

How Can fakir
apparels ltd attain
their lost market
leadership?



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Research Question: How can Fakir Apparels LTD (fakirapparels. com) attain their lost marketleadership?

This topic seems to be of great interest as FA. LTD has faced an intense competition in Bangladesh and therefore has decided to expand on the denim internal market. This project is expected to be successful and therefore provide the company with a greater market share in the apparel sector. Moreover, it would offer the Chief Committee of the company the possibility to find out whether this sort of internal expansion would improve the product range entailed to diversify with a denim division to sustain its competitive edge.

Theoretical Framework: FA LTD seems to exceed its normal expansion rate, as the number of apparel production units in Bangladesh are rapidly increasing, consequently leaving FA LTD with very little choice.

In order to diversify its activity and to activate on the internal market as well, the company has decided to act in the denim division sector. In this framework, this project aims to present through a strategic analysis and a general discussion about the products and markets associated, the stages the company has to fulfill to attain its purpose.

Summary: The research plan would be quite simple: at the beginning I would present a brief review of the framework the company finds itself in, the methodology used and the difficulties encountered; afterwards I would talk about the exact position of the company on the market, the method I used to gather the necessary data in order to develop this analysis and the results I

have obtained, mainly Fa LTD's defaults and qualities and its competitors' market position.

The former result would be put into evidence with the help of the SWOT Analysis, of the Internal and External Evaluation Matrices and with the help of the Ansoff Matrix, through which help there would be presented the best strategies for product development, market penetration and market extension. The last part of the paper would contain some recommendations made on the basis of the analysis developed and the conclusion, which would summarize the general situation of Fa LTD company.

Methodology: The first step I would follow to complete my research would consist in visiting the Financial Advisor and the General Manager at F. A. LTD in order to obtain the appropriate information. This would be provided by the company's past annual reports and afterwards I would assess the present situation of the company by looking at the market structure, product range, the competition that FA Ltd faces and the market share.

The next stage I would perform would be a SWOT analysis which would focus on the opportunities that this would bring for FA LTD, which I would put into evidence in the end with the use of an Ansoff Matrix. This will point out the different marketing options when considering new opportunities for sales growth.

Difficulties Faced: The course of the analysis proved easy to be followed, with the exception of a slight problem I encountered in obtaining the market share that FA Ltd holds in Bangladesh.

Introduction FA Ltd has started its activity in the apparel sector in 1998[1]. They entered the global market with extensive and tactical preparation with included a strong manufacturing base - modern machinery and appropriate equipment to meet high quality standards -, latest technology and proper discipline. They benefit of skillful workmanship, significant marketing methods and consistent compliance.[2].

The company has also acquired an international status by producing clothes for a great number of buyers, most of them being located in the USA and in Europe. FA Ltd has achieved this success due to its ultimate technology and to its cooperation with foreign designers, having a tendency to expand in whatever ways possible while contributing to development in the apparel sector. This company has gained an exceptional reputation among its buyers for its correctness and excellent product quality which is maintained with ISO standards[3].

Situation FA was dominating the garment market by only producing T-shirts; gradually, over the years the company has lost its market leadership in the apparel segment as the competitors have expanded into a wider range of products such as producing jackets, trousers and denim products. In order to retain the market leadership FA Ltd has to expand by launching a new product range and, in order to fulfill their clients' expectances, the company's specialists have thought to come up with some original items in denim division, but there was already a pre-dominant competition in the market which had earned consumer loyalty.

Method

The primary data needed for the study has been collected through a discussion with the company's sub merchandiser of FA Ltd which presented the theoretical and the qualitative aspects of the issue. The information about the market behavior and the company's position in the market had been collected from the commerce registers, and has also been inferred from the public declared purpose of the private organization[4]. On the other hand, further data about future projects has been obtained through a direct discussion with the CEO of the company[5].

The secondary data was collected through the company's past financial records. Strategic analysis has been used to help the company decide on strategies to become the market leader again. SWOT analysis has been used in order to offer the company the possibility to analyze its current position in the market place against its competitors. This identified the main internal and external factors that would influence the company's decision. Ansoff matrix[6] depicts the various options open to the company and the strategy they should use to become the market leader.

Results: FA Ltd was leading the market for t-shirt production until 2004. Their turnover would tip \$ 40 million which is 9% in Bangladesh of the total market when the competitors Beximco and Knit Concern holding 7 and 5% respectively decided to launch a new product range which expanded their market size gradually taking over the market in Bangladesh. Therefore, FA Ltd is studying the market to analyze whether opening its own Denim division would help regain their market leadership.

FA Ltd Beximco Knit

product product concern

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FA Ltd market position

- FA Ltd has limited export location, they only export to European and Asian countries;
- Even though 8 years already have passed since its appearance on the market, FA Ltd still has weak distribution channels;
- FA Ltd runs social benefit agencies which has helped it to build a strong reputation;

Competitor's market position

- They have appeared on the market long time ago and this has brought them a good reputation and the loyalty of their customers;
- Big companies, such as Beximco, have their own ships, so they can trade their products in a broader sector, anytime they want;
- As competitors are older than Fa Ltd with at least 10 years, they have a stronger and a more trustful distribution channel;
- Competitors export to all continents. They have very few trade barriers;
- Beximco also owns local Brands like Ecstasy, Westecs and REX, and collaborates with some other local brands. Therefore, they are not completely reliable on export.

Swot analysis Since this type of analysis “ usually offers the best result of a strategic planning and represents one of the best management model which uses quadrants”[10], I have decided to put together the strengths, weaknesses, opportunities and threats that FA Ltd might encounter during its approach to extend on the national denim market. Moreover, the strengths and the weaknesses compose the Internal Factor Evaluation Matrix, while as the opportunities and threats are the two parts of the External Factor Evaluation Matrix.[11]As it might be inferred from behind, the number of strengths and opportunities is greater than that of weaknesses and threats:

Strengths :

- FA Ltd is equipped with modern sophisticated machinery which is still not yet used by any other company in Bangladesh;
- The company is located in an industrial belt, a situation which has provided it enough workforce;
- The company works according to the international help, due to the high qualified fashion designers from Europe it cooperates with;
- Heavy duty machinery allows to carry out production for 24 hours 7 days a week, so that big orders can be shipped on time;
- It offers high quality fabrication due to strict quality control
- It uses good quality raw materials;
- It deals with famous European brands. e. g. HnM, Tom Tailor, S Oliver;
- FA Ltd is provided with an Independent Research and Development department

- It's Skilled merchandising team has always convinced buyers to place large orders, due to their capacity to explain the company's great abilities

Weaknesses :

- The company is located in Dhaka 270 km away from the major shipping port in Chittagong, and this usually delays shipment and increases export cost;
- Low education and skill level of the workers;
- Increased workers' migration which leaves the company in a great lack of personnel;
- The specialists could not use the integrated software according to all the requirements of the company;

The Internal Factor Evaluation Matrix:

Strengths 9

Weaknesses 5

Opportunities

- The option of further expanding their product range into different divisions; moreover, FA Ltd has no financial problems;[12]
- FAL also has various options wherein they can install new machinery to cope with future consumers' demands;
- Communication tools are being developed in Bangladesh;
- Backward linkage (connection with the government which enables the salvation of the political affairs);

- The ability to perform horizontal integration (taking over smaller garment producing factories) in order to achieve a greater market share.

Threats

- The investment attempt in the textile sector in India, Cambodia, Vietnam would increase from 2008, which would eventually require an upgrading of the wages level by the Bangladesh government;
- There is an unstable worker union in the Ready Made Garments sector. Union runs strikes for insignificant reasons, leaving factories closed for several days;
- Power sector is not very developed in Bangladesh. Weak law enforcement allows trade unions to vandalize companies' properties, determining them to close their gates for days.
- Political unrest in the country - conflicts, strikes, etc -[13].

The External Factor Evaluation Matrix:

Opportunities 5

Threats 4

Ansoff's Matrix In order to analyze whether the denim project would help, FA Ltd has to regain their market leadership. An Ansoff matrix has been adopted to look into the probable opportunities.

Product Development: Out of the four possible strategies on the Ansoff matrix, this is the second least risky. This will help FA Ltd sell their new denim product into an existing market. This will enable FA Ltd to enter a new

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market boarding a new strategy with the development of a new product. The denim product will be completed to a final stage thus making it able to be exported as well..

Market Penetration: In order for FAL to penetrate the market, their product cost should be reduced, since they retain an annual profit which is much higher than that of their local competitors; the company may benefit in lower percentage of reduction in their pricing methods. This may appeal to the attention of new consumers, as the present pricing method that is utilized by FAL is relatively equal to that of its competitors. This has a significant advantage as it is a low risk option that FAL could look into.

Market Extension: In order to widen its geographic footprint, FA Ltd should introduce leaflets and brochures in commercially orientated areas such as business parks, lounges and business fairs. Moreover, they should develop an advertising campaign in the written press as well.

Recommendations: In addition to the above-mentioned measures that could be taken in order for FA Ltd to regain its position on the market, there are also other improvements that might be put into practice:

- Instead of trying to compete with the other companies by putting the accent on the same products' line. FA Ltd could instead agree with its designers to create a totally new and original denim clothes line. In this way the already-existing clients would be kept into a loyalty relationship with the brand, since they would not get bored of the same clothes type and new clients, which would be attracted by the new models, would be gained;

- Even though the profit might decrease at the very beginning, the company should cut the prices of its products but try in the same time to offer the same degree of quality;
- As it can be inferred from above, FA Ltd should invest more in advertising campaigns which would promote its new products; for example, some presentation of the clothes during some fashion events in cities such as Milano or New York would certainly increase the popularity of the brand;
- Moreover, the company should start producing items from other materials as well. It is already known in the fashion industry that materials such as leather or silk would never die;
- Since FA Ltd produces many items for Europe and US, the company could reduce its costs by opening some branches in the countries where it exports; moreover, it would not be affected anymore in such a great measure by the political instability in Bangladesh; on the other hand, it might help the country's economy by using workforce originating from its home-country.

Conclusions: All in all, it seems that FA Ltd still has an important say in the clothes domain. Moreover, with the help of a few strategies -reducing prices, seeking for originality, investments in advertising- the company would easily be able to regain its position on the national market and, in the same time, to defeat its competitors on the international plan

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