest item in the middle and the smallest on the outside ensuring the display doesn't look flat and boring (Sutevski, 2017). Other factors that can lead to an aesthetic VM include, the color coordination used to catch the eyes of potential customers, switching up displays regularly with new stocks comes in so that customers do not become monotonous every time they visit the stores.

Bata's standing

Seventy percent of Bata's revenue is generated from their own retail outlets, rest are from wholesale, dealers and franchise operations. As mentioned above, one of the key success factors for any retailers is to attract customers with the products and how the products are being presented to customer, i.e. visual merchandising (VM). Like many other retailers Bata also shows significant level of importance in customizing their retail outlets and providing an aesthetic look to the store. In Bata, the responsibility of VM is conducted by marketing, merchandising and store development unit. After rent expense, store development cost is the

second highest expenditures incurred for new retail stores. This shows how much Bata emphasizes on visual merchandising and store improvement. With every new product lines and stock, merchandisers change the outlook of the shelves and make it a new experience every time for customers.



Fig. Bata New Store at Gulshan-2

Not every Bata store has the similar outlook like the one shown above in the picture. VM depends on the location of the outlet, surrounding population and their socio-economic conditions. The merchandises used in a store located in a posh area of a city are quite different from a store located in sub-urban area. Stores in Dhaka's Gulshan and similar areas use various types of props, show cards, point of sale (POS) displays, window displays and many other VM components to make it more appealing to customers. Retailers focus more on VM these days than before due to intense competition among existing footwear brands. Everyone tries to implement different themes, ambience and VM than others. This has significantly increased the expenses of VM and store decoration.

There are few issues regarding VM in retail outlets, not all Bata stores offer a good theme and pleasant to the customer's eyes, only few stores have good interior and VM. So, for this customers form a negative perception on the brand image as they doubt its authenticity. From Bata's perspective it's a bit challenging to improve every stores aspect as huge cost are associated with it. So, Bata is investing on VM only on those stores that yield maximum profits.

Challenges of Bata

Bata Bangladesh is going through tough phases as the business growth has slowed down compared to previous year. Although, they are the market leader in retail footwear industry, but due to rise in competition and unstructured market they are facing difficulties in sustaining their market share and profit. Here is a list down of all the challenges that Bata is either currently facing or will face in the near future.

- Excess power has been vested to landlords of the retail stores. As a result, they ask for high increments and advance amounts during renewals, thus increases monthly rent amount compared to revenue generated.
- Majority of Bata Bangladesh's C-suite members are foreign expats and for being a MNC, all the decisions are taken by Regional Area's managers who have less ideas about current market scenario and economy of Bangladesh. For this, they provide unrealistic targets which are barely achievable and mostly irrational in context of Bangladesh's market scenario. For example, in 2015 47 stores had to be shut down within just one or two years of launching it. This had happened due to unrealistic targets that are being set by regional top managements that are based in India.
- Bata's market share is threatened by rapid growth of both foreign and local footwear retailers. This is expected to happen because of rising population and economic progression and is beyond organization's control. However, products degrading quality and lack of availability are major concerns and acting as barriers to Bata's sustainability in the long run. Bata was the pioneer of shoe industry in Bangladesh once, and gained customers trust for its products longevity and reliability. Their inferior products and after sales service has been a prime reason for their recent drop down in performance.
- Marketing plays a vital role in an organization's success as they help to create demand and to increase the inflow of revenues. However, with low budget allocation for Bata's marketing and advertising department, it clears the fact that the top management is not

concerned about new TVCs, promotions and off-line advertisements. However, they are quite active and focusing on social media marketing.

- E-commerce is a new concept in Bangladesh and in recent years people have shown significant interest and adapted to it. Bata has established itself as an Omni-channel brand when it introduced its own e-commerce platform back in 2016. The e-commerce has a growth in sales of 172% from previous year, indicating massive shift in mindset of people towards online shopping. However, higher growth means bigger challenges, often customers complain about e-commerce's service. Poor logistics and inferior quality of shoes lead to huge customer dissatisfaction; not everyone has access to online site, as Bata do not have coverage to the people living in suburban areas. Due to limited stock of shoes, the problem of availability of shoes is still prevalent.

Recommendations

- Bata need to ensure that they conduct proper market research and mapping before opening up a new outlet every time. In order to achieve unrealistic targets set by foreign top managements, they often take wrong decisions and regret later. The number of store closing every year is not satisfactory, and need to work on it as it incurs huge loss to the organization also dents brand image.
- Collaborating and working as teams is an essential success factor for any organization. There is significant level of lack of coordination is observed among various departments which increase an overall lead time for any work done. Also, as Bata Bangladesh is managed by foreign expats and regional top management, so, to get approval for any new stores or other projects it usually takes more than a month.
- By not showing concern on market competition, they need to focus on factors that they have control over them, developing unique and superior products. Shoe quality has degraded with time with price is still higher than other brands. The rising economy indicates that people are willing pay higher prices for shoes that have standard quality

and design. So, they need to look for suppliers or third party vendors who don't compromise with the quality of materials

- Bata already started franchise operations since last year, and till now it has achieved good success. They need to increase more franchises and to reach those areas where retail hasn't reached yet, by this risk can be mitigated

Conclusion

The purpose of the report is to find out whether Bata can sustain as a market leader in the near future by comparing success factors of global footwear brands with Bata's current position and future prospects. With current market size and Bata's position in the market it can be said that due to size and popularity Bata can still sustain as a market leader. However, due to rising competition and so many alternatives, Bata need to cope up with the market trend, follow the global brands patterns and take corrective measures in order to remain as a powerhouse in Bangladesh's market.

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