

Bridging Bangladeshi Garment Manufacturers with the Buyers of Central Europe (Hungary, Poland, Denmark, Germany)

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Submitted to

MS in Finance, CEU Department of Economics and Business

Central European University

Abstract

This business plan aims to connect small and medium clothing companies in the Central and Eastern European region with Bangladeshi readymade garments manufacturers. Bangladesh has cost advantage over its major global competitors like China, India, Philippines, Vietnam, Thailand, and Cambodia for producing various garment products. Therefore, building sustainable business relations between small and medium clothing brands in this region with Bangladeshi garments manufacturers would be a decisive business plan for a new entrepreneur. Bangladesh is a popular destination for major global retailers for apparels like H&M, Walmart, C&A, GAP, and JCPenney. However, the Bangladeshi readymade garments market is yet to be explored by the emerging clothing brands in the Central and Eastern European region. Therefore, the business idea here is to initiate a 3rd-party agency to help bridging Central and Eastern European clothing brands with the Bangladeshi manufacturers. The business here will be 100 percent equity-based initiative and require a total of 430,000 euro as the initial investment. According to the business plan, 60 percent of the equity will be possessed by external investors, the rest 40 percent will be under the founders of that agency. This business plan finds that with an initial investment of 430,000 Euro, after five consecutive years of operations, the business would receive a total revenue of 1,105,272 Euro. The expected internal rate of return (IRR) here is 30 percent to 35 percent. This report mainly focuses on introducing eco-friendly and workers friendly low-cost Bangladeshi garments' manufacturers to relevant enterprises especially in Hungary, Denmark, Poland, and Germany. In addition to cost advantage, Bangladeshi garments have gained fame globally for its quality too. In fact, Bangladesh houses the highest 67 green garments factory in the world. According to recent reports, 300 more green garments' factories are in the process to start their operations in the coming years. Therefore, outsourcing garments' products from Bangladesh would open new window of opportunities for both entrepreneurs and consumers in the Central European region.

Acknowledgement

This paper is an exciting learning experience in my graduate academic career in MS Finance Program at the Central European University (CEU). I am grateful to the whole CEU community for giving an amazing opportunity to experience a dynamic academic year in Finance.

I humbly grateful to my supervisor Peter G. Szilagyi and consultant Gabor Baranyai for their timely and much-needed guidance to complete this report. Without their kind supports, this report would yet to be completed.

I am also thankful to Department of Economics and Business for its kind support to arrange necessary finances for my field visits. And specifically, I am specifically thankful to the CEU Foundation for providing me generous travel grant.

My heartwarming thanks to my mentor Selim Miah and friends Cenk Gokce, Nowshad Sohel, Alamgir Hawlader, Nabeel Mohammad and Osama Saddam for being a great support system all through the way.

Finally, my warmest gratitude to those four million female garments workers in Bangladesh for making the industry one of the best in the world.

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List of Abbreviations

Introduction

Business in clothing/garments industry has historically been an attractive opportunity for various reasons including its consistent demand, lower impact by economic business cycle, and so on. With time Bangladesh has been one of the largest exporter readymade garments (RMG) in the world. It has been the 2nd biggest supplier of readymade garments to all over the world (Textile News, Apparel News, RMG News, Fashion Trends, 2019). The reason behind the massive success in the garments industry is driven by the quality of products made in Bangladesh and the cost efficiency. The country has the cheapest but skilled labor (Knack, n.d.) who can produce wide range of clothes depending on the customer needs. As an LDC (Least Developed Country), Bangladesh is privileged by EU EBA, meaning the country gets a duty-free quota, free access to the EU for exports of all products, except arms and ammunition (European Commission Directorate-General for Trade, 2017).

Despite that fact people in the Central & Eastern Europe cannot use Bangladeshi products. Especially small and medium enterprises outsource from nearby European countries or from other big brands. This drive the products price high. These businesses also want to differentiate from giant companies through sourcing from eco-friendly manufacturers who make sure safe work environment for workers. From the supply side, a lot of manufacturers from the country are also looking for expansion of the market in EU. But there is a need to make for a proper and trustworthy connection between the buyer and manufacturer.

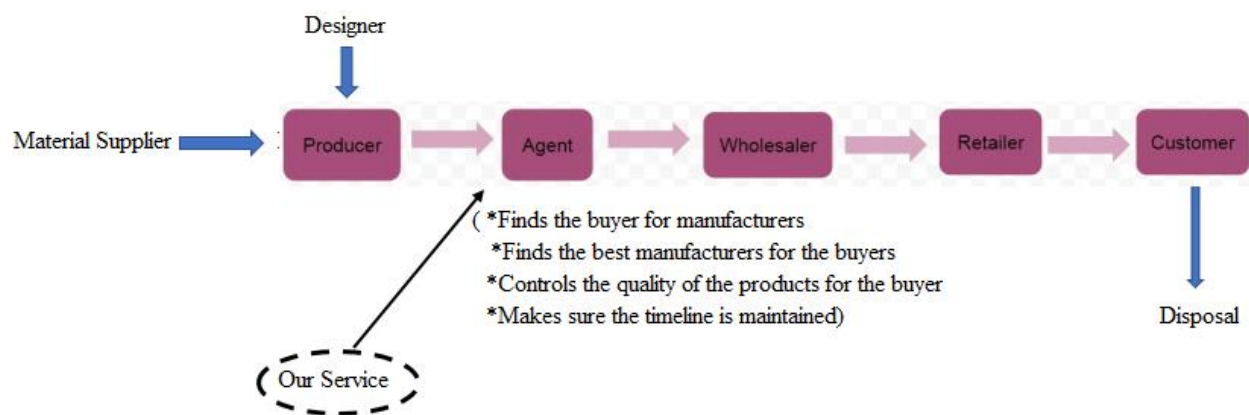
Elegance International kft., name of our company, started thinking about the solution. We wanted to explore a bit more over it. Then we surveyed and talked to the people and European garments buyers. This confirmed us a need for Bangladeshi products here. We started to think about connecting buyers of central Europe and the Manufacturers of Bangladesh. We decided that our

main job will be to establish a proper connection between them, to make sure the quality of products, and importantly to make sure the manufacturers provide safe workplace for workers and they do not harm the environment.

This paper aims to describe the market research we conducted in the last 1 year, success factors for the business, and financial analysis. The nature of this paper will be more like a summary business plan keeping it precise and short (Anon, 2019)

The Service

Before describing our service let's look on general value chain for clothing industry.



As pointed in the chain, our business will fit in between the Manufacturers and the buyers (Wholesalers/Retailers). We will work as an export agent. We have network with a lot of garments manufacturers in Bangladesh have spare capacities in their factories. They need buyers in order to increase their revenues while not increasing fixed costs. We will find buyers for the manufacturers. On the other hand, Buyers need to find a manufacturer who can produce with desired quality. Also, they need to find it in the optimal price. For our potential buyers we will find the best manufacturer who can meet the expectations of the buyers. In searching manufacturers, our key criteria will be:

1. Work environment of the factory
2. Eco-Friendliness
3. Quality of Product
4. Cost efficiency

We will provide ratings for the manufacturers based on the above criteria. And will pick the best rated ones.

The Team

Our founding team is comprised of 2 people who have relevant cultural and work experiences.

Their brief bio is as below

Abu Saieed:

Saieed is a Green Industry expert in UNIDO. He Studied & has been working in Europe for 4 years. This gives him a necessary idea about the European market and the culture. He was born, lived & studied in Bangladesh, 25 years. Therefore, he know how to deal with Bangladeshi people. He finished his MA in Economics at CEU with Scholarship, Studied in Japan, MPP in National Graduate with Monbukagakusho Scholarship. He has been involved in many social organizations where he worked with and led people. Has successful social initiatives

Nazmul Hasan Jabir:

I am Nazmul. Currently I have a clothing business in Bangladesh. My relatives & friends own garments factories. I Studied & have been working in Europe for 2 years. I was born, lived & studied in Bangladesh for 24 years. I worked as a research assistant in CEU Innovations lab where I have observed 17 startups. I was heading social and extracurricular organizations (debate clubs) when I was in university. I have got some success in sales and, I was Founder of 2 organizations.

Currently I am working for Morgan Stanley. I studied MS in Finance at CEU with NASDAQ Scholarship and MIS at Dhaka University Bangladesh.

The Market and the Competitors

The market

Bangladesh is the world's second biggest supplier of the clothing, but surprisingly in central Europe & Denmark their position is between 6-10th. Even after having such big opportunity, there are not many people who are trying to business in this market. This made us more curious to know the reason and the impact of it. We found out that little number of people from Bangladesh are living in these countries (Benjamin Etzold, 2019). Therefore, buyers are not approached in person by the people who are from Bangladesh. Only there are some buying houses, which are in Bangladesh, try to find some buyers over phone call. But phone calls cannot give enough trust to the buyers who want to order a bulk number of products.

The impact comes on price. The prices of the readymade clothes are high in this country. While our market survey says, people want to spend lesser money on their clothing. Some small and medium businesses try to differentiate through sourcing good quality products from manufacturers who are eco-friendly and providing good work environment. This is difficult for them to find a proper manufacturer who meet their requirement and can make products in lower cost. And here comes the applicability of our idea. We will have parts of the team working both in Europe &

Bangladesh. Employees in Europe will meet buyers and get their requirements while employees in Bangladesh will make sure the quality and the execution.

In order to decide our target market, we have divided the customers into two categories. 1. The big companies which are internationally established chain. They have their liaison offices in the countries where they source their products. 2. The medium and small companies which are mostly local and some international. They do not have fixed sources of products. As a result, they source their products with higher prices either from the former category or from a nearby countries where the costs of production are high. Therefore, they need to price high. Higher price throws them out from the competition with the big companies. The latter category is our target. Because we can help them in sourcing the products at the lower cost with the desired quality. This will enable them to serve the people with lower purchasing power. We will have focus in helping those SMEs that want products from manufacturers who provide safe work-places workers. Our plan is to deal with the customers who want to buy sweaters (both Knit and Woven) and pants (Denim). The reasons behind selecting sweater and pants are, our better network with the manufacturers who produce those products and our specific knowledge about those products.

Competitors

Our competitors are the buying houses which are in Bangladesh. Online B2B marketplaces like Alibaba, Go4WorldBusiness, Ebay, Importers.com, BizVibe, EC21, ECPlaza, Fuzing. They are trying to connect the buyers and manufacturers internationally. Buying houses in Bangladesh communicate the buyers through the phone which has less involvement with the buyers. We will meet the potential clients in person in addition to phone calls from Bangladesh. This will increase

our chance of getting buyers. While companies can order online via Alibaba, Ebay and so on, there is no one to check the quality of the products continuously in the factory on behalf of the buyers. And no one is there to check the timeline for meeting deadlines. We will have specialized people in Bangladesh who will be dedicated to supervising the quality continuously and ensure the deadlines. Most importantly those competitors do not care about eco-friendliness and the workplace environment which will be our big value proposition

Marketing and Sales

Marketing plan

We, Elegance international, plan to market our services in various innovative ways including some traditional ways. Some of them are,

Brochures, catalogues

We will distribute soft copy and printed copy of brochures & catalogues to our prospective customers. We will give the brochures mostly in the fairs & exhibitions as a hard copy. When marketing online we will prefer to send our catalogues to let the buyers know about our products and services.

Fairs and Exhibitions

Colleagues of our sales and marketing team will attend different apparel exhibitions which are relevant to our business and brings our target customers in. For instance, CIFF - Copenhagen international fashion fair, Apparel sourcing Paris, Asia Apparel expo, Gallery, Next season.

Direct mail

Colleagues of our sales and marketing team will write emails customized for different prospective clients based on their needs. We can attach our list of products depending on the customers.

Phone call

Our team, mainly from Bangladesh, will try to connect with the customers over phone calls to describe our services which might make them interested in business relationships with us.

Social media networking

Social media can be a great source of marketing. We will boost our company advertisements in Facebook targeting our Customers. Specially we will publish advertisements in the fashion social networks like Pinterest, Fashion tap and so on.

Teaser videos

To show what values we are adding in the chain, we will make short videos and spread them over internet & present them in exhibitions.

Online marketplaces

A close eye on the online marketplaces like Alibaba, Go4WorldBusiness, EBay can give us an edge in marketing. We can understand quickly the demand of the customers and contact them with our tailored offer for them.

Blogging and Vlogging

Nowadays before making any buying decisions people research in internet about the products and the services. There are so many blogs and vlogs are reviewing and talking about services.

Building Relationship

Relationship with people and the companies are one of most effective ways to market products and services. Our employees will specially focus on building long term relationship with clients and prospective clients and let them know about our services.

Personal Card

Distribution of personal cards of the employees can also help us let others know about our services.

Happy Customer

Several surveys on customer satisfaction reveal that a happy customer tells 9-11 people about their good experience. Our strongest focus will be on the satisfaction of the customer. Hence, we expect them to tell others about our services.

Public Relations

We will promote our products through articles, stories and features in magazines maintaining effective relationships with the editors and news directors.

Other Advertisements

Mass people are not our target customer. So, we are not spending money on mass media advertisement. We will advertise our products online via websites which are frequently visited by our target customers.

Sales Plan

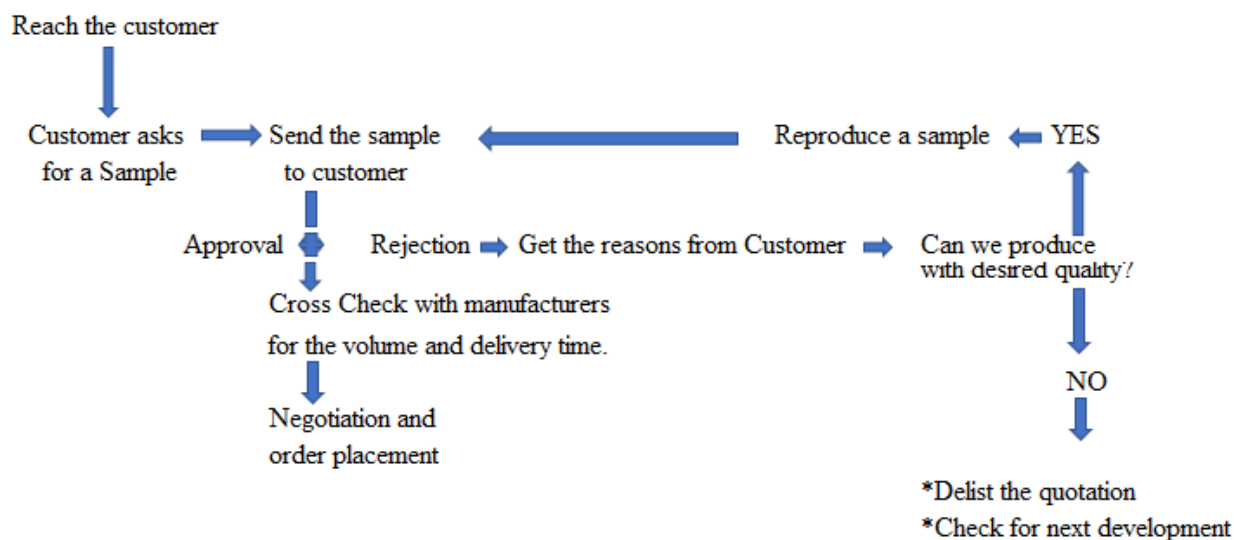
Before trying to sell our services, we will go through the process of knowing customer profile, understanding the customer need. Then we will communicate with potential customers in a way so that they can trust us. Our representatives from Europe can meet the customers in person. Following that we can talk with them about how we can help them in sourcing quality products in their best price. We can send samples of the products based on their demand, and then let them decide. After that we can talk about the ever details of the order and the payment.

We will use social networks such as LinkedIn, Facebook and other online resources to know about the companies, the people who are responsible for sourcing and key decision makers. It will help us to know how to approach those people. We will try to know more information about the companies from websites and other public sources. This way we will understand the need of our prospective clients. Then we can approach the key contact persons of the companies. Our Sales, marketing and Research & development team will work together.

People prefer to do business with those who are like them and have similar mentality and whom they can trust (Burg, 2010). In sales strategy, we are focusing on building trustworthy & long-term relationship with clients. We are employing local people for sales Local people can speak in language and know the culture. It will bring more trust compared to buying houses that are calling to the buyers from Bangladesh.

Once they become interested in doing business with us, we will talk about what products exactly they want. Then we can send them samples. This stage is called “Development”. It goes as follows

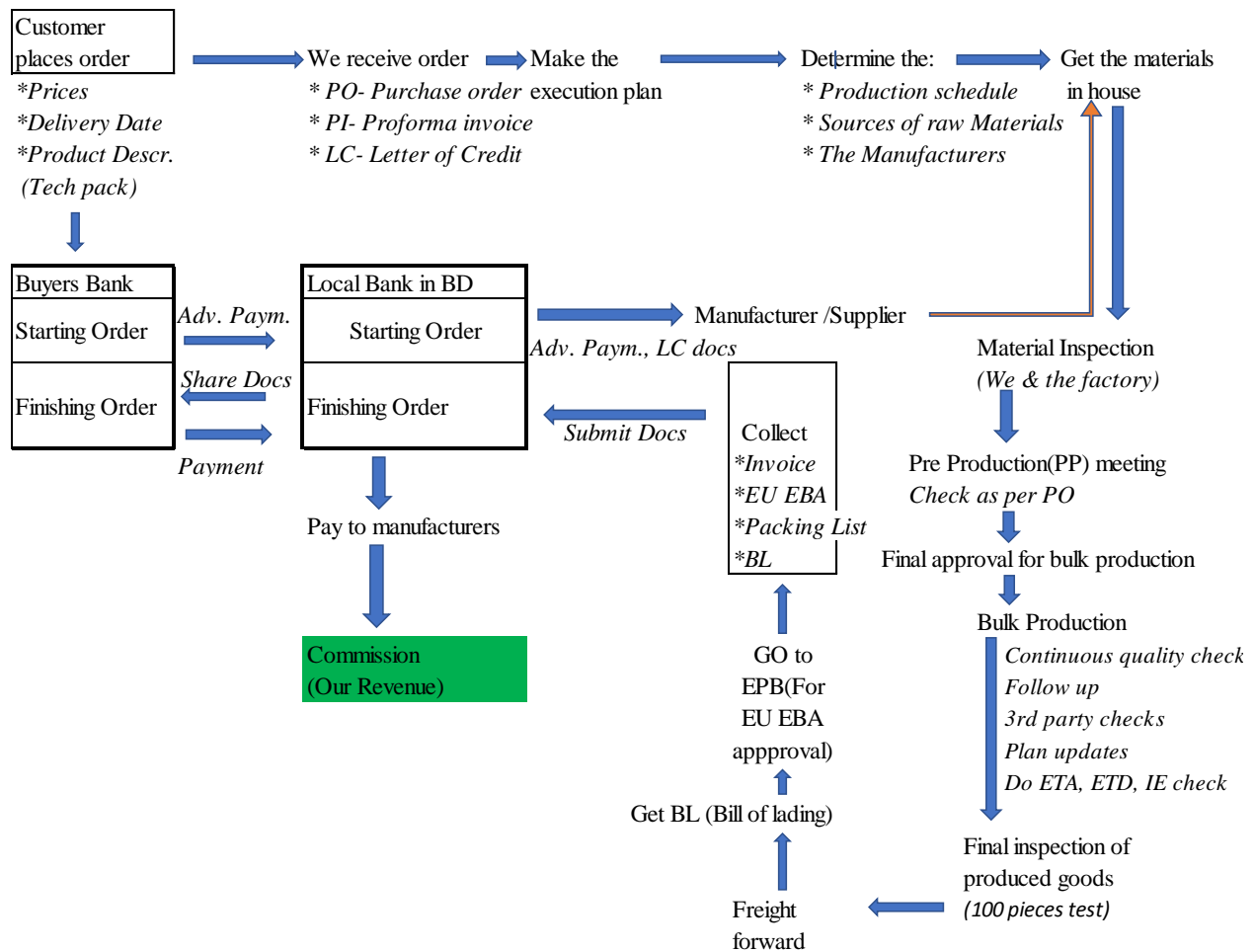
DEVELOPMENT



(Miah, S.2018)

If buyers are happy with the samples, they place order to us then we select suppliers and place the order. The Letter of credit is opened with the manufacturer which includes the commission percentage for our business. Throughout the production, our quality controller will continuously check the quality of the products and can stop the production anytime if the products are not meeting expectations. Once the production is completed, we do the final inspection. Then we do freight forward. After that the necessary documents of shipment are submitted in the EBP (Export promotion bureau of Bangladesh) to claim for EU EBA. All the necessary documents are submitted to the local bank that issues LC for manufacturer in Bangladesh. Local bank sends the documents to buyer's bank. Buyer's bank sends payment to the local bank in Bangladesh. Bank pays to manufacturer and manufacturer pays commission to us.

The process can be better described in a flow diagram as below



(Miah, S.2018)

The flow inside the factory goes as depicted here.

Financial information

To do the business we will need an initial investment of Euro 430,000. We are ready to give 60% of the.

Our financial analysis says the revenue after 5 years of operation will be 1,105,272 . The expected IRR will be 30% to 35%

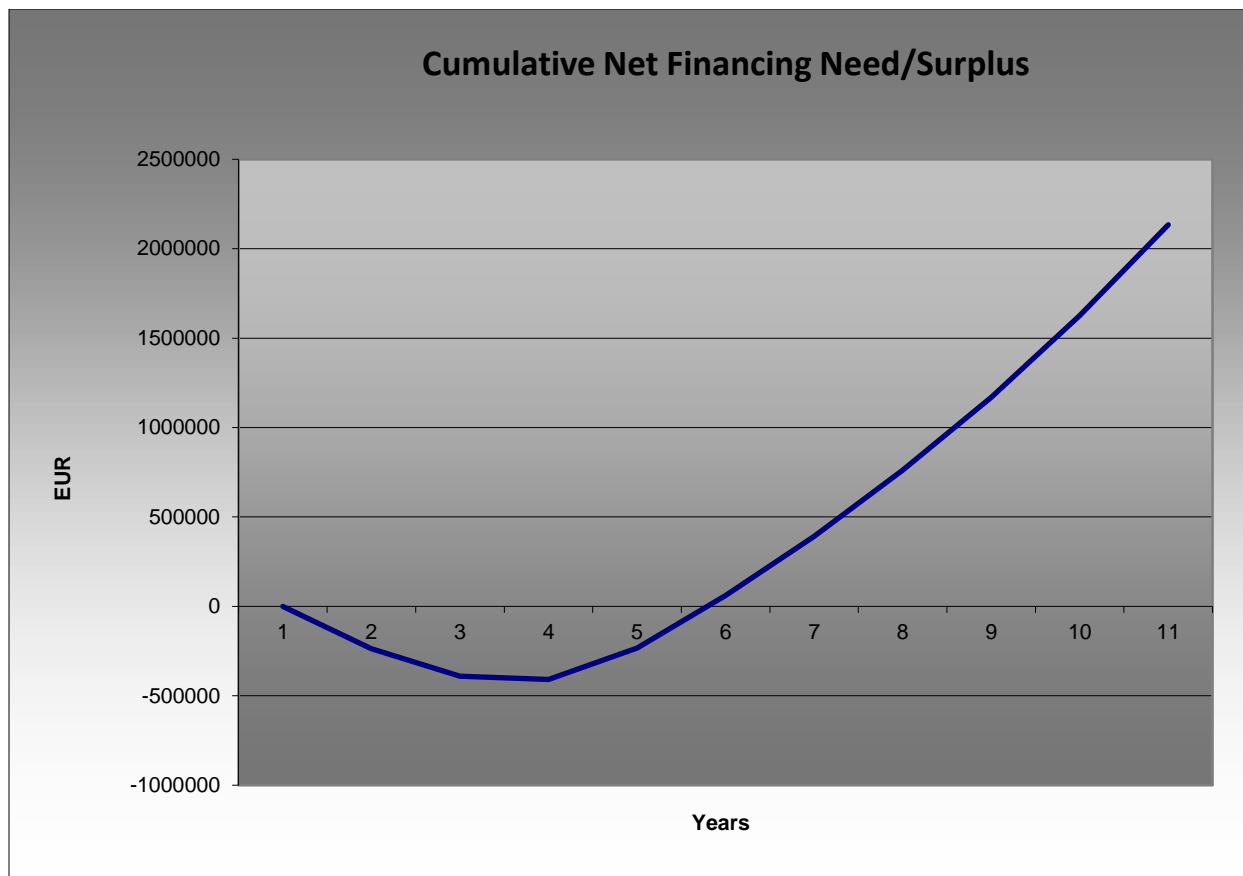


Figure: J-Curve

Based on the cumulative net financing need/surplus analysis, in first 3 years we have to spend cash on operating loss. From 4th year we expect positive cash flows

According to our sources and usage table, biggest part of our cost will go for net operating loss in sales & marketing. As we want to employ best people from the market and they would be the key factors for our success, we will pay them higher than the average market rate.

Uses & Sources Table		
	3	years
EUR Yr.3	Uses	Sources
CAPEX	17,099.44	
Operating Loss	325,488.60	
Working Capital	66,104.90	
Equity		430,000
LTD		-
STD		66,105
B/S cash		- 87,412
Total	408,693	408,693

Revenues

We will take less commission than the average of market. Revenue is connected with the number of sales and marketing people employed and the percentage of their potentials used. In the beginning, we do not expect their full potential outcome. They will be able to increase their sales with time and experiences. Hence, we will have economies of scale, getting more clients and bigger sales size, earning more money with passage of time.

Conclusion

Given that Bangladesh has cost advantage with quality products, and EU, EBA privilege it is a great opportunity for manufacturers to export products to Europe. Small and medium businesses of Hungary, Poland, Denmark and Germany want to source from a manufacturer who can provide products in lower cost while not compromising with the basic rights of the workers and not harming the environment. This requires a connection between them. Here comes the business opportunity through connecting this 2 parties. The team Elegance intl. kft has enough experience

both in Europe and Bangladesh. Therefore, it is possible for them to run the business which will bring IRR of 30 to 35% for the investment of 430,000 euro.

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