



Accelerating the Import, Improving the Trade: Regulating Lead-Time Management through International Business Development of Woven Garments in Bangladesh

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ABSTRACT

Although the RMG sector of Bangladesh has vast popularity, it is increasingly being contested by other countries' products, who are moving faster with their products to better respond to today's time sensitive customers. This study attempts to investigate how woven garments of Bangladesh fall behind in the international business competition due to lack of lead-time management. This research study has focused the key challenges of export competitiveness of the woven industry and puts forth some viable recommendations for improvements in the readymade garments (RMG) industry of Bangladesh to enhance market share internationally. In particular, this study highlights international business development in regard to framing and upgrading favorable business policies to ensure fast and hassle-free import of the raw materials needed for woven garments production. This study is qualitative in nature and employed content analysis to collect relevant data from various articles, books, reports, websites and social and online media. The study found that the competition of running against time has posed a significant challenge for the woven industries of Bangladesh and thus recommended the need for managing lead-time immediately. This article suggests that backward linkages may not be viable in the present scenario and thus we must focus on international business development to ensure uncomplicated import of the raw materials, obviate the policy related challenges and remove internal backwardness. This research study has important theoretical and practical importance for the industry owners, managers, associations, and has policy implications for the policy makers.

KEYWORDS: Bangladesh Garments, International Business Development, Lead-Time Management, Woven Garments

INTRODUCTION

In the pinnacle of globalization, the physical boundaries are decreasing with the advent of information and communication technologies, and new competitors are increasingly entering the market with newer and more innovative products and services with fewer time to compete with the existing ones. Subsequently, the time allowed for making a product is decreasing over time, which is directly pressing suppliers or manufacturers of garments to reduce the duration of the "order issue date to the shipment date". In this competitive situation, the RMG sector of Bangladesh is experiencing serious challenges from many suppliers from China, Hong Kong, India, Sri-Lanka, Vietnam and Turkey etc. as they are supplying similar or better-quality apparel at a shorter period of time.

Therefore, since several competitors can produce and supply higher quality products at a reasonably low cost, reduced lead time is the last and most important criteria for the industry clientele, where Bangladesh woven garment is seriously

struggling. So, this study is dedicated to exploring the reasons of long lead time in the supply chain and providing solutions for the Bangladesh Ready-Made-Garment (RMG) industry, particularly woven garments.

RESEARCH QUESTIONS

- R1. What are the major causes of long lead-time?
- R2. How long lead- time can be lowered to increase competitiveness of Bangladesh woven industry?
- R3. How international business development can improve import of raw materials for woven industry and reduce lead time?
- R4. What business policies can be adopted by the government and industry players for the supply of woven industries' raw materials within short period of time?

METHODOLOGY

Qualitative research strategies were employed to profoundly investigate the breadth of the research questions and to find



their possible solutions. The study is descriptive in nature and based on secondary data. Secondary information is collected from different books, websites, articles, newspapers, periodicals, business reports and online platforms. Existing studies show that the Bangladesh woven industry has experienced numerous challenges, especially regarding more lead-time due to the need of raw materials. The researchers identified some potential solutions to ensure that the woven industry can keep its position in the international marketplace if sufficient number of raw materials can be supplied on time.

LITERATURE REVIEW

Timing is a decisive factor in many aspects of business sector-- including but not limited to--planning, innovating, manufacturing, selling, distributing, and adopting strategies and policies (Stalk, 1988). Additionally, Stalk (1988) also maintained that while cost, quality, manufacturability, newness /innovation evolved as a source of competitive advantage, time has positioned itself as the newest weapon to compete in the marketplace. Similarly, Christopher (1999) also contended that time has become very important tool to compete against competitors and the main reason for this change is the change of the customers' awareness and preference for being updated with time and newness. In the fashion market, especially, new styles are coming out frequently, lasting for a short period of time, and being replaced by new trends. Thus, innovative designers around the world are also bringing new designs to the market to fulfill the consumer demand with an ever-increasing rate.

Compared to other RMG producing countries, lead time is critical in maintaining Bangladesh's RMG sector's competitiveness. A report of World Bank mentioned some preconditions to improve productivity, product quality and lead times to win the competitive race with China and other emerging exporters so that Bangladesh could position itself as an invincible supplier of clothing, especially woven garments (World Bank, 2018). Nuruzzaman and Haque (2009) found in their study that the current RMG manufacturers of Bangladesh are importing most of the essential woven fabrics from China, India, Pakistan, and Indonesia. Which leads to lingering the total lead time and putting a negative impact on competitiveness. Asgari and Hoque (2013) suggested that domestic supply of fabrics can mitigate the cost of production but due to high cost of production and lack of government incentives domestic supply is challenging. Adnan et al. (2015) identified that the net value addition of RMG export is not very lucrative because of longer time for importing of raw materials.

International business development contains efficiency and welfare achievement to all countries regardless of their initial conditions, technological capabilities, development level, and resources endowments (Helpman, 1987). International trade affects the economic growth of nations by means of

the attraction of FDI. A study found that the main concourses through which FDI impacts positively to economic growth are access to international market, job creation, technology transfer, capital accumulation, marketing and managerial practices (Lall, 2004).

Defining the Variable

Lead time

Lead-time refers to the time lag between placing an order and receiving it. In this study lead-time will be meant as the time it takes from getting order from a customer and the time to send back the product to that customer (Azad, 2004).

Theoretical Framework

Lead-time typically includes two components: Information lead times (i.e., the time it takes to process an order) and Order lead times (i.e., the time it takes to produce and ship the item). Information lead time can be lessened by using advanced and modern communication system while Order lead time can be reduced by efficient supply chain management (Simchi-Levi, David, 2000). In addition, Marc Smith described that lead time can be decreased in two ways (www.elsmar.com, 2004). Firstly, Customer lead time, which refers to the time span between customer ordering and customer receipt. Secondly, Manufacturing lead time, which refers to the time span from gathering raw materials to completion the final product.

Furthermore, Christopher (p.151, 1999) explained (see Figure 1) that if any company launches its apparels in the market later than its trend, it will probably have an enormous number of outdated items (Obsolescence), as shown in the grey area. As Bangladesh woven garment factories cannot start manufacturing immediately after receiving the order due to long wait time for getting the raw materials from another country, most of the time they experience long lead-time and cancellation of order and or more outdated items.

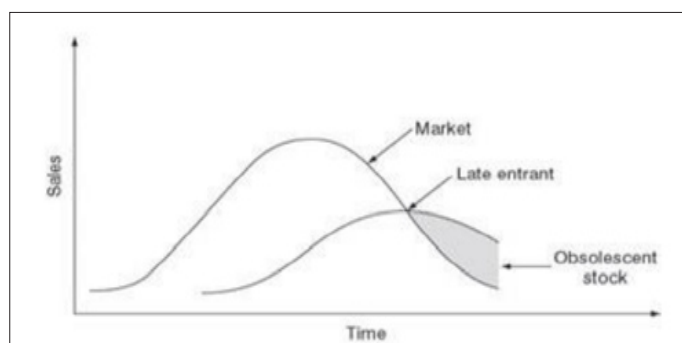


Figure 1. Obsolescence problem for late entrant in the fashion market

Source: Christopher (p.151, 1999)

In the RMG sector of Bangladesh, the whole process of the manufacturing is comprised of the following steps - order submission, scheduling & sequencing, receiving raw materials, manufacturing and distribution.

Alternatively, the whole process could be summarized in the following chronological sequence:

- Customer lead time = [{Information lead time} + {Order lead time}]
- Total lead time = [{Information lead time} + {(manufacturing lead time) + (shipping time for import fabrics) + (Shipping time for export final product)}
- For Bangladesh garments (in general): Lead time = Fabric manufacturing time + time to import fabrics + fabric inspection / other processing + Garments Manufacturing (cutting, sewing, washing, finishing and packing) + Garments Final Inspection and sending to Chittagong Sea port + buffer time (woven garments).

Findings

Dependence on imported inputs for Woven Garments

Although the textile sector continuously increasing their production capacity over the last decade, most of Bangladesh's woven apparel exports still use 50-70% of imported raw materials, which increases lead-time and decreases value addition.

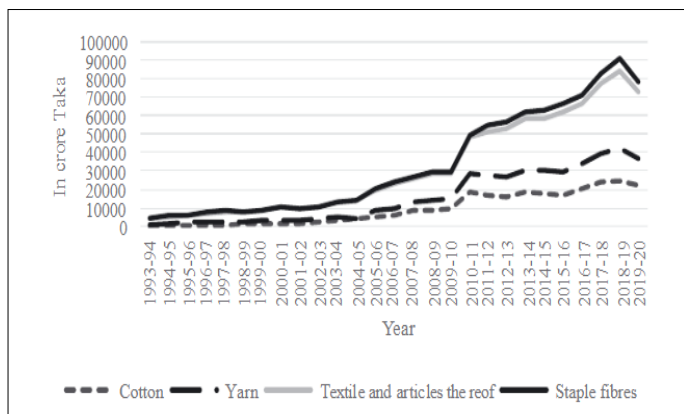


Figure 2. Trend in the import of raw materials of garments

Source: Bangladesh Bank

Figure 2 shows the amount of raw materials imported between the year 1993 to 2020. It also reveals that the number of raw materials imported those years were in an increasing trend which experienced a sudden fall after the COVID pandemic in 2020.

There are three different categories of RMG manufacturers in Bangladesh: (1) integrated manufacturing, where factories import the cotton and do the rest of the production process (spinning, weaving/knitting, cutting and sewing) on their own; (2) factories importing yarn and then completing the rest of the manufacture; and (3) factories importing fabric and sewing the RMG, known as cut, make and trim (CMT) factories ((Ahmed, 2009). Woven RMG-producing factories particularly belong to the third category.

Since huge investment is required for setting up factories

producing fabrics for woven RMG and thus large-scale production is necessary to concomitant with the investment, local fabric production is not enough to meet the high demand of woven RMG. Consequently, woven RMG is highly dependent on imported contents. As a result of the heavy dependence on imported inputs, value-added of the RMG industry is quite low. For woven RMG, value-added is only 25-30% of the export value (Ahmed, 2009).

Although Bangladesh is a significant player in the production and export of woven garments, its level of raw materials is relatively small compared to the total demand necessary to meet garment production needs. The amount of production comprises only 1.96% of Bangladesh's total raw material demand (USDA 2020). Moreover, land devoted to producing raw contents less than 1% of the total cropped area in Bangladesh, producing 146,621 metric tons of cotton on only 49,292 acres of land (BBS, Bangladesh Bureau of Statistics 2020; USDA 2020). As a result, Bangladesh imports 98.04% of raw materials from the rest of the world to meet domestic input demand to make woven garments (USDA 2020).

However, the post-MFA trade condition has created a two-fold challenges to Bangladesh. Such as, Bangladesh needs to get raw materials at a competitive price to control the product value and to get those raw materials on time to provide ordered products at the soonest possible time by reducing lead-time. Bangladesh, in general, has more lead-time than her counterparts. For instance, While China and India have 3-4 days lead-time, the average fabric lead time for woven in Bangladesh is seven days, it increased to up to 15 days when sourced from India and up to 30 days when sourced from China (Berg et al., 2011).

Thus, although the RMG industry has a share of 75% in total exports, the net export earnings (i.e. export earning net of the cost for imported raw materials used for the export goods) is only 40% (Bhattacharya and Rahman, 2000). Dependence on imported inputs also delays the time for fulfilling an export order. As local textile mills cannot meet the demand of woven RMG, fabrics for woven RMG factories are mostly imported and thus, more time is required to complete production. The reason behind the scenario is because it is too costly for manufacturers to maintain an inventory, especially as production in woven RMG is in accordance with orders, where buyers specify the type and color of the fabrics (Ahmed, 2009).

Internal Problems and Need for better Import Policy

There is often a recommendation put forth by the scholars of textile research that Bangladesh may accelerate the export of the woven garments by increasing backward linkages and other infrastructure development. However, many studies show that Bangladesh needs to source textile raw materials from outside the country due to lack of local supply and high production cost. Whereas importing yarns, woven fabrics,

dyeing chemicals, garment accessories, and packaging materials from China and other countries are readily available with wide range of choice.

To address this challenges, trade diplomacy of government should be more targeted and result oriented. Cohesive and consensus measures should be perused by all public and private level business and political groups like ministry of foreign affairs, foreign consulate and embassy of Bangladesh, export promotion bureau, Business and trade association (BGMEA, BKMEA), Export promotion bureau to avail the market access and trade benefits from foreign markets. Bangladesh also needs to rectify some of the business policies and frame updated ones to ensure less complicated import of raw materials to reduce lead-time. For example, Bangladesh imposes registration requirements on commercial importers and private industrial consumers. In some cases, the registrations specify the maximum dollar values of imports. Commercial importers are defined as those who import goods for sale without further processing.

International Business Development

To reduce the impact of lead-time by removing trade-barriers for importing raw materials, Bangladesh has to focus on international business development in regard to smooth supply of raw materials for woven garments. With this respect, Bangladesh needs to follow Materials Management by ensuring efficient flow from raw stage to finished stage so that deliver the product to customer as per their required delivery schedule. Material Management includes materials planning, procuring, receiving, storing, inventory control, production, corporeal distribution of raw materials. Its main objective is to confirm planning, procuring, storing and providing the appropriate materials of the right quality, Right quantity, right place, right time, and right price to manage and schedule the production activity in an integrative way for an industrial undertaking. To ensure this process, improving business environment and bilateral relationship with importing countries are crucial.

Furthermore, creating international business development and shared value in Bangladesh to co-create development impact and business profit is vital to deliver on the SDGs and Bangladesh's national development priorities. However, a challenge to creating shared value in Bangladesh is the extent to which development partners efforts effectively consider business outcomes in their approaches. In the readymade garment sector, for instance, development partners are mainly promoting Environmental, Social and Governance (ESG) and Corporate Social Responsibility (CSR). However, some companies argue that efforts to improve ESG standards come at an additional cost to the business productions, but they are unwilling to increase their prices to international buyers. Since Bangladesh has given due consideration on SDGs the government along with private sectors, business associations and civil society emphasize the international

business development through various talks and high-profile meetings. For instance, Bangladesh International Chamber of Commerce, Federation of Bangladesh Chambers of Commerce and the Dhaka Chamber of Commerce and Industry have organized events in collaboration with the government and the United Nations, expressing deep commitment to ensure SDGs achievement through engaging international business partners with the local private sectors.

International business development yields a lot of benefits for a country. International business is a fact that helped companies to earn profits not only at the national level but globally as well. There is various importance as so companies should opt for international business. Such as, the global business flooded a particular market with a variety of substitute products. When there are too many products people want to have quality products at low prices or they easily shift to the next product. This causes companies whether to provide quality products or reduce the price so that customers will prefer them. If not, company can't survive in the global market. Another important benefit of international business is to build networks with different foreign companies. Building positive networks with them helps companies to maintain healthy international relations.

CONCLUSION

After 2005, the RMG sector of Bangladesh has entered in the quota free market. From that time this sector is in a very unfavorable situation due to long lead time which has negative impact on export growth rate. Through this study, it has been found that import dependency is the major bottleneck and it is the main factor for greater lead time. Import dependency arises out of the absence of sufficient backward linkage industry and for this reason a total additional 55-75 days are spent in the import process of fabrics by RMG sector of Bangladesh. As a result, this sector is facing long lead time which is 90 to 130 days on the average. The study also found that import dependency is contributing 50% or more in the problem of long lead time, and it is the main factor for the problem of long lead time in the RMG sector (Nuruzzaman, 2008).

Therefore, there are few recommendations are put forth to reduce lead-time for woven garments. Such as, framing favorable business policies, improving international business environment, removing local infrastructural problems etc.

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