

# GODLY BUYERS

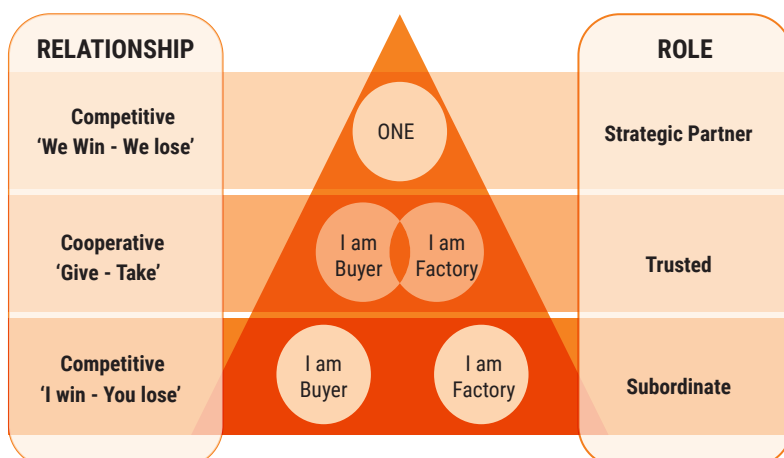
*an imbalanced relationship!*

What is a standard relationship approach between a supplier and buyer?



Well, by the end of these steps, how much manufacturers know about the buyer? A set of presentations if they are lucky! A website created and presented by the buyer - full of good words! And may be a set of 'words of mouth' from very limited and unauthentic local sources.

Let's talk about 'WINNING PRINCIPLE OF RELATIONSHIP'; there are numerous ways to define it, but I found the one below most relevant - A relationship status that provides a role to actors.



If we look at the existing relationship between a 'common' buyer - manufacturer today, I don't need to tell you where the manufacturers stand. it's a competitive - subordinate approach with a short term opportunist target to achieve selfish benefit. I WIN - YOU LOSE.

We can also define this 'relationship approach - daily conduct' with another simple tool; the collaboration law of relationship,



We are so unfortunate that hardly an example of an ASSERTIVE approach is seen. At the same time, the approach and relationship can not be set at right mode by only manufacturers.

**The whole environment of business, maturity of governance and availability of 'positive' collaboration is the major influencer (among many).**

And that's where today the manufacturers are trapped in thousand known and unknown way; One of my friend has named all the domination of buyers as 'modern indigo farming - আধুনিক নীল চাষ). They will give you the hope of 'enormous' business & suck out all the profit! Let me share few examples,

- Buyers will ask for audits at the cost of the manufacturer (!) number of audits can vary from 3 to 17 (!) audits may recommend a significant investment; and after all these, the manufacturers 'may' get a business that will 'hardly' bring profit in the first few years (or ever). And factories continue to work with a 'hope of better days'.
- If there is a quality or supply or sales issue - whoever the 'real responsible' is, sufferings of stopping the lines/ postponement of shipment/ over stock are on the shoulder of the factory. Did you ever calculate, what is the cost of keeping your factory closed for a day? For an hour? What is the cost of keeping one pair of stock for 30 days?



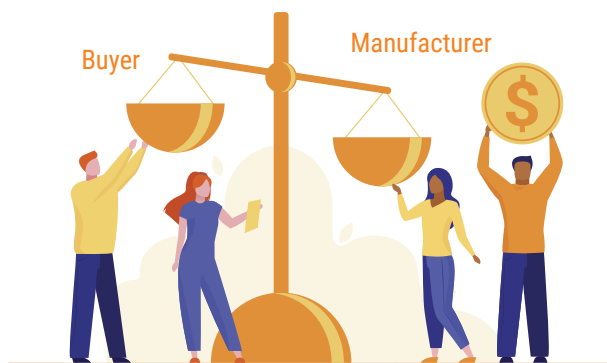
**Here is a simple math, If a factory is making 10% profit per pair (!)  
2.5 days of factory closure = profit made by a factory in that month!**

- c. To keep a factory profitable, it's important to keep the factory running; in most of the cases, it's a decision that the factory has to take whether they keep the factory closed for 'X' days or they keep the factory running at '0' profit. And on the 'hope of a better days', factories keep operating as retaining workers is also important.
- d. Now, the other cost of 'entertaining all parties', cost of uncertainty - strike/ unrest/ power cut/ power shortage/ power cost/ freight cost/ cost of investment/ component price/ raw material price/ war etc and etc; who will deal with it? Who pays it when someone has to pay? Again, **'the hope of better days'** keeps factories running; but running at a loss!

And after paying for all the 'burden', uncertainty takes away all the fruits. The impact of doing business with 'unstable' buyers under 'unbalanced' relationships was very visible from the period of covid; and it continues to play a role in this post covid world due to global financial instability (inflation/ war/ power crisis etc).

**COMMITMENT (IM)BALACE**

- |                                |                         |
|--------------------------------|-------------------------|
| Business (!)                   | Committed price         |
| Commitment (!)                 | Committed compliance    |
| Mutual profit (!)              | Committed capacity      |
| Sustainable business model (!) | Committed elasticity    |
| Support (!)                    | Absorb Uncertainty cost |





**Is not it a time to look at our balance sheet?  
Re-calculate profit expectation - re-think on  
business model? Re-visionise our goal?**

We have to revolt; we have to revolt the way it was done 200 year ago!  
Will write a few of the formulas some other day (soon).

After the imbalance of commitment, here comes the imbalance of power; it's natural that the power of purchase is always held by the 'upstream'

**POWER (IM)BALACE**

Supreme authority  
Reluctant

Sunordinate  
Accountable

Validate  
Adapts as per market  
Profit maker

Accept  
Suffers with market change  
Sacrifice Profit



**The whole process of BRANDING - RETAILING -  
PURCHASING - MANUFACTURING  
can be super powerful if we learn to act like a  
'CHAIN' than 'SILOS'**

Unfortunately, the footwear industry of Bangladesh is suffering from two major adversities,

**a. Lack of 'market leading - sustainable - strategic' brands to purchase from Bangladesh.**

Today, top brand presence is low (absence of big 5) in Bangladesh; There are 'thousands' of reasons for that (will discuss some other day); and this can only be altered if a 'holistic - private - govt' approach is taken to make our industry desirable.

**Long story short - Industry must have a long term strategic goal to make it happen.**

Unfortunately we are still individualist rather than collaborative; we run behind personal gain rather than collective mission. The alignment - leadership - infrastructure is not enough today to workout the vision of our industry. I hope, someday, we will prove to be **smarter than clever!**

**b. Infiltration of blood sucking footwear agents**

In the meantime, Chinese 'manufacturer' converted into development center due to high labor cost/ 'footwear agents from China' unable to buy locally due to price pressure, are infiltrating footwear industry; and polluting the business using their long experience of 'cheating profit' by 'lowering price' with all the possible means.

The durability of these businesses is as sustainable as 'Chinese goods'; yet, manufacturers are serving them at maximum as their incapability does not allow them to look for an 'alternative'.

It's more a slavery than a business! Investing millions of dollars, manufacturers are paid \$1.5 - \$2 AS CMT of shoes made for Chinese agents! Factories manage a lot of other cost within this \$2 (best case scenario),

- Labor cost
- Overhead cost
- Thread & auxiliaries
- Chemical cost (cement/ primer/ cleaning agent etc)
- Foam/ Reinforcement

And ofcourse so called profit is also included! What an impossible equation!!! On the contrary, for each pair of shoes, these Chinese (and a few local associates) keep an 'agent commission' of 8% - 30%!

**An investment of \$10K can make you an 'aristocrat footwear agent';  
Why will you take a risk of million dollars by setting up an 'unagile' footwear factory?**

Remember the INDIGO REVOLUTION - নীল বিদ্রোহ? What did they do? How did they get rid of the circle of exploitation? We have to learn **SOLIDARITY - INCLUSION - ANTICIPATION.**



## FORMULA 1

## ONE FOR ALL - ALL FOR ONE

### MEDIATOR (ASSOCIATION?)

- Ensure right LOP (labor/ overhead/ profit): In each market, there is a '**mediator**'; specially when the power balance is absent. And mediator must prepare and propose LOP slab for each type of product. And apply this minimum cost-profit slab on behalf of the manufacturers. *A common practice (exploitation) is, asking manufacturers to buy material under bond but instead of export, it's used to produce shoes for local market. Who is responsible to ensure right regulation? Who is your mediator? What is the role of ASSOCIATION? Can you deny your part of responsibility?*

- Proactive than reactive: the job of 'mediator' is not to sit and wait for complain; they must find out the problem to

resolve before any entity suffers. Monitoring of buyers inside Bangladesh by 'mediator' to ensure 'balance of power' & 'commitment'.

- Become a policy maker: How many policy for Footwear sector in Bangladesh is written with the participation (even presence) of a footwear manufacturer/ investor/ expert?

To be a winner, one needs to write the rule of the game.

## FORMULA 2

## COLLECTIVE & COLLABORATIVE

### INCLUSION

- Invite FDI: How many non-Bangladeshi footwear factories are operating in Bangladesh? 2/ 5/ 10? I don't know; but we must remember, an industry in a country like Bangladesh can not grow by only locals; Locals should provide Land/ Labor/ security - FDI should bring expertise/ machine/ buyers.

- We have to be together: Have to speak the same language first inside Bangladesh. Why could not we avail 12% incentive till date? What is missing? It's 5 years that the gadget is published but for 'unreasonable points', it's stuck at 4%. What is the solution? I don't know. But I know, if we are able to move collectively, we can fight over any challenge.

We have great examples in India - look at how Hero-honda became Hero Motocorp/ how Maruti-Suzuki became Maruti. And Why? Even in Bangladesh, What was the value addition of Apex-Adelchi to today's Apex?



## FORMULA 3

## LOOK BEFORE YOU LEAP!

### ANTICIPATE

- Evaluate the proposal: act on the short-mid-long term business model and policy. Ask questions to yourself,
  - Is it opportunistic? Does it make sense in short term? Long term?
  - What do you gain? What does the buyer brings in if not profit?
  - What target you want to set with the buyer? Business? Learning?
- Evaluate the buyer: It's a must. Without evaluating, a manufacturer must not start a business relationship with a buyer. It's very important to learn about the type of buyer and set profitability goal accordingly.
- Prepare your future - no dependency approach: Create your options before you become one. Exactly the way they study the manufacturing market, prepare your buyer analysis. In this modern world, you have reach your buyer; Of-course there will be people knocking at your door; they are those 'agents', '3rd party'; to get in touch with right buyers - retailers, a manufacturer needs to approach directly. Go to their headquarters - attend the fairs - there are ways to reach them.

How many int'l fair has been attended by Bangladeshi manufacturers in last decade? 1 or 2? There are more than a 100 footwear specific fair happening around the world!

Well, there are thousands of formulas; none are incorrect.

The objective of this writing is not to indicate our incapability; It's an approach to find a solution out of our enormous opportunity. We must move; we must move ourselves better-smarter-faster. We have to reach the victory line before anyone. **Will we? I don't know ;)**

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*Footwear Professional*



## Few points that can help you to prepare your 'Buyer assessment form'

Basis of relationship	LONG TERM STRATEGY/ OPPORTUNIST
Business history	>20 yrs   >10 yrs   5 yrs   Other
Presence in Bangladesh	>20 yrs   >10 yrs   5 yrs   Other
Profit margin	>12%/ >10%/ >8%/ >6%   Negotiated
Business visibility	YES 5 YRS/ YES 3 YRS/ YES 1 YEAR/ NO
Business reliability	YES 6 MONTH/ YES 3 MONTH/ YES 1 MONTH/ NA
Business dependency	10%   20%   50%   <50%
Price offer	SPOT/ OPEN BOOK
Discount	YES/ NO
Retailing	DIRECT retailer/ 3rd PARTY
Retailing countries	EU/ USA/ ASIA/ WW
Technical support	YES/ NA
Quality control	OWN/ 3rd PARTY/ NA
Compliance advice	YES/ NO
Capacity commitment	YES 2yr/ YES 1yr/ YES 6 months/ NA
Team	Locally available/ Not available
Decision maker	Locally available/ From abroad/ Not reachable
Payment term	90 DAYS/ 60 DAYS/ 30 DAYS/ AT SIGHT
Development support	YES/ NO
Mutual growth plan	YES/ NO
Mutual investment plan	YES/ NO
Local team strategy	YES/ NO

