

You suffer, we survive

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"As a factory owner, I don't have any bargaining strength during this pandemic," he said.

"Some of the orders have been shipped and La Halle is refusing to pay, while other orders are ready, and La Halle is not taking them," informed the country manager of La Halle, Rashedul Islam.

The Bangladesh office he is in charge of got an email on April 27, which stated that the company was liquidated three days back.

"We got to know from the liquidator company Duff & Phelps that the hub office in Hong Kong along with country offices in Bangladesh, India and Pakistan are going to be shut down," he said.

The 29 employees of the office did not receive any termination benefits stipulated by the labour law of the country.

"They let us know that the liquidation could take between 9 to 12 months and only then we will get some termination benefits, but we don't know how much that will be," said Islam. This is a violation of domestic labour laws, which require the benefits to be paid within a month.

Rubana Huq informed that the BGMEA had engaged a lawyer to deal with bankrupt brands like La Halle, Nygard (Canada), Camaieu (France), JCPenney, Sears (US) and Debenhams (UK).

"We have made a formal request to the Bangladesh Bank regarding liabilities of factories who supplied goods to bankrupt buyers," Huq said. "We have requested Bangladesh Bank to create a blocked account for 10 years and to relocate the liabilities to that account interest-free while keeping the single exposure limit unaffected."

GAP INC
Gap Inc, the largest specialty retailer and second largest apparel e-commerce business in the US, has cancelled or postponed orders worth over \$38 million. In addition to its namesake banner, the company also operates five other major brands, Banana Republic, Old Navy, Intermix, Hill City, and Athleta.

In Bangladesh, Gap cancelled orders worth \$32 million from 15 suppliers and Old Navy worth \$6 million from 4 suppliers.

Sharif Zahir, MD of Ananta Apparels, informed that Gap cancelled orders of products that were in its final stages of production, worth \$1.2 million.

"We've been working with Gap for the last 20 years. We never expected such behaviour from them. All the products we made for Gap were in their completed stages. We make these orders according to the brand's specifications, and they also put restrictions so that we don't duplicate the designs for others. Once we receive an order, it's really their product and their responsibility," said Zahir.

According to suppliers, Gap has simply refused to take any responsibility for the orders it has cancelled or postponed.

"It's very shocking the way they have declined to share the liability," he added.

Gap did not respond to requests for comments and, in fact, has not yet made any public statements regarding its commitments, or lack thereof, to its suppliers.

However, Gap CEO Sonia Syngal told analysts after revealing the retailer's first-quarter earnings, that the coronavirus pandemic has required a "radical shift" in its priorities.

The company further revealed that it had asked vendors to delay payment terms, tighten purchases and utilise 'pack and hold' inventory -- meaning it would pack up its products to sell in 2021 instead -- to maintain its margins.

Notably, the company reported revenues worth \$16.6 billion in 2019 and ended the fourth quarter of the year with \$1.7 billion in cash, cash equivalents, and short-term investments.

While it reported that its net sales for the first quarter of 2020 were down by 43 per cent year-over-year, it also stated that there was a 40 per cent increase in online sales in April.

"While net sales and store sales continued to reflect material declines in May as a result of closures, we saw over 100 per cent growth in online sales during the month," said Sonia Syngal, president and CEO of Gap. "This online momentum, enabled by new omnichannel capabilities that have expanded the way customers can shop with us, leaves us well-positioned to fuel our brands going forward."

BESTSELLER
Danish fashion retailer Bestseller postponed or cancelled \$83 million worth of orders in Bangladesh, and Hannan Group is one of them left to hang dry.

The brand's decision impacted orders worth \$3 million with Hannan, according to BGMEA data.

"Around March 15-18, they told us over email that they are cancelling the orders. They don't need any grounds to cancel any orders. Say I am mid-way through a meal. They ask me to stop, I have to stop eating," said ABM Shamsuddin, the managing director of Hannan Group.

"Most of our orders were in still in the yarn stage -- but we had to pay for the raw materials.

The bank paid on our behalf when the LCs matured, expecting that they will recover the money when Bestseller pays for the orders.

"But now that the brand has cancelled the orders, I have become a defaulter. I will try to sell the raw material...but will probably get a tenth of the price. How long can I keep them in stock, without the products losing strength and stability?" Shamsuddin said.

However, Morten Norlyk, Press & Media Responsible at Bestseller, claimed that the brand has cancelled orders in mutual agreement with suppliers and has also paid them for liabilities.

"Bestseller have not cancelled orders unless it was in agreement with the given supplier. Any changes in terms and volumes have been agreed upon with all our suppliers through these individual negotiations and all due invoices to suppliers have been paid enabling suppliers to cover their expenses. All invoices up to April 6 were paid in full and as per initially agreed payment terms," Norlyk told The Daily Star.

Suppliers say that when brands claim they have cancelled orders through 'mutual agreements,' they very rarely have a say in the matter.

"Truth be told, if a buyer with whom you have been in business with for a long time and with whom you need to continue your business in the future, tells you he can't take his orders because of declining sales, you can plead with him, but can you really challenge them?" said a supplier, who produces for multiple global brands, on condition of anonymity. "It's tantamount to agreeing to

unable to figure out how to pay wages for July.

"If we get orders during this time, we will be able to pay wages in July. Otherwise we will have to take out a loan. The kinds of debt we got into by not working this month, it will take us 18 months to recover," he said.

BRANDS THAT MADE GLOBAL PROMISES TO TAKE ORDERS:

H&M and INDITEX
According to BGMEA statistics, H&M and Inditex were among the top 3 brands that had either cancelled or postponed their orders straight up at the beginning of the pandemic.

However, on March 29, H&M announced it would take delivery of already produced garments as well as goods in production, with Inditex making similar commitments within the week.

H&M, a Swedish multinational brand, operates in 74 countries with over 5,000 stores and is the second-largest global clothing retailer.

Each year, H&M sources orders worth \$4 billion from more than 230 Bangladeshi factories.

Inditex is a Spanish multinational clothing company and the largest fashion group on the planet with 7,292 stores worldwide. The group's flagship label is Zara while other labels include Massimo Dutti, Bershka, Oysho, Pull and Bear and Stradivarius.

Both these brands have also publicly endorsed the call to action, developed with the technical support of the International Labor Organization, in collaboration with The International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC), IndustriALL

are already completed or in production."

"To help suppliers and minimise the negative impacts of lockdowns, we have taken the decision not to use our contractual right to immediately cancel delayed orders, but instead allow an extra month delay, or, if the products are not seasonal, even more time," stated the brand.

The 'contractual right' they mentioned refers to the 'force majeure' clause, common in contracts, which says that the parties don't have liability or obligation if there's an extraordinary event or circumstance beyond their control.

However, this clause is applicable to the party which is the most relevant contractual obligation -- in this case, the suppliers.

Abdul Monem, Director of H.R. Textile Mills, informed that Inditex cancelled with the company. According to data submitted to the BGMEA, \$1.34 million of orders were either straight up cancelled, or put on hold.

"Inditex is a fast-fashion company. The reaction time to an order by them is between 15 and 45 days, so we always have to have the raw materials ready. But we have already shipped a shipment of Bershka men's underwear that they said they will not be able to take before August," he said.

Monem expressed optimism though that the company will place more orders in the future, and that he can use up the raw materials he already has in stock.

Speaking to this correspondent, an official of Apex Spinning and Textile mills also said that Inditex straight up cancelled their orders with the group. "They said our offices are closed, we cannot make the purchases. Since

sure know whether they will take it. We have to wait for a further four orders," he said. The brand belongs to Tendram Group, which owns around 2000 stores in 79 countries.

According to BGMEA data, the brand has cancelled or postponed \$4.2 million worth of goods.

"The goods are ready, the goods are at port, but they told us, that if we send it now, they will not be able to catch the season. There were some orders that we had already sent to the Chattogram port, that we had to bring back to Dhaka," he said.

"They had initially even wanted to return the orders that had already reached Spain, but we said that our country's rules would make that impossible. It is better to cancel the orders," he added.

"These are all denim products. We are not prepared to store the goods for the next four or six months in our warehouses...if they are to be kept for the next season, they have to be kept in a humidity and temperature-controlled environment.

"Our warehouse is not like that. My prediction is, if the quality falls they will ask for a discount," he feared.

Hoque has reason to worry, because another buyer Terranova is already doing so. While the brand is taking all their orders, they are unwilling to accommodate the lockdown.

He has already sent goods worth \$833,724 between mid-May till mid-June, but delays have ranged from 10 days to 40 days, and he is having to give Terranova a \$236,890 discount.

Hoque wanted 45 days of extension to make his factories safe for his workers before opening but Terranova refused.

"They said they need the goods, so they will neither give an extension, nor cancel. According to the terms of the LC, there is a clause that says if we delay sending the products, it allows the buyers to claim a discount," he explained.

"Demanding discounts for the obvious lockdown period is a selfish thing to do. What will the brands or the suppliers do in a crisis of manpower? So, demanding discounts must be stopped as both the brands and the suppliers were in the same situation during the lockdown period.

"We urge the brands to look at the situation here with empathy, for sustaining the business," said BGMEA President Rubana Huq.

FUTURE ORDERS
Suppliers are now also worried about future orders -- and their fears are not unfounded. All the brands we reached out to admitted that there would be likely be some reduction in future orders, given the depressed state of the market and unsold stocks of products from this season.

"I don't know what will happen in July. The amount of orders we need will not come. The business will not be stable until March 2021," Shamsuddin claimed.

On this point, he and his buyer, Bestseller, are on the same page.

"We are placing orders for autumn, although a reduction in some volumes are sought to prevent over-production," said Bestseller.

"The projection we are looking at is alarming. It's less than 50 per cent of what our usual orders are. For example, usually we do 1 million pieces a month for H&M, now we are getting orders worth 4 lakh, 4.5 lakh.

"At this rate, it's difficult to guarantee how many of our suppliers will make it through the year without going bankrupt or downsizing significantly," said Sharif Zahir.

When asked if they would help pay for the costs of furloughing workers brought about by reductions of orders, none of the brands said they would assist the manufacturers directly.

Some, including H&M, Inditex, Primark, Bestseller, pointed us towards the ILO-Call to action which they have signed, which commits them to work with governments and financial institutions to mobilise sufficient funding to keep manufacturers in business including payment of wages, as well as income-support and job-retention schemes to address the impact of the crisis.

However, it does not obligate the signatory brands to commit to any payment themselves.

"The Call to Action is a non-binding document. Its main value is that it gets brands and retailers to sign and declare that they will pay for their orders.

"But the question remains, what happens beyond that to secure some of the commitments," Scott Nova said. "We are trying to make sure supply chain workers are included in the rescue packages being mobilised."

It is also unclear whether the funding being brought from financial institutions would come as loans, and if so, which party would pay the interest. Again, none of the brands provided a clear answer to this question.

"We think that all brands are trying to regain normalcy. We know that they are coming forward but getting the flow of order, shipment and payment back to normal will ultimately help both the brand and suppliers minimize losses in the long run," said Rubana Huq.



STAR/FILE

Many factory owners borrowed funds from the government's stimulus package to pay salaries of their workers for April, May and June.

their terms at gunpoint." The WRC echoed similar concerns in its Covid-19 Tracker.

"Unfortunately, the balance of power in apparel supply chains allows buyers to impose their will on suppliers, a dynamic that is playing out across global supply chains, at enormous cost to suppliers and to workers," stated the organisation.

It also highlighted that Bestseller has cancelled up to 20 percent on orders already completed or in process, asking for up to 25 percent discounts on orders it is accepting and delaying on payments of invoices.

Meanwhile, in May, the sole owner of Bestseller, Anders Holch Povlsen, who has a net worth of \$5.32 billion, entered the UK's Sunday Times Rich list (ranked by net wealth) at number 26.

Norlyk said that '100 per cent of suppliers that produce garments for Bestseller in Bangladesh, have paid March and April salaries'. However, Shamsuddin claimed that he had to borrow from the government's stimulus package to pay the wages of three months.

Bestseller has not yet disclosed its revenues from 2019, but it reported an annual profit of \$357 million in 2018.

RALPH LAUREN
Even Ralph Lauren -- the very brand image of affluence and luxury -- has cancelled orders.

"We produce clothes for Chaps, which is a line of clothing by Ralph Lauren. Whatever we had produced completely, they took from us, but whatever was in production, they cancelled," said the managing director of Modiste Bangladesh, Mahmud Ali.

The orders were worth \$7.8 million, as per BGMEA data.

However, Ali informed that the brand offered to pay for liabilities like raw materials.

"They said they are in the process and hopefully, they will pay in 90 days," he said.

But like all other suppliers, this has left him

Global Union and other brands for support for manufacturers and workers through the economic disruption caused by Covid-19.

Among other commitments, brands which have signed the call to action have agreed to pay manufacturers for finished goods and goods in production.

Despite these commitments, which have been lauded by manufacturers and international labour advocates alike, some Bangladeshi suppliers claim these brands are yet to retrieve all orders previously held or cancelled.

A supplier requesting anonymity said that H&M did cancel and postpone orders with them.

"H&M has cancelled and put on hold orders over \$1.5 million with us," he said. "It is a difficult time for us to speak out too publicly against big brands because we are afraid of the repercussions and jeopardising our relationship in the future."

An official from Apex Spinning and Textile Mills stated that a total of \$450,000 worth of orders placed with the company were cancelled by H&M.

"They did however pay us for the inventory we had already collected and that cannot be used elsewhere e.g. they paid us for the yarn and the foam cups needed to make bras.

"March 25 was our last working day before the lockdown. There was no work during the entirety of April, so these cancelled orders led to a problem in the cash flow," he added.

"Meanwhile whatever orders were put on hold, are on hold. They will talk about those orders when the pandemic blows over," he said.

H&M's communication department in Sweden told The Daily Star, "We will stand by our commitments and agreements by taking delivery of and paying for already produced goods as well as goods in production, if delivered within a reasonable timeframe. We have not cancelled any orders where the goods

then, we have only exchanged courtesy emails but nothing related to the orders," he said.

According to BGMEA data, the orders were worth about \$ 50,000 and were for Zara.

Inditex's communications department in Spain told The Daily Star that they are standing by their commitments.

"Inditex is committed to working with its suppliers through the impacts of Covid-19. Since the beginning of the outbreak, we have been fulfilling all our responsibilities to our suppliers by ensuring that all orders that have been produced or are currently in production are completely paid for according to the original payment terms," the brand claimed.

ORDERS HELD, DELAYED PAYMENTS AND DISCOUNTS

While a number of influential global brands have made public commitments not to cancel orders outright, there's no clarity on their position regarding orders which are on hold -- if and when they will be taken, and more importantly, when payments will be cleared.

"Order cancellation is only one of our headaches. Many brands say that they will take the orders, but at a later date, maybe in three months, six months or even a year," said Nafis Ud Doula, director, Impress-Newtex Composite Textiles, which had cancellations as well as postponements from Bestseller and C&A, among others.

"Meanwhile, we also have to deal with delayed payment, even for products we have already sent over, they are saying we'll pay four to eight months later. For orders that are on hold, it's so uncertain when, if ever, we'll be paid."

Polish brand LPP, Spanish brand Springfield and French brand Tape O' Loelil put contracts on hold with Torque Fashions, informed its managing director Kazi Hoque.

"Springfield cancelled 2,66,000 pieces worth \$1.6 million. They said that they will take the goods next season, but we do not for

Spotlight shifts to fairness product market as Unilever rechristens its Fair & Lovely brand

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The name change, which is now awaiting regulatory approvals and will be ushered in over the next few months, can be viewed as a redemption of sorts.

"We are making our skincare portfolio more inclusive and want to lead the celebration of a more diverse portrayal of beauty," said Kedar Lele, managing director and chief executive officer of Unilever Bangladesh, in a press release yesterday.

In early 2019, the brand's communication moved away from the benefits of fairness, whitening and skin lightening, towards glow,

even tone, skin clarity and radiance, which are holistic measures of healthy skin.

The cameo with two faces showing shade transformation as well as the shade guides were removed from almost all the packs.

"These changes were very well received by our consumers," Lele said. The company will continue to evolve its advertising, to feature women of different skin tones, representative of the variety of beauty across Bangladesh, the press release added.

Whether this would have any effect on the thriving market for fairness products in Bangladesh

remains doubtful.

According to industry insiders, the products are mostly popular in rural areas, where females remain oblivious to the First-World social media discourse, according to industry insiders.

In Bangladesh, skin lightening products are imported from India, Turkey, Malaysia, China and Thailand.

Other than Fair & Lovely, products from Indian brands Emami and Himalaya, Proctor & Gamble, Nivea, The Body Shop and L'Oréal are popular, according to general managers of two supermarket stores.

Frustration, fear and family: lockdowns test investment bankers

REUTERS, London

Lockdowns are sharpening the knives in the cut-throat world of M&A banking.

Stuck at home, armed only with a phone and a laptop, senior advisors are finding out just how strong their relationships with clients really are while frustrated juniors are left to crunch numbers in the shadows, deprived of the personal access to the rainmakers who could give their careers a boost.

With the dreaded "doughnut" or zero bonus almost a given this year, and some banks looking to cut jobs to weather the health crisis, the strains on bankers watching multi-billion dollar pre-pandemic deals go up in smoke is taking its toll.

"It's like a Darwinian selection," said a senior advisor at a Wall Street

bank. "If you're a senior banker and you don't win a single pitch you can only blame yourself. You've failed to cultivate your relationships and now it's clear to everyone." "If you don't know them well enough, you will never win a mandate over Zoom," said the banker, who declined to be named.

A lack of face-to-face contact is not just exposing the shortcomings of some senior financiers, it is also making it harder for junior associates to learn on the job and progress, headhunters, lawyers and bankers said.

"Junior bankers are challenged by old problems long hours, excessive workload and lack of acknowledgement but this lockdown has made them more acute," said Anna Marietta, co-founder and managing partner of headhunter Vici

Advisory. "Juniors especially analysts and interns can also learn through osmosis and they need physical interaction in the office. They need to see how their managers are handling client relationships and solving problems," she said.

Global M&A volumes are down 41% so far this year, a far cry from the champagne-popping records of recent years when bankers at Goldman Sachs, JPMorgan, Morgan Stanley, Citi and Bank of America - the top five dealmakers - were the toast of Wall Street. Massive government support for companies, particularly in Europe, is keeping many firms afloat and delaying the kind of lucrative takeover deals that have put M&A advisors at the top of the investment banking world, bankers and lawyers said.