

WHY BANGLADESH FOOTWEAR INDUSTRY NEEDS A STRONGER BACKWARD INTEGRATION?

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The Coronavirus pandemic has had a profound impact on the global economy, and the footwear industry has been no exception. Bangladesh, a minor player in the global footwear market, has also felt the impact of the pandemic on its sales, production, and supply chain. The closure of international borders has disrupted the import of raw materials, which has primarily affected Bangladesh's import dependency on China, a major supplier of raw materials and components. The shutdown of factories and production in China has disrupted the supply chain, leading to a sharp increase in the prices of various items.

The footwear industry in Bangladesh has been adversely impacted as manufacturers import components such as leather, fabrics, laces, shoe lining, buckles, ornaments, insoles, outsoles, cellulose board, shank board, foam, and packing material from China and other countries.

Furthermore, the pandemic has affected the growth, market share, and competitive landscape of the footwear market in Bangladesh. According to a report by the Bangladesh Export Promotion Bureau, Bangladesh's footwear exports have declined by 18.54% in the first eight months of the fiscal year 2020-21 compared to the same period in the previous year.

The pandemic has also impacted the growth of the domestic market, with both offline and online sales taking a hit.

To minimize import dependency on China, Bangladesh needs to focus on policies that promote self-reliance and "Made in Bangladesh."

The country has the potential to reduce its import dependency on China in various sectors, including the footwear industry. The promotion of domestic production will not only help to lower import costs, but it will also add to the turnover of domestic enterprises and enhance the scope of employment in the country.

To raise its global stature and move up the value chain, the footwear industry in Bangladesh needs to focus on product innovation and the development of new products to maintain its market presence.



Backward integration in footwear refers to the process of a footwear manufacturer expanding its business by integrating its supply chain and taking control of its inputs. This means that the manufacturer would start producing some of the raw materials needed to produce their footwear in-house rather than relying on external suppliers. In the context of Bangladesh's footwear industry, backward integration could involve setting up manufacturing facilities for raw materials like leather, rubber, and synthetic materials. By doing so, footwear manufacturers can ensure a consistent supply of high-quality materials, reduce their dependence on external suppliers, and lower their production costs.

One of the key benefits of backward integration is that it can help to improve the overall efficiency of the value chain. By producing raw materials in-house, manufacturers can better control their production schedules and ensure that they have the materials they need when they need them. This can help to reduce lead times and improve the responsiveness of the supply chain. Another benefit of backward integration is that it can help to reduce the overall cost of production.

By producing raw materials in-house, manufacturers can reduce their dependence on external suppliers and potentially negotiate better prices for the materials they need. Additionally, by controlling the production of their raw materials, manufacturers can reduce waste and optimize their production processes, further reducing costs.

Improving the overall efficiency of the supply chain is a crucial aspect of any manufacturing process. When a footwear manufacturer engages in backward integration, it gains more control over the production of raw materials, enabling it to better manage the production schedules of those materials. With better control, the manufacturer can ensure that it has the raw materials it needs when it needs them, thereby reducing lead times.

Reducing lead times can be highly beneficial for a footwear manufacturers because it allows them to respond more quickly to changes in demand.

If the manufacturer relies on external suppliers for its raw materials, it has to wait for those suppliers to deliver the materials, which can take time. In contrast, when a manufacturer produces its raw materials in-house, it can respond to changes in demand more quickly and efficiently, reducing the overall lead time.

Another significant benefit of backward integration is cost reduction. By producing raw materials in-house, footwear manufacturers can reduce their dependence on external suppliers and potentially negotiate better prices for the materials they need. This can result in significant cost savings for the manufacturer.

Additionally, by controlling the production of their raw materials, manufacturers can reduce waste and optimize their production processes, further reducing costs. Controlling the production of raw materials can also help footwear manufacturers to better manage the quality of those materials. External suppliers may not always provide materials of the required quality, and this can lead to production delays and quality issues. By producing raw materials in-house, manufacturers can maintain more control over the quality of those materials, ensuring that they meet the required standards.

In conclusion, backward integration can offer several benefits to footwear manufacturers, including improving the overall efficiency of the supply chain, reducing lead times, reducing costs, and improving the quality of raw materials. These benefits can help manufacturers to remain competitive in a highly dynamic and challenging market.

