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Safety concerns aside, low-cost Bangladesh will continue to pull buyers

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Posted: November 29, 2012

Lured by low labor costs, more international buyers are turning to Bangladesh to source labor-intensive products as worker salaries in China continue to rise. But the recent fire in a garment factory has raised questions over the readiness of the country as a viable alternative to China.

Industry experts hope the tragic incident will be a wake-up call for politicians, importers and manufacturers to implement stricter safety standards. This is the most deadly factory fire in the history of the apparel industry in Bangladesh.

Chris Devonshire-Ellis, Principal at Dezan Shira & Associates said, "The government needs to assess whether the minimum standards of health and safety issues in such factories across the board requires upgrading."

He further added that compliance checks and penalties for substandard factories are a must, including the right to close them down unless the owners do not abide by the relevant laws.

This is also a reminder to buyers sourcing in Asia that due diligence and monitoring are a key part of the sourcing process, said Mike Bellamy, founder of [PassageMaker Sourcing Solutions](#).

Safety is not a high priority for many of the 4,000-odd garment manufacturers in the country, especially as there is pressure from their customers to keep costs down.

But that might be changing.

Ravi Arakoni, Manager of the Garments Division at Atlas Global Hong Kong Ltd, who travels to Bangladesh often to inspect factories, says nowadays companies there are more willing to upgrade and improve their facilities.

"There are new factories coming up in the suburbs of Dhaka, the capital of Bangladesh, that are noticeably different from the older factories housed in run-down buildings downtown," he said. He has also seen worker productivity improve since he started sourcing in the country three years ago.

Atlas Global is a Hong Kong-based buying house sourcing garments, toys, electronics and other products for retailers in South America.

Not the next China, but a key sourcing center

Bangladesh is an important emerging production base, especially for low-value basic garments and textiles. The country has a long way to go in terms of infrastructure improvement and safety regulations, but it is one of the few alternatives buyers have as production costs in China continue to rise.

Bellamy notes that even though Bangladesh cannot be the next China in terms of production standards, overall cost, product availability and quality, it is a serious option for lower quality, simple cut-and-sew products.

Dr. Neale O'Connor, creator of the '[China Supplier 1000](#)' project points out that the sourcing industry depends heavily on scale support in the form of logistics and related services which are needed to support the large scale alternatives to China.

"China is a volume business and has the advantage of a more modern logistics support to keep production located there even though costs have risen," he said.

Nonetheless, lower labor costs in Bangladesh are a big attraction for buyers.

Garments made there are cheaper by 20 to 30 percent than those produced in China. While labor expenses now comprise 40 percent of the production cost of a garment made in China, the same is 20 percent in Bangladesh.

According to the China National Textile and Apparel Council, the salary of a garment factory worker in China ranges from \$298 to \$476 per month, much higher than Bangladesh's average of \$126.

Garment industry analyst, Wang Qian Jin believes it is inevitable that some of China's production will transfer to lower-cost hubs such as Bangladesh. China suppliers cannot continue to rely on low value, high volume production, he said.

Ravi from Atlas Global concurs, "Today Bangladesh supplies basic jeans, but for fashion jeans buyers still go to China as not many Bangladesh factories have the facilities for



Garment factories in Bangladesh are more willing to improve and upgrade their facilities. Photo courtesy: Ravi Arakon



New garment factories like this one can be seen in the suburbs of Dhaka. Photo courtesy: Ravi Arakon

washes and finishes."

"China makers are now emphasizing mid to high-end garments, noted Zhu, General Manager of China garment supplier Jiaying Mengdi Import & Export Co. Ltd. Almost 80 percent of the company's output is now comprised of smaller quantities of complex designs.

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