

THE BUSINESS STANDARD

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A perilous journey ahead: Roadmap for the biggest export sector of Bangladesh

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Photo: The ready-made-garment (RMG) sector was among the worst affected ones, at the outset of the virus outbreak. Photo: Saikat Bhadra

Learning about the customers, competitors and market conditions are prerequisites for any business, but what we have learned earlier may not fit into tomorrow's rapidly changing business environment, as Covid-19 pandemic is reshaping the world.

In the case of one of the biggest industries in Bangladesh — the ready-made-garment (RMG) sector — the situation is undeniably similar, as it proceeds through a period of turbulence.

The fashion industry was among the worst affected ones, at the outset of the virus outbreak.

High street stores and shopping malls around the world were left empty and abandoned because of the intense lockdowns. In consequence, brands and retailers issued cancellations or orders and refused to pay their suppliers, as they were struggling to make ends meet.

But not all was lost, as brands like H&M, Inditex and M&S have stepped up and agreed to cooperate, while several others are now following in their footsteps and striving together for the sustainability of this industry.

At this stage, when the global economy is nearly at a standstill with weeks of confinement, countries around the world are strategically easing restrictions and trying to get the wheels turning with potential lockdown exit plans.

With the shops reopening and businesses gradually restarting operations worldwide, the government of Bangladesh also announced reopening of the RMG factories phase by phase.

What needs to be discussed now is how the garment industry is preparing for its continuity, as it is expected to go through its toughest times in the coming months.

Covid-19 is seen as a catalyst for change. So the market climate will now be very different and significant changes are expected to occur in the fashion industry's business environment.

All those involved in this sector now need to join forces and make a greater collective effort, than ever before. Ergo, proactive approaches of all the participants and the following steps should be taken to curtail the challenges ahead:

Ensure health and safety of workers

The first and most pressing challenge is to ensure health and safety of the workers. The primary interest of the industry should be to protect them at any cost.

It should be borne in mind that a key reason behind the critical decision of reopening the factories was to save the livelihood of the workers, which will be endangered if the factories remain closed for a prolonged period. In addition, the sector's growth depends directly on the factories.

As the factories in Bangladesh rush to reopen in fear of losing their competitiveness, they should note that the deadly virus is still on the rise.

While infection and death rates in the country are low, when compared to many other countries, experts believe that Bangladesh is yet to reach its peak of coronavirus cases

Bangladesh Garments Manufacturers and Exporters Association (BGMEA) has issued guidelines on health and safety protocols.

These guidelines are considered to be consistent with those developed by health experts and all factories have been ordered to strictly comply with them.

BGMEA and the Department of Inspection for Factories and Establishments (DIFE) has a crucial role to play to ensure the proper implementation of the guidelines, close supervision and collective approach of all employers,

Analyse market and consumer behaviour

One major question concerning tomorrow's preparedness is how consumers' buying behaviour will shift in the industry?

It is quite certain that even after the lockdowns are removed, the high streets will look very different— at least for a while.

Traditional brick-and-mortar retailers are going to hit hard while internet retail is likely to bloom— however studies show that buyers prefer to spend way less when shopping online than in-store, as shoppers crave physical contact and peer-to-peer interactions.

Moreover, the pandemic-led economic downturn has forced several major brands to close down their stores indefinitely and thrown millions out of jobs.

Personal incomes and consumer spending is already on the fall and shoppers are likely to be very frugal in the near future.

Brands are responding to the current market behaviour. A recent report by the International Textile Manufacturers Federation showed current orders from retail brands may fall by an average of 41 percent globally. worldwide.

Therefore, producers should prepare for intense competition and formulate plans for operating at less than full capacity as order volumes will shrink substantially — at least for the next couple of months.

In addition, for small and medium-sized manufacturers, the situation may pose a greater threat, as they might get little to no work orders in the coming months. In such a situation, these businesses should therefore prepare their survival strategies.

On the other side, production diversification should also be considered by garment manufacturers. As the global market has demand for personal protective equipment (PPE)—the PPE market was valued at \$52.7 billion in 2019 and projected to reach \$92.5 billion by 2025. (Globe Newswire, 14 April 2020).

Set up constructive dialogue and strengthen network

Strong networks are like capital for a business, while a constructive dialogue can build the road ahead. Following the outbreak, when major fashion brands filed massive cancellations of orders, RMG manufacturers were also forced to cancel/suspend the procurement of raw material and services, which could potentially cause resentment in relationships.

It is important to understand that the sustainability of such a vast industry can only be accomplished by close collaboration and strong forward and backward integration.

Therefore, all the stakeholders of this industry should now take more time to proactively reconnect with one another, gather insight and engage in a constructive dialogue.

Moreover, as the upcoming orders are dwindling rapidly, it may affect the existence of many factories and the livelihoods of millions of workers.

Clothing manufacturers and retailers will have to come to a mutual understanding which can only be achieved through meaningful exchange of views.

Develop contingency plans

It is never too early to prepare for the next big crisis. Now that this sector is becoming more global, and has a profound impact due to any national or international issues, it is about time that the leaders and decision-makers of this industry make contingency planning a compulsory and a central part of their work.

From small and medium-sized enterprises (SMEs) to large ones, each should have its own set of crisis preparedness and business continuity plans ready and tested in order to mitigate and respond to potential unexpected events.

Since the world now exists on the stage of chaos, finger-pointing is not an option and collective effort by all the participants remains the only solution. The Covid-19 pandemic, as many predict, will affect businesses more than any of the crises of the last two decades.

As for Bangladesh, this industry, which is closely linked to the development of the country by being the largest export earner and having an immediate impact on the lives of some four million workers, must therefore be given high priority.

While the leaders of this industry should do their best to plan for the road ahead, the government should at all times monitor and stand by its side.

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