

# Buyer Paying Lower Price of Bangladeshi Apparel: An Empirical Investigation on Causes

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## Abstract

In the last few decades RMG sector has been acted as backbone of economy of Bangladesh. It consumed about 80% of foreign earning. In the recent time, it has been noticed that buyers are not interested to pay the equal price of garments from Bangladesh and from other countries although the quality remains same. For instance, per square meter priced \$ 7.38 the products of Turkey \$ 5.37 from Malaysia where \$ 2.79 from Bangladesh. The main aim of this study is to find the causes of this. For this descriptive research method was followed and data were collected from secondary sources like case studies, journals, thesis papers, online newspapers, research articles, garments manufacturing industries annual reports, newspapers, survey reports, and BGMEA yearly report. After the study, it was observed that due to lack of diversified products, image crisis, poor negotiation techniques, labor and political unrest are the main reason behind this.

**Keywords:** Garments; price; valuable apparel items; Image crisis; negotiation.

## 1. Introduction

Day by day capitalism is becoming more and more global. Economic work is not a national affair but is an international affair by the time. Shortly it is mentioned as internationalization. For globalization two systems of economic transactions are observed one is the producer driven system and another is buyer driven system [1, 2].

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Some examples of the producer driven system are automobiles, computers, heavy machinery and aircrafts and the buyer driven systems are open marketers, manufacturers of brand as well as any kind of retailers. Due to the benefit of buyer driven system labor based factories such as garments, handicrafts, jewelries and footwear are globalizing. In this system design of product is provided by buyers or retailers. In case of developing countries like Bangladesh vendors are assuring the foreign buyers of manufacturing the last product. Cloth (apparel) is a basic need of human being, production of it is labor-intensive and it offers high employment opportunity. For this reason Textile and apparel producing factories are treated as a significant fact of economic work [3]. In this way textiles and apparel sector have established a bridge of trade among different countries of the world [4]. For assuring the quality of trade of the textiles and apparel sectors different agreements signed within developed and developing countries [5]. Purchasing any item from outside of country at low-cost is generally termed as outsourcing [6]. For controlling duty-free import of the textile and apparel items from developing countries like China and Bangladesh, US congress developed Generalized System of Preferences Act (GSP) in 1974. Due to the development of Chinese economy in last decades the cost increased to import items from China. After seeking an alternative source of apparel items Bangladesh comes in the eye of US retailers as a low cost supplier. Developing countries like Bangladesh is capable to produce the quality full apparel at low cost due to development of yarn manufacturing, fabric manufacturing, wet processing and apparel manufacturing process as well as the lower labor cost in Bangladesh due to its large population. As apparel production is a labor-intensive job so labor cost influence the production cost highly.

## **2. Objectives**

Apparel buyers of the world naturally tend to get price benefits while sourcing from other countries. They look for options where they can get the lowest price. They try to get their product at lower cost and greater speed. Sometimes they discriminate between countries when taking price decisions. Bangladesh is an apparel manufacturing country which has been looked down upon from the day it has commenced its journey in the Ready Made Garment industry. Bangladesh is selected for sourcing apparel items at lower price than other apparel producing countries. There are many reasons behind this unfortunate situation for Bangladesh. The main aim of this study is to find out the causes of providing lower price of apparel items imported from Bangladesh.

## **3. Literature Review**

It is observed that in last decade a lot of companies of Europe and North America are more interested for outsourcing [7]. Like other companies' textile and apparel companies are also interested to outsource. Apparel companies try to be more benefited by outsourcing [8]. Different branded company sourced from different countries without any production factory like as Nike, Liz Claiborne, Gap and many others. For instance, Liz Claiborne, source their product from 240 industries in 31 countries [9]. Some factors like as reliability, cost, lead time, quality and flexibility are very important for selecting sourcing country [10]. US textile and apparel companies like to source from developing countries. There are also some associated problems sourcing from developing countries [11]. Possible cause is the wage per hour of some country like as Bangladesh, Vietnam, Sri Lanka, China, Philippines and Indonesia is lower than \$1. But these countries have some problems like as weak infrastructures, political unrest and economic instability. The Jamdani and Muslin were exported to European

countries in early of 17th century and it was considered as gorgeous garments [12]. But for the betterment of British textile industries, British colonial destroyed this industry from the region of Bangla [13]. After that Jute products and Jute fibers were exported to foreign countries. In the fiscal year 1972-1973, Bangladesh earned about 90% of the total export revenue from this sector [14]. At the end of 1970s Jute sector was gradually replacing by ready-made garments (RMG) industry [15]. Bangladesh earned about 79% foreign currency by exporting ready-made garments by this time [16]. For the last three decades garments industries in Bangladesh is growing rapidly. The growth is shown in figure 1.

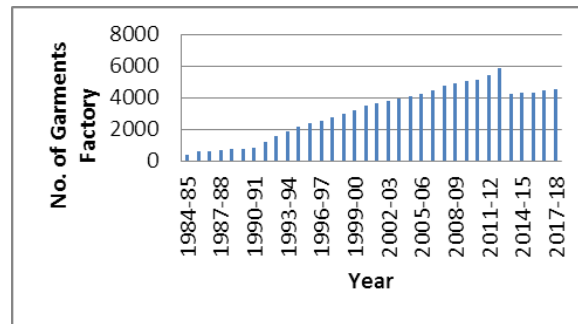


Figure 2

Source: BGMEA

Export of RMG is gradually increasing and it shown in figure 2. It crossed over about 30614.76 million US\$. About 200 countries import garments from Bangladesh [14].

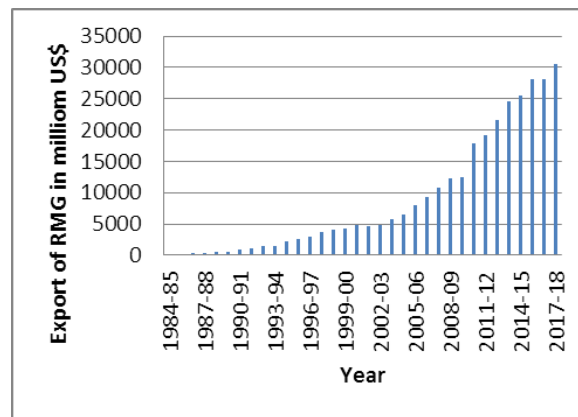


Figure 3

(Figure 1) Source: Export Promotion Bureau

Price values of garments from different countries of world in 2018 have showed in table 1.

**Table 1:** Price values of garments from different countries of world in 2018

Country	Value/square	Value/100Kg
	meter (US dollar)	(US dollar)
Turkey	7.38	2586.82
China	2.35	1878.19
Thiland	2.88	3180.58
Bangladesh	2.79	1515.95
Ethiopia	2.45	1410.33
Laos	4.98	2210.78
Myanmar	3.08	1873.63
Malaysia	5.37	22066.48
Vietnam	3.28	2545.63
Combodia	2.39	1930.71
Indonesia	3.81	2524.87

#### 4. Methodology

Descriptive research was followed for conducting this study to find out the causes of paying low price of apparel from Bangladesh by the importer countries. The research was based on data collection from secondary sources like as the case studies, journals, thesis papers, online newspapers, research articles, garments manufacturing industries annual reports, newspapers, survey reports, and BGMEA yearly report by avoiding surveys and collect data directly. The output of different secondary sources were searched and tried to collect data precisely. At the first stage, the major importing countries of garments from Bangladesh were identified and the second stage the reasons of paying low price of garments from Bangladesh were described. During data collection no unethical way was followed.

#### 5. Findings

From 2005 Bangladesh earning the highest foreign currency by exporting garments. Bangladesh is one of the dominating countries in apparel markets of the world. But in every stages Bangladesh facing different difficulties such as high lead time, poor supply chain management, weak infrastructures, less safety issues, and high lead time [17]. By this time a new difficulty is observing that is paying low price of garments from Bangladesh compare to other countries by importer countries. The reasons of paying low prices are described below part of this paper.

##### 5.1 Deficiency of valuable apparel items

Most of the apparel exporter factories of Bangladesh produce only some common items like as Shirts, Trousers, Jackets, T-Shirt, and Sweater.

**Table 2:** Main Apparel Items Exported from Bangladesh (Value in MN. US\$)

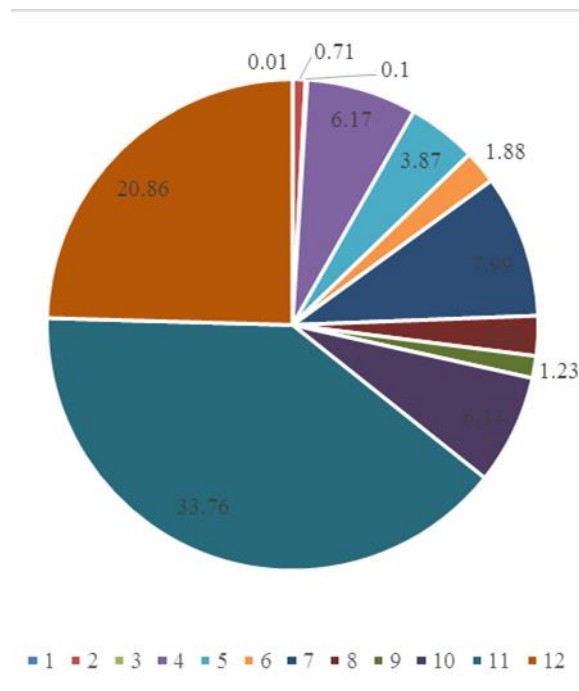
Year	Shirts	Trousers	Jackets	T-Shirt	Sweater
1993-1994	805.34	80.56	126.85	225.9	....
1994-1995	791.20	101.23	146.83	232.24	....
1995-1996	807.66	112.02	171.73	366.36	70.41
1996-1997	759.57	230.98	309.21	391.21	196.6
1997-1998	961.13	333.28	467.19	388.5	296.29
1998-1999	1043.11	394.85	393.44	471.88	271.7
1999-2000	1021.17	484.06	439.77	563.58	325.07
2000-2001	1073.59	656.33	573.74	597.42	476.87
2001-2002	871.21	636.61	412.34	546.28	517.83
2002-2003	1019.87	643.66	464.51	642.62	578.37
2003-2004	1116.57	1334.85	364.77	1062.1	616.31
2004-2005	1053.34	1667.72	430.28	1349.71	893.12
2005-2006	1056.69	2165.25	389.52	1781.51	1044.01
2006-2007	943.44	2201.32	1005.06	2208.9	1248.09
2007-2008	915.6	2512.74	1181.52	2765.56	1474.09
2008-2009	1000.16	3007.29	1299.74	3065.86	1858.62
2009-2010	993.41	3035.35	1350.43	3145.52	1795.39
2010-2011	1566.42	4164.16	1887.50	4696.57	2488.19
2011-2012	1733.54	4686.39	2231.16	4713.11	2340.34
2012-2013	1972.89	5185.48	2634.28	5143.22	2620.73
2013-2014	2173.73	5690.78	2973.16	5863.81	2932.94
2014-2015	2271.43	5697.83	3183.17	6064.13	2829.16
2015-2016	2317.09	6319.00	3774.08	6118.53	3182.47
2016-2017	2108.38	6026.69	3546.88	5861.98	3361.53
2017-2018	2063.57	6389.38	3978.47	6292.25	3674.70

Source: Export Promotion Bureau compiled by BGMEA

The textile factories of Turkey producing higher value-added products during the time between 1980's to 2019's. Textile factories of Turkey gradually moved from poor value-added products to rich value-added and stylist products. Like Bangladesh Turkey exporting pullovers and t-shirts. In 2016 Turkey exported US\$ 2.93 billion and US\$ 1.62 billion priced of t-shirts and pullovers respectively. Some value-added products like as girls or Women's suits, jackets, ensembles, skirts, divided skirts, blazers, trousers, dresses etc. and boys or men's ensembles, suits, jackets, trousers, blazers, breeches, bib and brace overalls etc. The major export products of Turkey are home textiles, clothing products, floor coverings and other textile materials.

**Table 2:** The major export products

Code	Description
1	Silk, Inc. Yarns & Woven Fabrics Thereof
2	Wool & Fine Or Coarse Animal Hair, Inc. Yarns & Woven Fabrics Thereof
3	Cotton, Inc. Yarns & Woven Fabrics Thereof
4	Veg. Textile Fibers Nesoi, Yarns & Woven Etc.
5	Man-Made Filaments, Inc. Yarns & Woven Etc.
6	Man-Made Staple Fibers, Inc. Yarns Etc.
7	Wadding, Felt & Nonwovens, Special Yarns, Twine, Cordage, Ropes & Cables & Articles
8	Carpets & Other Textile Floor Coverings
9	10Special Woven Fabrics, Tufted Textiles, Lace
10	Impregnated, Coated, Covered, Or Laminated Textile Prod, Textile Prod For Industrial Use
11	Knitted Or Crocheted Fabrics
12	Articles Of Apparel & Clothing Accessories-Knitted Or Crocheted
13	Articles Of Apparel & Clothing Accessories-Not Knitted Or Crocheted
14	Made-Up Textile Articles Nesoi, Needlecraft Sets, Worn Clothing, Rags



**Figure 1:** WTO Comtrade database

The main textile and apparel products of Malaysia are Fibres, Yarns (cotton yarn, CVC yarn, polyester/ cotton yarn, polyester/rayon yarn, spun polyester yarn, texturized nylon yarn, polyester filament yarn, acrylic yarn, acrylic/ wool blended yarn, worsted and woollen yarn, cotton coarse yarn), Special yarns, textile fabrics and

related products, Woven cotton fabrics, Fabrics woven of man-made textile materials, Knitted or crocheted fabrics, Tullies, lace, embroidery, ribbons, trimmings and other small wares, Floor coverings (carpets and rugs), Home textiles (bed linen, table linen, towels), Industrial textiles (ropes, cords, car seat fabrics, geo-textiles, dryer fabrics and press belt), Jackets, Overcoats, Skirts, T-shirts, Blouses, Pants, Undergarments, Scarves, Handkerchiefs, Headgear (caps and hats), Textile accessories (zippers, buttons, sewing thread, industrial thread, embroidery thread, drawstrings, labels, laces, embroidered articles, collars, cuffs, hooks and eyes, tape, polyester padding, interlining, Velcro tape, cotton tape and narrow fabric) [18].

**6. Image crisis**

Bangladeshi exporters are getting lesser price compared to another country of the world due to image crisis. A garments factory at Savar, Dhaka named Rana Plaza was collapsed on the 24, April 2013 [19]. In this incident about 1200 workers were died and many other people were injured. The main reason behind this incident was that the basement of this building was designed for five stored building but later on it was extended to eight. About 64 workers were killed in the accident of Spectrum Garments factory at Savar in 2005 [20]. After one year in 2006, 21 persons were killed at Phoenix Textile Mills by collapsing of building [20]. The major picture of garments collapse shown below figure:

**Table 4:** The major picture of garments collapse

Year	Garment Factory	Type of incident	No. of Death
2013	Ether Tex Ltd, New Wave Style Ltd, New Wave Bottom Ltd., Phantom Tac Ltd (The Rana Plaza Tragedy), Savar	Building Collapse	1134
2013	Tung Hai Sweaters Ltd., Dhaka	Fire	9
2013	Smart Export Garments, Dhaka	Fire	8
2012	Tazneen Fashion, Dhaka	Fire	113/ 126
2010	Ha-Meem Clothing Factory, Dhaka	Fire	29
2010	That’s it Sportswear, Dhaka	Fire	29
2010	Eurotex, Dhaka	Fire	8
2010	Garib&Garib Sweater Factory, Dhaka	Fire	21
2006	KTS Garments, Chittagong	Fire	65+
2006	Phoenix Textile Mills, Dhaka	Building Collapse	21
2005	Sun Knitting, Narayanganj	Fire	20
2005	Spectrum Garments, Savar, Dhaka	Building Collapse	64/80
2004	Chowdhury Knitwear, Narsingdi	Fire	23
2001	Kafrul Capital Garments, Dhaka	Fire	26
2000	Macro Sweater, Dhaka	Fire	23
2000	Globe Knitting, Dhaka	Fire	12

Along with the above reason, there are some other reason like as labor unrest [21], lack of negotiation techniques [22], political unrest [23], extended lead time and heavy tariff [24].

## **7. Conclusion**

This study showed the reason of the lower price of Bangladeshi garments in the international market. From the findings of this study the garments exporters can take benefit by overcoming the mentioned drawbacks. More initiatives should be taken to overcome the problems. These are as follows-

1. Exporters should try to produce diversified products such as non-woven fabric, smart textiles, and composite textile materials.
2. In the field of medical textile, technical textile, geotextile, agro textile, industrial textile there are immense scope to develop from manufacturers side so that we do not have to import these and can manufacture our own.
3. Exporters should conform to the code of conduct of buyers and make practical practices in these issues to make a good reputation in the world's eye. And they should set a good example of compliance practices.
4. By making good infrastructure, good fire safety, ensuring healthy environment and developing child care Centre.
5. Manufacturers should try to develop technical knowledge for ensuring beneficial negotiation. They can facilitate training in industries and send workers/officials to attend workshop/training or programs educate their understanding.
6. Exporters should try to remove the labor unrest. They should have a mutual understanding and they must cooperate with Govt. to get support during political unrest in order to not to affect their exports.
7. Exporters should improve the transportation facilities and they can seek local Govt. support during any barrier on road or way to the shipment.

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