

Leather goods exports dull despite huge potential

Jennys Shoes' chairman blames weak backward linkages, inconsistent policies

JAGARAN CHAKMA

Vietnam entered the global footwear export market just a decade ago and the Southeast Asian nation's export now stands at \$20 billion a year. On the other hand, Bangladesh made the foray three decades ago but its overseas shipment in the segment is hovering around \$1 billion despite having the main raw

"But Bangladesh is capable of increasing its leather and footwear exports to \$10 billion by 2025 if the authorities such as the National Board of Revenue and the port authority as well as banks extend cooperation to exporters," he said in an interview with The Daily Star recently.

He said exporters have to import almost all the raw materials except raw leather and it increases the lead time for exports. Customs officials also do not allow to import raw materials needed for a year at a time.

"So, we have to import items in phases and it takes too much time to produce finished goods and export as well," he said.

Khan's journey as a leather and footwear sector entrepreneur began at the same time Bangladesh ventured out into the highly competitive global market.

After graduating in system engineering from Japan in 1989, he came back to Bangladesh with the hope of becoming an entrepreneur. He started with the trading of leather before choosing to be a footwear manufacturer and exporter. He set up a factory in 1992.

His inspiration came from Manzur Elahi, the legendary figure in Bangladesh's footwear sector.

Khan says he was the first Bangladeshi to have explored the sensitive Japanese market for leather and footwear goods.

At home, the leather and footwear sector is playing second fiddle to the garment sector although exporters in both sectors began selling their produce internationally within a gap of a few years.

Apparel accounted for 80 percent, or \$40 billion, of the national

exports in fiscal 2018-19, whereas the shipment of footwear and other leather goods brought \$1 billion. Of the sum, the footwear sector bagged \$608 million, up from \$565 million a year ago.

There are about 60 local companies, including Apex Adelchi Footwear, Jennys Shoes and Bay Footwear, which export footwear and leather goods. The destinations are mainly Japan, Europe and the US to some extent.

Khan said his export came down to \$8 million from \$15 million just two years ago because of a lack of cooperation from the customs department. One of his production units has remained unused as the authorities have been delaying to renew the bonded facility since 2017.

"This type of complexity discourages high-end buyers such as Nike, Reebok and Puma to source from Bangladesh."

He, however, hails the vision of the government on the footwear and leather sector as it is formulating a "Leather and Leather Goods Development Policy" to raise export earnings to \$5 billion.

"The policy alone can't achieve the target unless the government becomes cooperative with the exporters and understands their needs," he said.

Bangladesh's leather and footwear sector is failing to make it big internationally despite having the main raw material and skilled workforce.

"The sector has three decades of experience which can help the sector boom, but that is not happening," he said.

The country can use only 30 percent of its finished leather. The

remaining 70 percent is exported, mostly to China.

Khan said Bangladesh can earn three times more from exports of leather goods if all the finished leather produced locally is utilised.

Finished leather exports fetch less than a third of a footwear item: one square foot of finished leather brings only \$0.60 whereas footwear made from three square feet of finished leather hauls in \$5. Bangladesh produces 400 million square feet of finished leather annually.

Presently, Bangladesh has around 165 footwear and leather

factories and they could fetch up to \$5 billion in exports receipts were they compliant and used modern technologies, Khan said.

According to the entrepreneur, many Chinese companies are keen to invest in Bangladesh's leather and footwear sector and relocate their manufacturing units to the country to avoid extra tariffs that emerged from the US-China trade war.

Already some Chinese companies have set up factories in Bangladesh and started exporting from the country in order to avoid the rising production costs at home, he said.

"The geographical location of Bangladesh is also very favourable for export and import."

He advises new entrepreneurs to adopt technology and use high-quality products to explore new markets.

The global footwear market was valued at \$246 billion in 2017 and is expected to reach \$320 billion by 2021.

"So, there is huge potential for the new entrepreneurs," he said, adding Tk 20 crore is enough to start a factory with a capacity to produce 1,000 pairs of shoes a day.



Nasir Khan

material and human resources. A lack of backward linkage industries, inconsistent policies, lengthy customs procedures, and harassment in getting bonded warehouse facility for imports of raw materials are mostly blamed for the low leather goods exports from Bangladesh, said Nasir Khan, chairman and managing director of Jennys Shoes, one of the pioneers in manufacturing and exporting of footwear.



People work at a factory of Jennys Shoes in Gazipur.

MCCI opens second office in Gulshan 1



Planning Minister MA Mannan opens the second office of the Metropolitan Chamber of Commerce and Industry (MCCI) at Police Plaza Concord in the capital's Gulshan 1 yesterday. Nihad Kabir, president of the chamber, was present.

STAR BUSINESS DESK

THE Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) yesterday opened a second office in the capital to better meet needs of its members.

Planning Minister MA Mannan inaugurated the office at Police Plaza Concord in Gulshan 1. Nihad Kabir, president of the MCCI, was present.

With this new office, the MCCI will now be positioned in the close vicinity of its member firms, the century-old trade organisation said in a statement.

The chamber's members from Gulshan, Banani, Baridhara and its surrounding areas will now be able to reach out easily and contact the MCCI instead of going to its head office in Motijheel.

However, the platform will continue to carry out its secretarial functions and select events in its Motijheel office due to its close proximity to Bangladesh Secretariat, Bangladesh Bank, the National Board of Revenue and other ministries and important public offices.

"By having two offices in two different parts of the city, the MCCI

will be able to render services to its members more effectively and also maintain close liaison with the relevant business and government agencies timely."

An "M Anis Ud Dowla Conference Hall" and "Latifur Rahman Lounge" have been set up at the new office in recognition of the exemplary contributions of the MCCI's two former presidents in the office's procurement and fit-out.

In operation since 1904, the chamber had its office in Motijheel for the past five decades. Prior to that, it was located in Narayanganj.

Buoyant economy demands building brand image: experts

STAR BUSINESS REPORT

IT is high time for Bangladeshi companies to build brand image as the economy is growing fast, advertising and marketing experts said yesterday.

"Bangladesh is not a tiny market anymore. So, it is highly required at this moment to build brand image globally," Ashraf Bin Taj, president of the Marketing Society of Bangladesh, said at the opening ceremony of the Communication Summit at Le Meridien Dhaka.

Some 350 local and foreign advertising and marketing professionals took part in the ninth edition of the event.

The summit is a flagship initiative of Bangladesh Brand Forum (BBF) which brings together global and local experts, including creative professionals from diverse sectors to share knowledge.

Around 10,000 people are directly involved in the communication industry, which has been growing by 10 percent annually for the last few years, Taj said.

"The industry is progressing very rapidly in line with the growing economy," he said, adding that it is time for Bangladesh to create brands as it will become a developed nation by 2041.

Three panel discussions were held in the daylong event where

Tay Guan Hin, founder and chief creative officer of TGH Collective and Creative Change Catalyst of APAC Global Advisory, Surjo Dutt, national creative director of FCB ULKA, and David McCaughan, co-founder of Marketing Futures and storyteller at Bibliosexual, a consultancy firm, presented keynotes.

Syed Gousul Alam Shaon, managing partner and country head of Grey Advertising Bangladesh Ltd, moderated a discussion titled "Future Proof Creativity".

Panelists at the discussions included Nazim Farhan Chowdhury, managing director of Adcomm Ltd; Iresh Zaker, managing director of Asiatic Experiential Marketing Ltd, and Kaniska Chakraborty, an Indian communication consultant.

People in the advertising agencies need to understand and embrace the term 'actionability', said Chakraborty.

"To ace in the creative field in these challenging times, you can't simply rely on a vague understanding. Instead, you need to have a solid knowledge about the client's product category, the consumers and even their employees."

"Such solid understanding will shape our creative works in the days to come," Chakraborty said.

Sharmin Rahman, head of retail and operations division

at Grameenphone, shed light on the present condition of the Bangladesh's advertising industry.

"We, in the advertising industry of Bangladesh, lack in three specific areas: attracting creative talent, nurturing them and retaining them. I think focusing on these issues will help shape the creative industry of tomorrow."

"Advertising should not be limited to business graduates as a career option. Rather, we should try to make it much more lucrative, so that creative individuals from multiple disciplines flock to agencies, get trained and eventually perform with utmost passion," she said.

Bangladesh has an exciting advertising industry and there is a lot of scope for creativity, said Shariful Islam, founder and managing director of BBE.

He said communication agencies now-a-days do not communicate directly with the consumers. Rather, they communicate with the clients.

There is an urgent need to reinvent the approach and orientation towards providing communication solutions, he said.

Since 2009, the Communication Summit has been playing a vital role in Bangladesh's creative communication and advertising industry by bringing in local and global creative communication experts.

India passes 'historic' minimum wage law

REUTERS, Mumbai, India

INDIA'S parliament on Friday passed a "historic" law to guarantee a minimum wage to hundreds of millions of workers, but labour activists said it did not go far enough to protect those in the informal sector.

The Code on Wages aims to set standard wages across India, where almost 90 percent of the labor force works in the informal sector with no security, low pay and little or no benefits.

Labour minister Santosh Gangwar said the "historic" bill would for the

first time ensure about 500 million Indian workers received minimum pay. Previously, one in three casual workers on daily wages had been excluded, according to official data.

"This will be the first time that all workers who earn daily wages and employed across all sectors will have the right to a minimum wage," a labour ministry official told the Thomson Reuters Foundation, speaking on condition of anonymity.

India's minimum wage is 176 Indian rupees (\$3) for an eight-hour work day, but local authorities can set their own lower rate and at least six

states do so.

India's upper house passed the Code on Wages Bill, the first of four labour bills designed to replace 44 archaic laws, on Friday evening.

Speaking in parliament, opposition lawmakers said the bill lacked teeth and failed to guarantee "fair wages".

"After so many years, our government is still talking about minimum wages, not fair wage. We have missed the opportunity to improve lives of millions living in sub-human conditions," said parliamentarian Madhusudan Mistry.



Advertising and marketing experts take part in a discussion at Communication Summit organised by Bangladesh Brand Forum at Le Meridien Dhaka yesterday.