

# Assessing the Impact of Establishing A Virtual Marketplace for Bangladeshi Apparels

A Roadmap to Identify Value Generation Stream for Bangladeshi Apparels

15 Nov 2022

# The Context: Greater Volume of Bangladeshi Apparels, Not Greater Value

With LDC on horizon, the Apparel Sector needs to identify avenues of greater value generation across the ecosystem



## Current Performance of the Apparel Sector



### Exports to United States

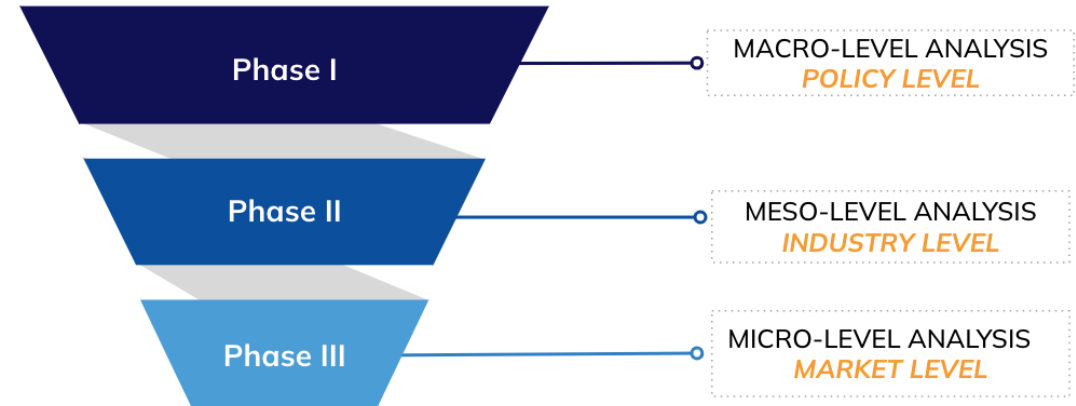
		Value in Billion USD	Volume in Billion Square Meters	Price per Square Meter
Bangladesh	In 2021	7.4	3.1	\$ 0.42
	In 2020	5.4	2.2	\$ 0.41
China	In 2021	31.6	39.1	\$ 1.24
	In 2020	25.3	31.5	\$ 1.25
Mexico	In 2021	4.3	3.3	\$ 0.75
	In 2020	3.4	2.5	\$ 0.74
Turkey	In 2021	2.8	3.1	\$ 1.11
	In 2020	2.0	1.2	\$ 0.60
Vietnam	In 2021	15.4	6.4	\$ 0.41
	In 2020	13.4	5.1	\$ 0.38

# Our Approach

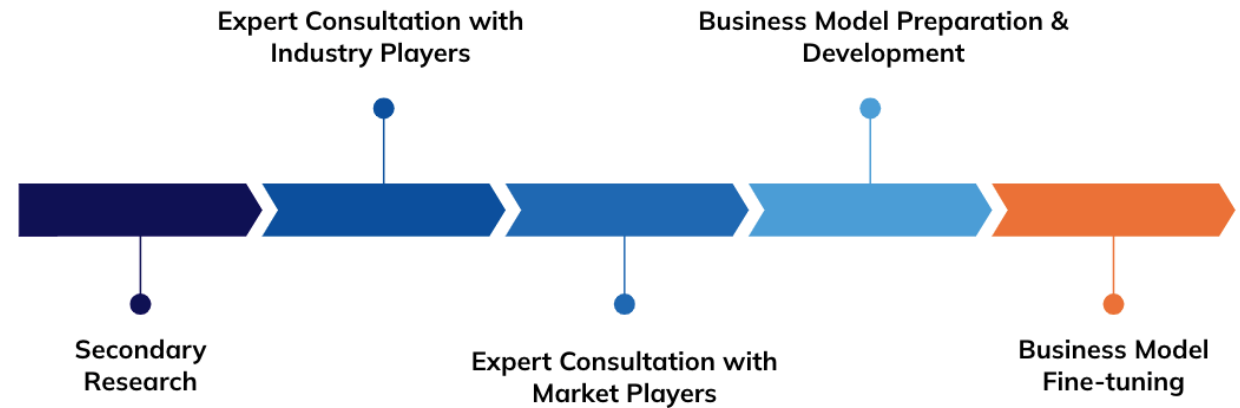
## Assessing the impact of establishing a virtual marketplace for Bangladeshi Apparel Producers

This study aims to answer four main foundational questions when contemplating the establishment of a virtual marketplace for the RMG & Apparels sector:

- Is establishing a virtual marketplace for this sector in Bangladesh feasible?
- Is the industry ready for this innovative shock? If yes, how would it be met?
- What could be the major factors to consider from local and foreign entities (public, private, etc.) when establishing this platform?
- Is there a market potential for this to survive and ultimately thrive?

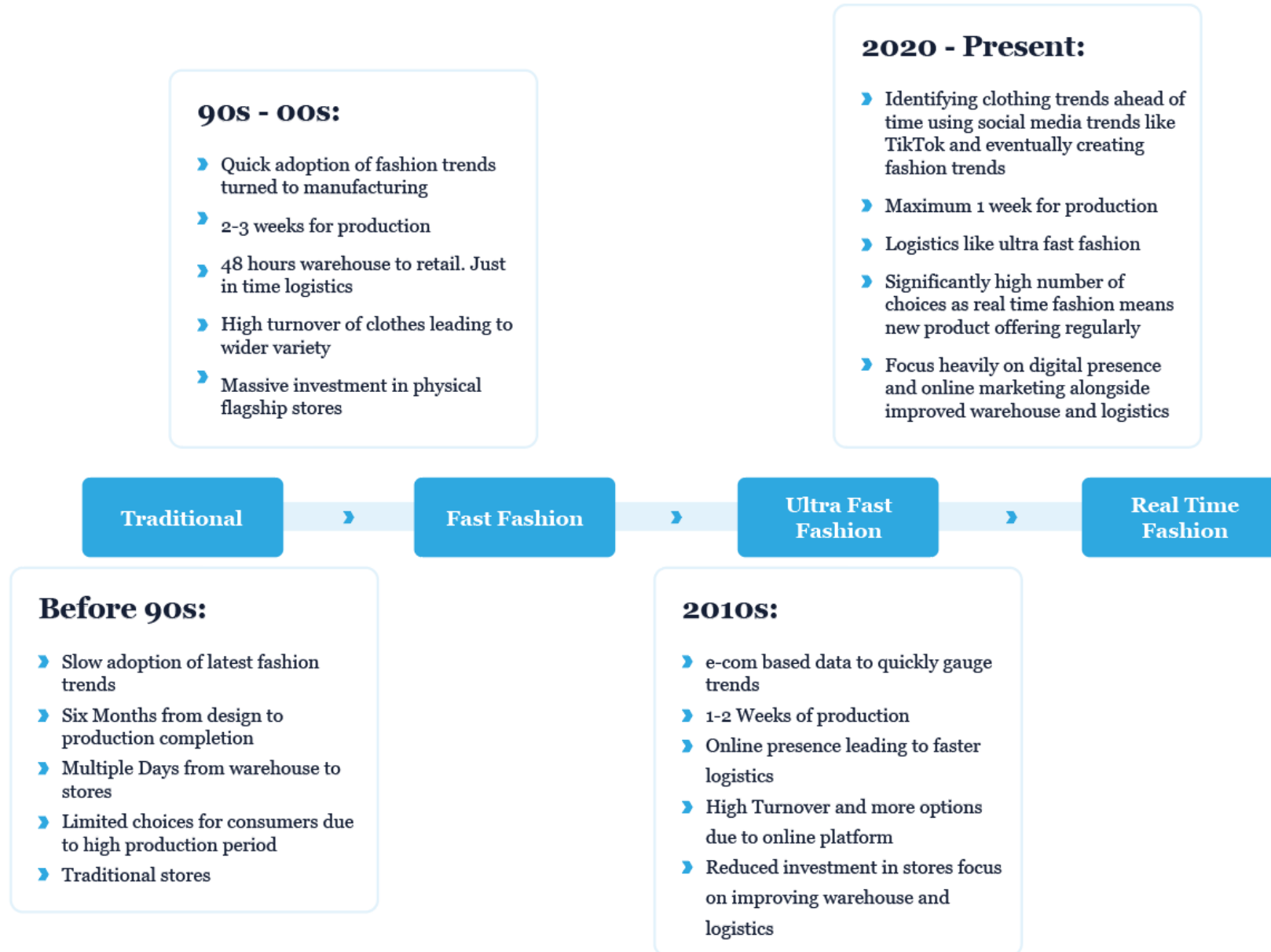


### Key Stakeholder Reach Outs



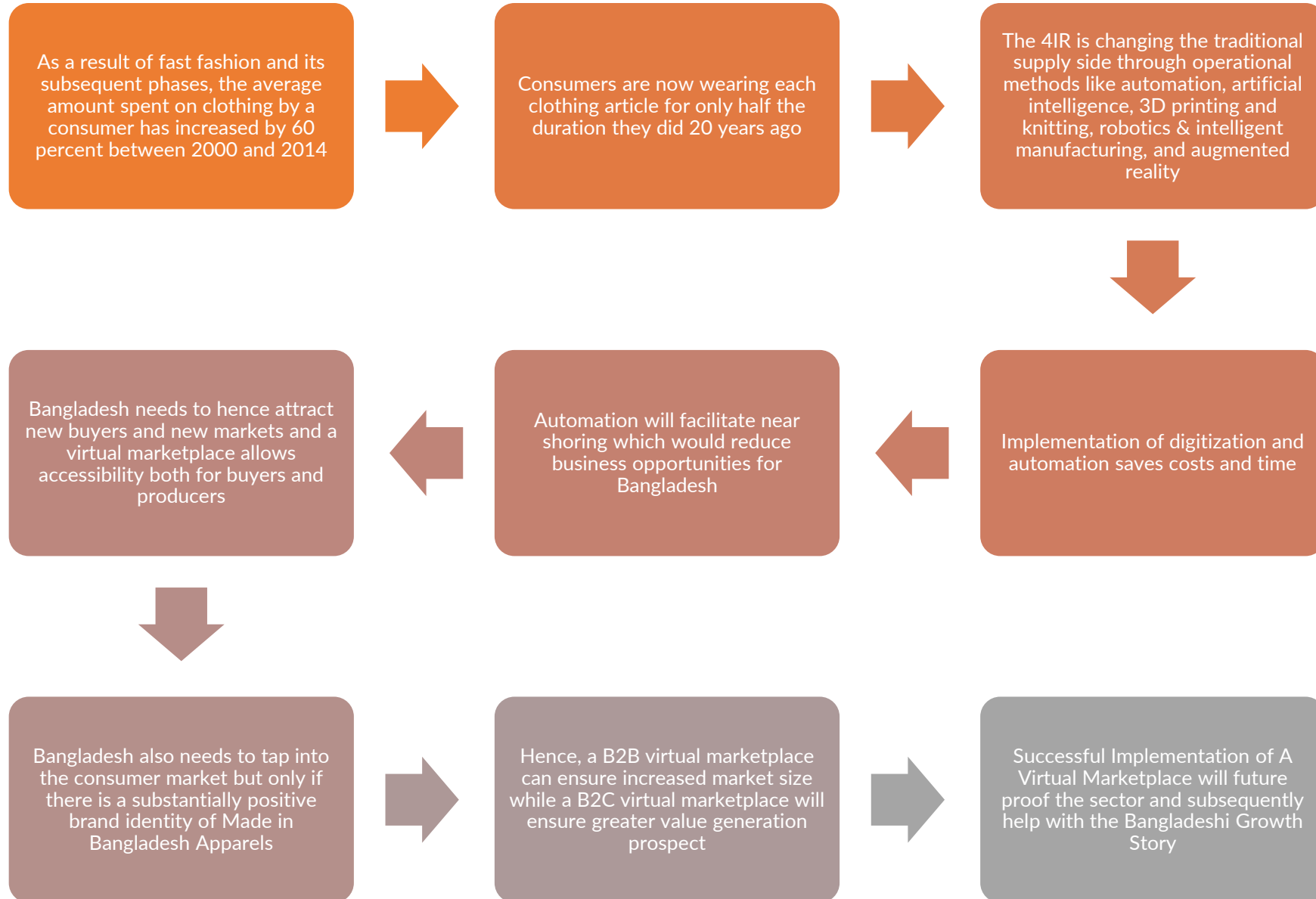
# Understanding the Need For A Virtual Market Place

## Global Transitioning from Traditional to Real-Time Retail Fashion through Technological Adoption



# Understanding the Need For A Virtual Market Place

## Impact of Real Time Retail Fashion on Bangladeshi Apparel Sector



# Why set up a B2B marketplace?

## Allowing the Bangladeshi Apparel Sector to Attract New Buyers and Markets at Low Cost

### Incentive for Buyers

- ✎ Many options on the same platform to choose producers from, allowing for better decision making
- ✎ Consultation, Online Designing Templates as tools to facilitate lead generation
- ✎ Detailed and accurate information on sellers
- ✎ Singular dashboard to manage and compare supplier communication for each service request
- ✎ List of Suppliers classified according to: Certifications, Orders Completed, Specializations, Regions Supplied to and more

### Incentive for Producers

- ✎ Business development through virtual channel
- ✎ Introduction or expansion into new markets
- ✎ Better resource management through selling off unutilized capacity
- ✎ Performance analytics reports for better feedback
- ✎ Access to international apparel expos for in-person networking and promotion within the industry
- ✎ Geo-restricted Competition

### Key Success Factors: B2B



Theory of Change for Establishing a B2B virtual marketplace			
Input	Output	Outcome	Impact
Establish a virtual marketplace catering to mid-small sized buyers in new markets	Increased volume of orders for the Bangladeshi Apparel Sector	Diversification of revenue streams and penetration into new markets to ensure greater economic sustenance of the apparel sector	<ul style="list-style-type: none"> <li>• Global dominance of Bangladeshi Apparel</li> <li>• Greater employment prospects within the Bangladeshi Apparel Sector</li> <li>• Pole position in the global apparel production</li> </ul>

# Pros and Cons of Setting Up A Virtual B2B Marketplace

## + Positives

- Expansion to new markets and new buyer segments
- Diversification based on current expertise
- Establishing the Made in Bangladesh Brand among global buyers
- Opportunity to provide greater value to buyers through virtual consultation for concept finalization
- Design prototypes can be established using virtual tools to generate greater value for buyers
- Inclusive platform that will facilitate growth of small and medium producers on a global scale

## - Negatives

- Difficult to onboard big buyers due to streamlined sourcing practices in place of the former
- Sector expertise on Technological adoption is still at a nascent stage
- Premium subscription for membership can be a hindrance
- Platform will only be successful if significant orders are generated
- Promoting the platform itself among new markets would be a challenge

# Why set up a B2C marketplace?

Allowing the Bangladeshi Apparel Sector to Expand to Greater Value Generation by Directly Connecting to Consumers

## Key Success Factors: B2C



**Platform's Expertise in Data Analytics**



**Established Retail Brands of Domestic Producers**



**Implementation of cross-border B2C e-commerce policies**

### Theory of Change for Establishing a B2C virtual marketplace

Input	Output	Outcome	Impact
Establish a virtual marketplace for consumers	Increased margin per unit of apparel sold	Diversification of revenue streams and enabling greater margin due to direct sale to consumers	<ul style="list-style-type: none"> <li>• Extending Bangladeshi apparels presence from backward to forward linkage</li> <li>• Improved brand identity of Made in Bangladesh Apparels</li> <li>• Increased employment prospects within the sector</li> <li>• Transition from low value to high value segments upon direct interaction with consumers</li> </ul>

### Incentive for Customers

- Through the platform, the customers will be able to access products online with quicker delivery time.
- The customers can access authentic artisan apparel products along with trendy high quality products of Bangladesh at an affordable pricing
- The customers can access a wide variety of products from multiple registered brands under one platform
- The platform would provide safe and secure payment option to buyers with a transparent product tracking service
- The platform would provide a convenient returned policy for customers

### Incentive for Producers

- Through the platform, the producers will be directly connected to the global forward market
- The apparel manufacturers of Bangladesh will be able to set up their own retail brands with global presence through the platform
- The producers will be able to showcase their products to newer markets acquiring new customer base over Asian, Middle Eastern Countries
- The platform would support Bangladeshi apparel brands to establish their profile through the platform's data analytical support feature
- The platform would support the producers through its strong logistical support facilitating safe and quick product delivery



# Pros and Cons of Setting Up A B2C Marketplace

Allowing the Bangladeshi Apparel Sector to Expand to Greater Value Generation by Directly Connecting to Consumers

## + Positives

- Direct connection with end consumers
- Global marketplace accessibility
- Establishing the Made in Bangladesh Brand and promoting Bangladeshi apparel
- Greater margin for each unit of apparel sold
- Diversification of apparel export revenue streams

## - Negatives

- The made in Bangladesh brand image is not lucrative among consumers yet
- Success in B2C platforms is dependent on significant expertise in analytics and online marketing
- Scalability is questionable due to minimum EOQ requirement for production
- International e-commerce policies for Bangladesh does not facilitate export sales
- EXP fulfillment by NBR makes international B2C transactions administratively challenging

# Necessary Policy Support to Ensure Effective Establishment of A B2B Virtual Marketplace

**Data Protection:** Regulatory bodies strictly monitor and guide traditional B2B apparel export transactions. However, moving from a traditional mechanism to a virtual marketplace requires policy interventions to facilitate secured transactions and protect user data.

**Unfair Price Competition:** To prevent unfair price competition among the manufacturers, necessary regulation needs to be in place to place a cap on the pricing and size of orders (Economic order quantity) for manufacturers within a specified period.

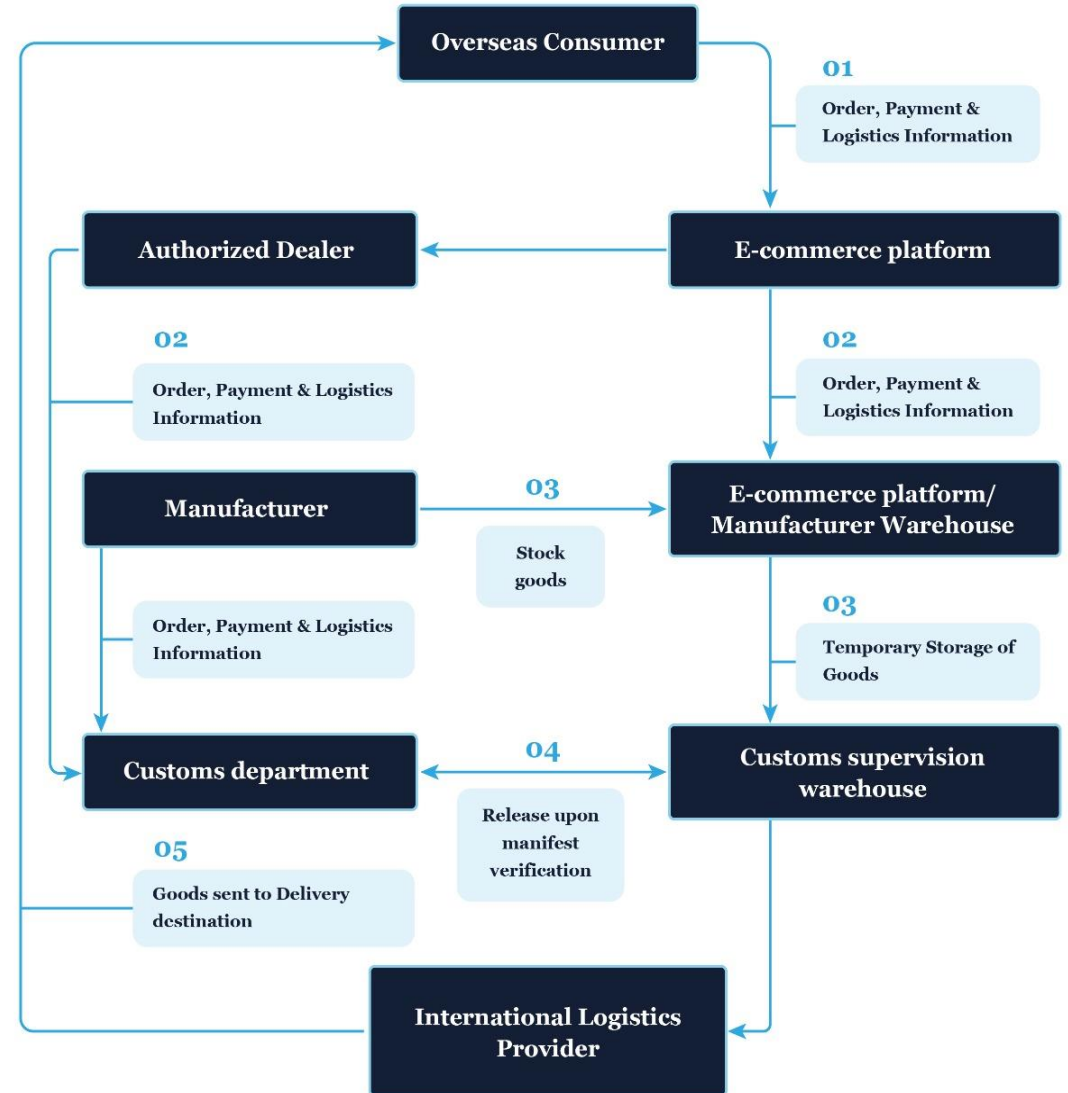
**EXP Registration Process:** Introducing an alternative export tracking method or digitizing the current process with simpler steps would benefit the B2C platform to make small quantity exports and facilitate existing and potential future players to export into the global market through B2C export.

### Return Policy

For a sustainable and standard B2C marketplace establishment, policy intervention is required to facilitate a return policy for the products exported from Bangladesh under a B2C mechanism.

**International Payment Facilitation:** Policy interventions facilitating the introduction of globally used payment gateways and digital wallets are required to make the B2C platforms more user-friendly.

**B2C Export Incentives:** Similar to China’s pilot cities to facilitate B2C exports, regulatory bodies in Bangladesh should consider establishing special zones facilitating manufacturers making B2C export products. This will provide small and medium players with a cost-competitiveness to survive in the global B2C apparel and fashion export market.



# Way Forward: Both B2B and B2C Can Co-Exist Albeit Through Significant Groundwork

## Short Term (3-5 years)

### Activities

- 1 Develop a B2B Virtual Marketplace in Accordance with the Vision 2030
- 2 Focus on Horizontal Sector Diversification to Improve Productivity and Efficiency
- 3 Lay the Groundwork for Developing Made in Bangladesh Brand
- 4 Develop additional Avenues of Value Generation for Buyer Groups through Assistance with Product Development



### Outputs

Expansion of the existing operational modality into newer markets through horizontal diversification

- Focus on Global Dominance in the Short Term through B2B Expansion and Value Chain Diversification

# Way Forward: Both B2B and B2C Can Co-Exist Albeit Through Significant Ground Work

## Medium Term (6-8 years)

### Activities

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- 1** Promote Made in Bangladesh Brand globally through Virtual Platforms, Buyers & Offline Expos
- 2** Ensure Sector Preparedness for the E-Commerce sub-sector through robust Policy Interventions & Operational Improvements
- 3** Focus on Value Generation for Buyers through Added Services to Gain Additional Margins

### Outputs

Expansion of the Made in Bangladesh brand among the global audience

- Focus on Made in Bangladesh Branding in the Mid Term through Digital Expansion

## Long Term (Beyond 10 years)

### Activities

- 1 Develop the Virtual B2C Marketplace to penetrate the Forward Market & Reach Consumers Directly
- 2 Build on the Made in Bangladesh branding to help Bangladeshi Producers establish themselves as Retailers
- 3 Ensure Sustainability of the Sector through Success in both B2B & B2C Spheres



### Outputs

Bangladeshi producers establish themselves as retailers in the global forward market

- Focus on B2C Expansion in the Long Term through Introduction of B2C Platforms

# Thank You!

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