

Cover Story

THE BIG 5, Missed Opportunity for Bangladesh

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What is the biggest challenge of Bangladesh Footwear Industry?

Right now, a very few international brands are sourcing from Bangladesh; If we look into the export business, only a few volume-brands are sourcing from Bangladesh particularly Decathlon, Deichmann, Zara & H&M. A few more internationally recognised brands are also sourcing with a very limited volume but with medium to high value footwear, principally Wolverine, Angel bird, TNF and Timberland. And after that, all the rest are seasonal non-strategic opportunistic sourcing.

Nike, Adidas, Puma, New Balance & Asics, identified as the famous 'Big 5', are missing from our customer list. The market leaders of sports footwear never stepped into Bangladesh with their sourcing basket. Why? There must be something common among these brands that does not allow Bangladesh to be in their strategic sourcing list. Before moving into the analysis, let's understand the footwear market and the role of Big 5.

BIG 5 VS GLOBAL MARKET

The global footwear market size was estimated at **USD 387.74 billion in 2022** and is expected to grow at a compound annual growth rate (CAGR) of **4.3% from 2023 to 2030**. Currently, the total turnover from **the Big 5 stands at \$95 billion**; with an approximate footwear turnover value of **\$72 billion (80%)**. They have a total of 20% footwear market worldwide. It is not a significant number. Although 50% of the footwear market turnover is generated by non-branded local products, 20% is contributed by 40% of the branded footwear market.

(But if we take into consideration that 50% of the footwear market turnover comes from non-branded local products, 20% is actually over 40% of the branded world market.) (Source:GrandviewResearch)

That's significant. And, it's surprising that we are unable to be a part of this 40% branded footwear production which stands at an unbelievable 1 Billion pairs.

The staggering statistics of BIG 5 contributing to the global footwear market, bring us to thought provoking questions:

1. Why BIG 5 don't source from Bangladesh?
2. What drives BIG 5 to source from these selective destinations?
3. What initiatives Bangladesh can take to adapt to BIG 5 sourcing strategy?

Let's deep dive into a predictive analysis of the BIG 5 sourcing strategies and standpoint of Bangladesh footwear manufacturers' readiness to cater to them.






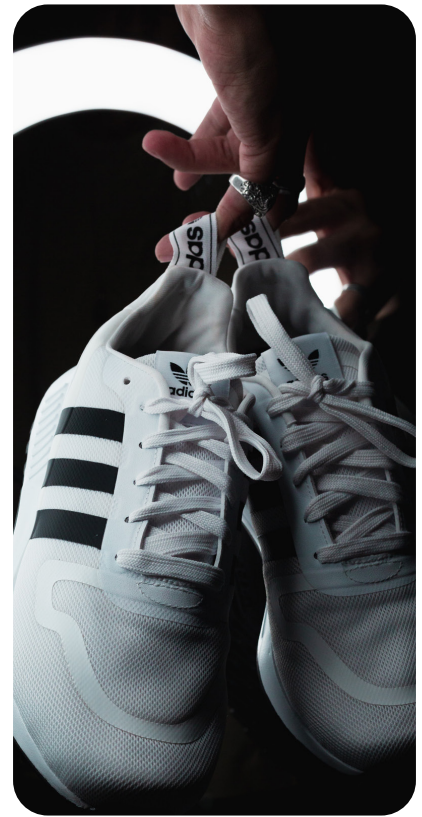
THE BIG FIVE					
China	18%	16%	32%	17%	0%
Vietnam	50%	34%	35%	54%	≈70%
Indonesia	27%	32%	13%	25%	≈15%
Bangladesh	0%	0%	0%	0%	0%
Euromed	3%	3%	3%	0%	0%
Other	2%	15%	20%	4%	≈15%

Diagram: Big 5 Sourcing Matrix 2022

BIG 5, SOURCING STRATEGY

Brands under the Big 5 umbrella are a part of the 'fast-fashion' family. Fast fashion is the business model of replicating recent catwalk trends and high-fashion designs, mass-producing them at a low cost, and bringing them to retail stores quickly while demand is at its highest. The signatures of the fast-fashion business model have this in common: innovation, time to market, fashion plus function, and trendsetting among Gen Z, millennials, and Gen X. Overtime, these brands have transitioned and built their product strategy focus not being driven by cost, they cater insignificantly to boomers I or II and except for a very few classics— product designs do not continue over two seasons.



READINESS OF BANGLADESH FOOTWEAR INDUSTRY



The sourcing destination of the BIG 5 has the innate ability to meet their core sourcing requirements; innovation, development, and speed to market. These three main constituents have been driving their sourcing strategy. The destination of choice not only offers the development capability of manufacturers but also has a strong backward linkage to support any innovative development. We have discussed a few key areas that impact the readiness of Bangladesh's footwear industry.

Development Infrastructure

The proximity of their raw material suppliers serve their core purpose of development lead time and speed to market. The innovation of raw material suppliers, their skills, and their creativity create a synergistic effect on the overall innovation of the products.

None of these brands work with factories that can't develop and countries where product and material development infrastructure is absent. Today, factories in Bangladesh with development capability can be finger-counted. Also, factories with development facilities to propose original designs available. The footwear industry of Bangladesh has more than four decades of experience,

yet the development capability from designing to material development is almost invisible, material suppliers did not bloom, no outsole mold factory exists till now and the first LAST factory was established in 2014.

A macro diagram given below to show resources required for a development center can be divided into two parts; skills and infrastructure.

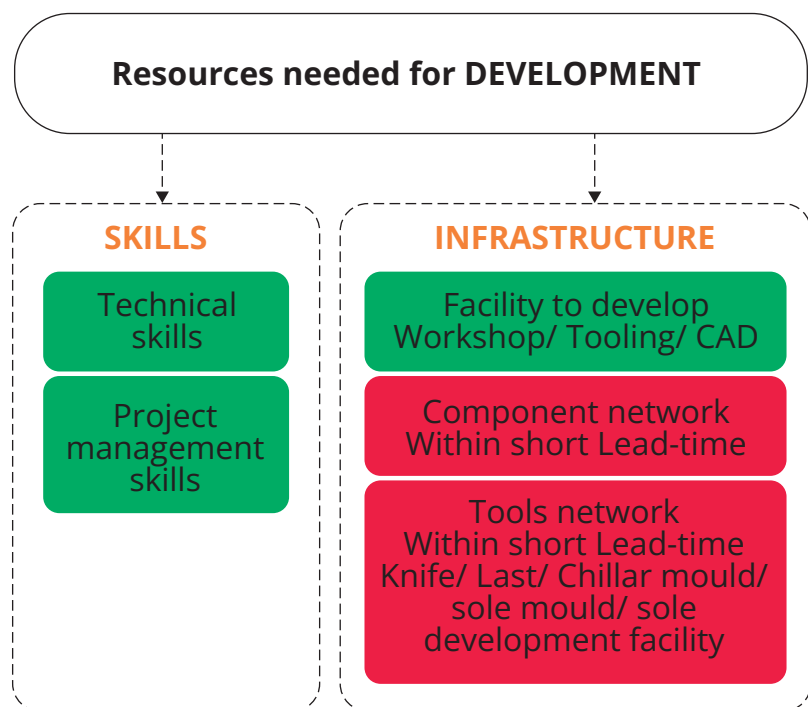


Diagram: Resources needed for Development Center

Industry Mindset

A common perception held by manufacturers in Bangladesh is that development does not bring money, only production does. "One pair out of the line means a few more dollars of turnover and a few more cents of profit". This perception is based on the idea that production is the only way to generate income, and that development does not necessarily lead to increased production. This pre-conceived notion of manufacturer sees development as a luxury, not as an investment with a high ROI. The industry is targeting to sell eggs without investing in Chicken. We are ignoring the potential gains of the whole value chain.

Only a very few market pioneers have invested in in-house development centers. Although they are struggling massively due to the absence of industry infrastructure. Also, more than two dozen factories have their own development centers outside Bangladesh or maintain agent-based development and material sourcing centers in China.

Catering without a kitchen can give us only a fraction of the profit pie. To bring any change, factories need to come out of an individualistic approach and figure out 'collective needs' to reinforce the slow natural transformation of the industry through prioritization. Industry took 40 years to understand the necessity of development resources.

Collective Prioritization

Our leather footwear industry has been prioritized by the government. As a result of a sufficient supply of semi-finished to finished leather, this sector has grown in multiple folds in manufacturing footwear with this support. Such a booming industry would naturally create a prediction that sports footwear manufacturing capabilities and investment should grow ultimately. Although both industries have their differences in terms of material requirements, both have a common need for sole molds. A proper analysis can give an upper hand to the industry stakeholders, to address this absence of sole mold manufacturers in the footwear industry. The second initiative should

be a common local development center. As long as factories continue to play individually and stay ignorant of proper need analysis. The industry will roam around a 'loop of frustration'.

Missing Foreign Direct Investment

To grow an industry within a country, foreign direct investment (FDI) is equally important as local investment. Inequivalent investment cannot help in growth balance. FDI ensures the transfer of technical resources, technology, and most importantly international BRANDS. While local investment can drive infrastructure build-up and human resource development. These two joint investments can bring in synergistic impact and create a feasible growth condition for the footwear industry. Ideally, FDI brings ready buyers in our case we have seen this in ready-made garments. In an ideal scenario, this should be at least 3:10, in the case of footwear it stands at 1:10.

Industrial Long-Term Plan

Only by following the right process of proper resource utilization we can show performance. A vision is equally important to set a long-term goal. Strategies are important to define how the industry will reach that vision. An industry can not live on the 'thought of tomorrow' only. A vision with a clear strategy can change the industry in 10 years. Bangladesh is lucky to be promoted as the next destination for footwear. A strong strategic move can convert this luck to destiny.

A vision,
with the
right strategy,
can make us
fly high.



FORGING BALANCE IN THE FOOTWEAR ECOSYSTEM

If we summarize the readiness factors of the footwear industry, the biggest challenge is creating an environment of collaboration and cooperation to develop a long-term strategy that favors the industry. Like any ecosystem, to have a balance all the key components need to behave in a certain way towards one goal. Behavioral excellence, in this case, is possible by having gov

ernment and private sectors collaborate, FDI and local investment, collective action plan, and long-term strategy vision.

A standard ecosystem for the footwear industry can be explained with a simple diagram. An axis holding 'proof of ability' and 'proof of self-sufficiency' embracing the product development center with the material & tooling center is

balancing center with the material and tooling center is balancing the other axis holding 'Representer of the industry' and 'Sponsor of the industry' reinforcing holistic initiative with the participation of 'Association'. The whole ecosystem is also upheld by the development of human resources. The right person with the right skills is the key to success.

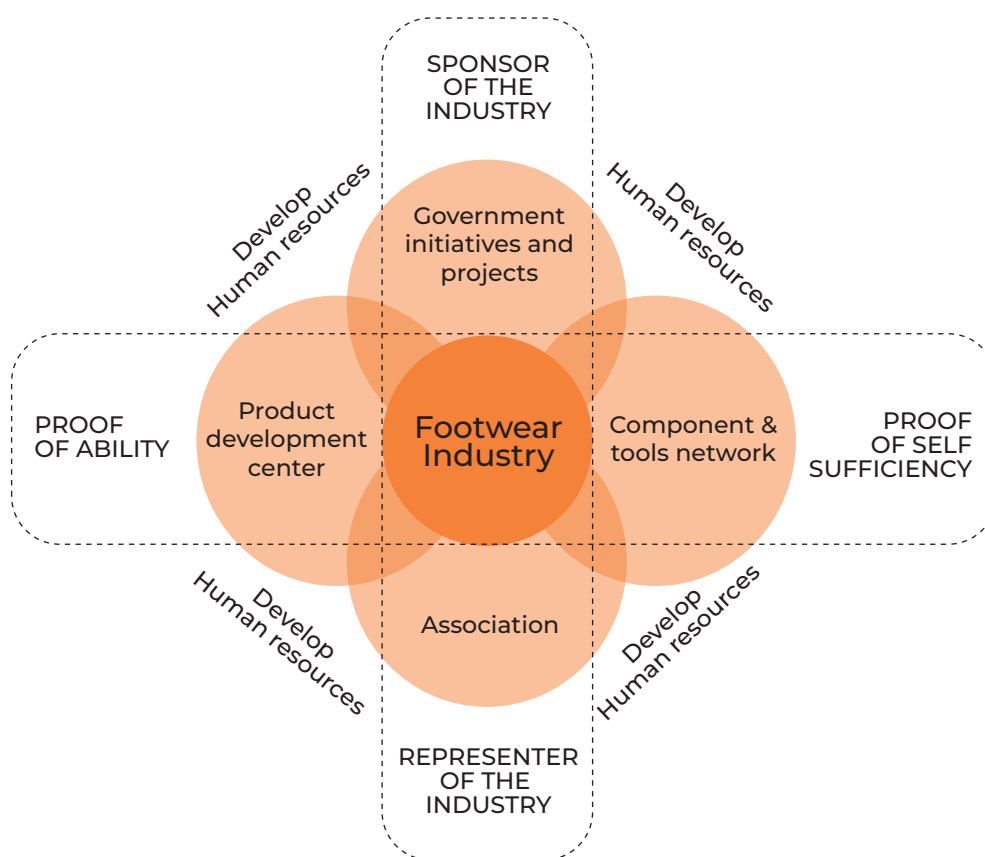


Diagram: A Standard Footwear Ecosystem

This write-up is based on perspective and predictive analytics. It is only a depiction of a single perspective, and the solution is based on predictive analytics. It's incomplete; if it helps some of you to look at the industry in a new light, from a new viewpoint, perfect! That's what we need to do now.