

STRATEGIC BUSINESS INSIGHTS

OPPORTUNITY MAPPING OF BANGLADESH FOOTWEAR INDUSTRY

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RECAP

In our last edition, we reviewed the opportunity mapping for investors and the footwear community in the Bangladesh Footwear Industry on the missing aspects of manufacturing models. 95% of manufacturers follow traditional OEM business model. In this edition, we have tried to identify a quantifiable backward linkage industry for footwear in Bangladesh. This article shares an insight on the global and local context; and current scenarios in the backward linkage industry of Bangladesh. Also, we have tried to formulate a few strategic guidelines for exploring critical factors for the success of this opportunity by bridging the export vision of 2030 and the undiscovered backward linkage of sports footwear.





In recent years, the global footwear industry has been undergoing a transformation. Factors such as sustainability concerns, changing consumer preferences, and disruptions in supply chains have pushed retailers to reevaluate their sourcing strategies. The footwear sector being the second biggest sector contributing to export after ready-made garments, a crucial need to revalue our value chain has emerged. Not only as a manufacturer but also to bring the full value chain to answer the future uncertainty (Design- Innovation - Fast Moving Retail Industry- Geopolitical Tension) the need to have local components is now a game changer not only for brands but also for us as industry professionals.

Bangladesh is strategically located, providing a gateway to major consumer markets, particularly in Europe and North America. As the world moves towards more sustainable and ethical practices, localized manufacturing can reduce carbon footprints and mitigate risks associated with long supply chains.

Moreover, geopolitical tensions and uncertainties have underscored the importance of diversifying supply sources. Developing a robust local component ecosystem can enhance Bangladesh's resilience in the face of such challenges. On one side where companies are shifting away from China, the next sourcing hub must have the capabilities to offer rapid development facilities, the ability to answer the supply and demand fluctuations, and offer the shortest lead times to provide maximum agility.



EXISTING FOOTWEAR COMPONENT FACILITIES

→ Upper Materials

CIRCULAR KNITTING & WARP KNITTING: Majority of the textile material suppliers who has certain degree of specification for knitting machines can support the lining, mesh fabric or mesh upper needed for synthetic footwear.

COATED FABRIC:
Savar Dying Factory.

WP COMPLEX:
Concordia Bounding Limited.

PU SYNTHETIC:
Dongwoo BD limited.



→ Sole & Toolings

TPU/RUBBER/EVA:
Bai Xue Lian Bangladesh Limited
Nourdjana Trade International
Try On Shoe Material BD Limited
Rjm Footwear
Giant BD Limited

TPR: Inova Polymer Limited

LAST :
Step Shoe-Last & Accessories Company Ltd.
Sanghavi Shoe Accessories (BD) Pvt. Ltd.

MOULD :
Jihan Footwear Company Limited

← Accessories

Tahmeena Eva & Accessories Industries
Colour Union Limited
Arrow Manufacturing Limited
KDS Accessories
Naturab Accessories (BD) Pvt. Ltd.
Coats Bangladesh Ltd.
American & Efird Bangladesh Ltd

Source: VSI.GOV,Textiletoday.BD Open Supply Hub,& LFMEAB

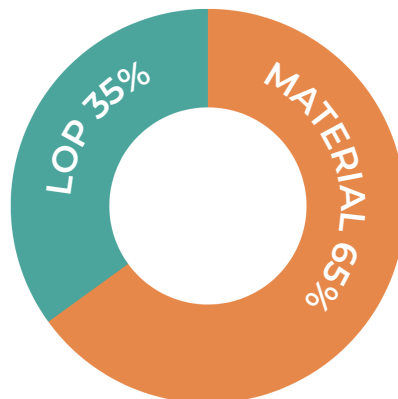
Comparative Study

Today Vietnam is being considered as an alternative of China. Vietnam is 100 times bigger than Bangladesh as an exporter in terms of number of factories. They have received more FDI and have technical capabilities and has a measured value of 65-75% of local material availability.

With our big dream to reach \$2B footwear export by 2030, we are yet to benchmark our local material availability & consumption.



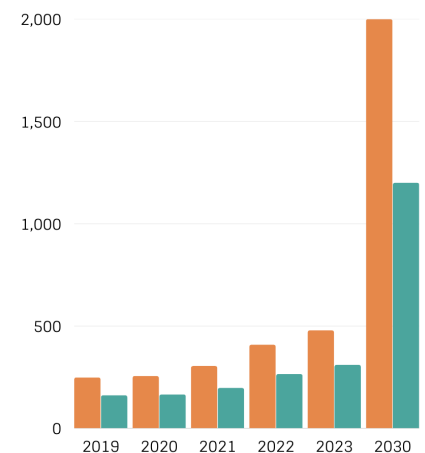
Lets take this analogy . On a general industry scale the average BOM value is 65% of total FOB of a shoe. Meaning 65% of the costs are coming from material.



2023
\$1.2B

In 2023, component industry potential is \$310m. 2030 target set by BIDA for footwear export is \$2b which represents approximately \$1.2b worth of component industry.

● FOOTWEAR FACTORIES
● COMPONENT FACTORIES



Source : VSI.GOV,Textiletoday.BD Open Supply Hub,& LFMEAB

OPPORTUNITIES IN BANGLADESH'S FOOTWEAR INDUSTRY

Creating a backward linkage is all about bringing a full value chain inside the country. A strategic billion-dollar industry that is yet to be fully explored, an industry that will allow investors to provide value and solve several crucial problems of the current footwear industry of Bangladesh. Here are a few areas that require attention;

Vertical Integration

The footwear manufacturers can vertically integrate by producing their own components. This enables the manufacturers to take on the challenge of **agile & fast fashion demand**. In the current world, retailers are looking for smaller quantities of orders with more varieties. Bangladesh being a mass market manufacturer will soon face challenges in the coming days, where our dependency on raw materials and components from China and Vietnam will be a barrier to meeting retailers' demand.

Today the average lead time from Bangladesh to the EU is 4 months. If the material is ordered it takes approximately 2 months to deliver. With this long **lead time**, the exporters will lose both the desirability of the retailers, and the **working capital** for the manufacturers will be much less. Local solutions for the materials, especially on the longest and most used one (80/20 principle) can generate significant value addition for the exporters.

Last time we explained, that 95% of the manufacturers in Bangladesh are providing only OEM solutions. They are only able to provide 33% of the total manufacturing solution. Hence the remaining 67% is outsourced. Without backward linkage available locally it's impossible to develop the remaining solutions inside the country. **For rapid development, prototyping, and offer creation** for retailers, the foundation is the availability and utilization of local materials.

Sustainable Sourcing

The global footwear industry is shifting towards sustainable materials and manufacturing processes. The higher the material imported, causing more carbon emissions. A rising number of retailers are signing up for sustainability deals for their products. Bangladesh can take this challenge of growing the untapped market of components to offer more sustainable low-impact manufacturing in its value chain.

Maximum Capacity Usage

We have seen the untapped market of local material to be addressed for both the export and domestic markets. At the same time, there are suppliers available locally for raw materials, outsole, and tooling. But still, the capacity of their existing machinery remained unused.

The types of machinery used for garments and textile components for circular knit and weft knitting can be used to cater to the need for lining mesh materials of

footwear. Smart collaboration between industry professionals in these two industries will enable the reduction of additional investment i.e. the capital machinery investment.

If we combine, the domestic demand along with 90% of the exporter's sole (IMEVA, RUBBER, CMEVA) needs, the exploration of sole & tools (mold, chiller mold, last) inside the country will benefit both the T1 & T2 suppliers.

ACTION PLAN FOR DEVELOPMENT

Bringing success to the backward linkage industry of Bangladesh footwear requires inclusive support and sincerity from all the stakeholders. The national policies will create a favorable environment for investors to collaborate with global manufacturers to ensure the opportunities are fully utilized and have equal and same level of impact to make it a thriving & profitable industry.

Government Support

Government policies that incentivize local component manufacturing, such as tax breaks, grants, and technical assistance, can encourage entrepreneurs and manufacturers to invest in this sector. Currently, for leather, 15 % and for synthetic 4% incentives are enjoyed by the finished goods exporters. But to encourage the development of the industry and bring investors to facilitate the growth of a highly needed component supplier pool - the government must extend the incentives or benefits on tax benefits for component suppliers which is only limited to finished goods manufacturers today.

Collaboration & Strategic Alignment

Collaboration between footwear manufacturers, buyers, and other stakeholders is crucial for the growth of local components. Creating industry associations or clusters focused on components can boost knowledge sharing and innovation.

An exchange of strategic information from all the brands must be arranged to share and unify the common needs of the raw materials. This way a guideline towards future investment and strategic alignment to source local material can be made to maximize the investments and encourage more local sourcing.

Skill Development

Investing in skill development programs focused on footwear component manufacturing can create a pool of skilled workers and entrepreneurs. Today exporters still prefer the service of foreign component suppliers. Why? Because of their ability to provide technical solutions and their capability of maintaining a high service standard with professionalism. Radical changes in the organizational principles must be made to boost the technical solutions, service level, and operational excellence to obtain the confidence of both buyers and finished goods manufacturers.

FOREIGN DIRECT INVESTMENT ON R&D

Manufacturing of footwear requires various components than ready-made garments. By having FDI in component development is one of the way-forward.

Recently few encouraging investments-deals were signed of \$10 M from JoinWin on shoe accessories, \$6M from JIBIN for outsole , South Korean firm Dongwoo \$8.62 M for PU synthetic material, and \$9.39M from Giant BD limited for sandal and shoe accessories.

Source: The DailyStar, Daily Sun

In conclusion, seizing the opportunity to develop local components and tooling in Bangladesh's footwear industry is a strategic move that can yield economic, social, and environmental benefits for both retailers. By leveraging existing capabilities, empowering innovation, and creating a conducive ecosystem, Bangladesh can position itself as a competitive player in the global footwear market.

