**The Case**

 **Jute Industry in Bangladesh: Revival of the Golden Days of Golden Fiber**

**The Situation**

To achieve and maintain a GDP (gross domestic product) growth rate of 8% or more and accelerate its middle-income countries' status, Bangladesh needs to diversify its economic drivers besides the ready-made garment (RMG) sector. According to many industry experts, the jute industry can be that economic driver for Bangladesh. Jute, also known as "Sonali Ansh (golden fiber), contributed to 68% of the country's total foreign exchange in 1980-81. However, that contribution significantly dropped to around 6% within a decade (1990-91) (Islam, 2013). The main reasons behind such a drop in revenue earning were the availability of cheap artificial synthetic fiber and plastic materials which were good-looking and washable. Also, our jute processing companies could not offer diversified and attractive products and failed to attract local and international markets due to a lack of an appropriate marketing plan.

Sustainable Development Goal 12 (Responsible Consumption and Production) and 13(Climate Action) initiated by the United Nations (in 2012) has made most of the countries in the world put added emphasis on formulating environment-friendly strategies. Climate change opened significant opportunities for environment-friendly jute and jute-made products in the international market. Moreover, a report claimed that Nepal and Myanmar governments are thinking of disinvestment in the public sector jute mills, which can be a favorable policy for Bangladesh for jute market expansion internationally (IJSG, 2015). Also, the Government of Bangladesh has implemented the Mandatory Jute Packaging Act 2010 (enforced in 2014), which has created a significant market for jute products locally.

Considering the opportunities stated above, it was found that export volumes of jute and jute-made goods were $757 million and $561 million in 2014-15 and 2015-16, respectively. In 2018, the export earnings from jute and jute goods climbed to $1.02 billion. However, the revenues decreased to $816.27 million in 2019 (Dhaka Tribune, 2019). Although there are significant opportunities for the jute sector, above stated fluctuating trend in export earnings is alarming for Bangladesh. Also, it was found that earnings from raw jute, jute yarn & twine, and jute sack & bags have declined by 27.75%,20.89%, and 32.54%, respectively, between 2018 and 2019 (Dhaka Tribune,2019). Few argued that in 2019 the earnings declined as the Indian government imposed colossal import duty on raw jute and jute products imported from Bangladesh and Nepal.

Interviewing different stakeholders revealed that the jute industry of Bangladesh is exposed to

several threats include new international market players (India and China), the fast advantage of India concerning exporting diversified jute goods, availability of cheap substitute products, and breakthrough innovation in cotton, synthetic, and plastic industries (similar forwarded argument by Zaid, 2014). Disappointingly, the jute industry of Bangladesh has several significant weaknesses, too, and those need to be addressed first to capture both local and international markets. First: even though in a jute fair, it was claimed that 139 varieties of diversified jute Second: capturing the international market requires extensive research on customer preferences. However, research on the jute market is neglected in the industry. Third: Bangladeshi jute products lack a strong brand identity; as a result, the products are not well-positioned the local and global customers. Fourth: as there is a lack of research on the target, the local companies have less idea about the perceived value required by the target markets. This leads to poor pricing of raw jute and jute-made goods. It is important to note that international segmented pricing is a crucial factor that Bangladeshi companies ignore. Fifth, lacking effective marketing communication, such as compelling advertisements, is probably the weakest side of jute marketing in Bangladesh. During the discussion with the stakeholders, it was observed that the companies making jute products don't even use typical promotional tools can be another significant weakness for jute marketers. Finally: poor supply chain infrastructure and lack of proper distribution channels (local and global) impede jute marketing.

It is important to note that Bangladesh has a long and glorious history of producing the best quality raw Jutes worldwide. Jute is an environment-friendly, bio-degradable renewable natural fiber with high tensile strength and long staple length. Moreover, it has got moderate heat and fire resistance abilities. Most importantly, Bangladesh is still the largest grower of jute. But, as many stakeholders said, we lost the international jute market; however, with a proper marketing plan, it is still possible to regain control of the market and take back the golden days of the golden fiber of Bangladesh.

**Theoretical Background**

Jute and jute-made goods selling, which falls under agricultural marketing, follows conventional marketing philosophies as given below (Kotler and Armstrong, 2016):

* The production concept argues that consumers buy product that is available and affordable.
* The product concept entails that consumers prefer the product with better quality, performance, and innovative features
* The selling concept claims that consumers do not buy enough products of a firm unless it undertakes a large-scale promotional effort
* The marketing concept says that an organization can be successful if it can realize the needs and wants of the customers and deliver desired satisfaction better than competitors
* The societal marketing concept entails that in addition to fulfilling consumers' needs and long-term interests, the company should serve the interest of society.

Considering the current marketing practices of jute processing companies in Bangladesh, it can be argued that they follow the 'product' concept for raw and jute-made goods. Because the companies neither offer promotional prices nor try to explore the needs of the international and local customers. As most of the diversified jute products are 'convenience' goods, knowing the requirements of the customers (market sensing) and delivering better goods than competitors could be a special move. Again, as the use of jute-made goods (instead of synthetic and plastics) ensures responsible consumption, the use of sustainable marketing - delivering value in socially and environmentally responsible ways - might be value-adding.

If we consider the categories of the product a company can offer (as per Kotler and Armstrong, 2016), diversified jute products can be classified in the following way:

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| Jute made goods | Product Type | Typical marketing tactics |
| Home textiles, shopping & carry bags, cushion cover, nursery pots, handicrafts,blankets, jute based composites, jutepaper, packing materials, sandals | Convenience | Frequent purchase with littlecomparison, low priced,widespread distribution, andmass promotion |
| Raw jute, floor covering, jute carpet,decorative fabrics, curtains, insulation materials, soil saver, webbing, jute geo- textiles, particle boards, jute madeapparels | Shopping | Much involvement of thecustomer, brand comparison, higher-priced, selectivedistribution, advertising, andPersonal selling. |

For convenience and shopping goods, the price has always been an influencing factor. Typically, several pricing strategies are available, such as value-based pricing, reasonable value pricing, value-added pricing, and competition-based pricing. On the other hand, skimming and market penetration pricing were effective for the new products. As Bangladeshi companies are already competing in the international market with a few diversified goods, price adjustment strategies such as dynamic pricing, segmented pricing, and geographical pricing may provide a competitive advantage (for more details, please refer to the chapters explaining Pricing theories).

This is the era of integrated promotion and communication with a careful mix of advertisements, public relations, sales promotions, personal selling, and direct marketing. Due to the significant proliferation of digital media and social sites, companies (especially those selling convenience and shopping goods) are now communicating more through personalized mail, digital catalog, social networks, attractive websites, e-commerce sites, F-commerce sites, etc., and bulk messaging.

**Market Opportunities and Challenges for the Jute Industry in Bangladesh**

A recent report claimed that the size of the global jute bag market was only $1.8 billion in 2018, which is expected to rise to $3.1 billion by 2024 (Research and Markets, 2018). Also, most EU countries and many North American countries (such as Canada) are about to ban polythene bags, opening up a business for jute commodities worth $48 million. Moreover, different studies suggest that the projected growth of diversified jute products such as decorative, webbing, garden products, jute carpets, and geo-textiles are +3900%,+233%,+241%,+200%,and +100%, respectively. As Bangladesh can produce the best quality raw jute and high volume of yarn, the country has a better opportunity than the global competitors (China and India) with respect to selling more diversified jute products. For example, a Bangladeshi scientist recently invented a jute-based poly bag called 'Sonali Bag.' The invention readily captured international attention. The material of this bag can be decomposed within 5-6 months, whereas polythene might take several hundred years to do so. Several studies suggest that jute can be used to make engineering goods such as door shutters, flooring tiles, roofing sheets, and partitions; textile products such as agro-textiles, technical textiles, jute tin, jute tea leaf, jute sticks for charcoal; and automobile products such as car interior and dashboard surface (Hussain, 2019). The government has established the Jute Diversification Promotion Center to train entrepreneurs. However, the Bangladesh jute industry must deal with the odds to grab local and global jute markets, offering unlimited prospects.

Bangladesh is undoubtedly best in producing raw Jutes due to fertile soil. However, the country lags in manufacturing diversified products. Lack of research in product development and innovation seems the possible reason behind this shortcoming. Also, another obstacle is the lack of state-of-the-art technology in producing jute products. For Bangladesh, a good starting point would be finding a few profitable varieties. However, market research and demand forecasting are crucial to penetrate the global marketplace. Most available research reports show the potentiality of the jute market only and neither identify the design/feature needs of the customers nor talk about the demand for a specific product category by a particular country. Lack of customized research on the global jute market seems a significant industry weakness. For example, Shawki (2019) reported a significant market for jute products in the global automobile industry. However, no specific information is available about the country-specific demand. Many reports claim that packaging the jute product is vital in shaping the in-store consumption behavior -another neglected issue in the jute industry.

The brand identity crisis is a significant problem for the jute industry of Bangladesh. The government,

as well as the jute processors failed to establish that Bangladesh produces the best quality jute in the world. It was found that India purchases raw jute from Bangladesh, makes diversified products using the latest manufacturing techniques, and earns a considerable profit with a tag of 'made in India. 'However, global buyers are ignorant that the raw material came from Bangladesh (similar argument forwarded by Abdullah, 2019). To make a difference in the crowd and establish brand identity, jute processors need to develop unique features or benefits (known as Unique Selling Proposition) that the competitors do not offer. Creating awareness about green bags and responsible consumption is necessary to expand the local market in a country like Bangladesh, where the market is highly price-sensitive. For example, the Sonali bag is threatened because it may cost Taka 10 per bag, whereas a plastic polybag is available at Taka 1 or 2.

Lack of perceived value research and poor negotiation skills are causing poor pricing of deshi jute products. In the RMIG sector, buyers negotiate with international buyers regarding price, quality, ordering, and delivery. That concept was found to be missing in the jute industry. Even though different sectors are organizing trade fairs in Bangladesh, it was observed that jute fair - which can build a network with global buyers and create awareness among locals - is organized rarely.

Many stakeholders during the discussion argued, 'what is the point of producing quality jute products if that is not communicated properly with the buyers.' The absence of persuasive advertisements with compelling tag lines (such as "jute products are carbon-neutral in their life cycle") is a significant weakness in promoting them. Only preparing a website for the company is not enough to attract global and local buyers. In the 21st century, when consumers are empowered to communicate, customer relationship management through personalized email, customized digital catalogs, focused SMS, and personal selling is missing in jute marketing. The jute industry rarely uses press releases and public relations to create awareness among locals. Few stakeholders disappointingly said that many Bangladeshi citizens don't even know that we are the first to invent jute poly bag.' When the global population is busy spending time on social media, Bangladeshi jute marketers are hardly found with convincing ads.

It is important to note that it would be a mistake if the planners ignored the distribution side of jute marketing. Even though many jute diversified products are convenient, they are mostly found in local fancy craft shops where the price is beyond the capacity of the general consumers. Globally it is hard to find the sales outlets of Bangladeshi jute marketers. Remember that about 78% of purchase decisions are made in the store, so a careful distribution plan is vital. If the physical outlets seem expensive in the early stage, jute product sellers should find alternative distribution channels to reach the customers locally and globally.

**Issues to Discuss**

1. From a marketer's point of view, do you think the jute industry has a future in Bangladesh? If yes, give a proper explanation, and if it is not, then why? Discuss it through SWOT analysis.

2. Do you think a standardized marketing plan would work for both local and global markets? If not, prepare two separate comprehensive marketing plans for the stated needs.

3. Prepare an integrated marketing communication plan for the jute market.