

# JAGANNATH UNIVERSITY



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Topic: How covid 19 changes Apex Footwear company sales.

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## **Apex Footwear**

The ongoing Covid-19 pandemic has profoundly affected the business of Apex Footwear Limited as sales of its shoes in the local market have reduced by almost half and many outlets are closed.

Moreover, in the last three months, most of the company's export orders and shipments have been cancelled.

As a result, the company has fallen into a business recession in the local market as well as in terms of exports in the last quarter of the current financial year.

According to company sources, Apex used to sell products worth Tk2 crore daily only in the local market. About 40 percent of the company's total turnover comes from sales during Eid, which was not possible this year.

Moreover, shoe exports have also declined at an alarming rate because foreign buyers are unable to sell the products due to Covid-19. They are cancelling purchase orders and many are also cancelling shipments.

Although Covid-19 did not affect the company's local sales in the third quarter, exports were affected the profit decreased by about 24 percent.

Last year, the company had 270 sales outlets, 352 franchise outlets and 232 wholesale dealers.

"Covid-19 hurt our business," said Apex Footwear Company Secretary Md Omar Farooq. "Our buyers are cancelling the purchase orders and sales are declining in the local market. It is not possible to keep our sales outlets open," he added.

According to the last unaudited report, the company's net profit was Tk7.13 crore in the July-March period, which was Tk9.37 crore in the same period of the previous year. During this period, the company's net sales were Tk1,077.10 crore which was Tk1,129.84 crore in the same period the previous year.

At the same time, the company's earnings per share were Tk6.34, which was less than 24 percent from the previous period. Its net asset value per share was Tk250.67.

Last year, the company's net profit was Tk12.28 crore.

Its long-term loan was Tk910.06 crore and the short-term loan was Tk131.74 crore. The company recommended a 55 percent cash dividend for its shareholders this year.

Apex Footwear's sponsors and directors jointly own 25.48 percent of its shares, institutional investors own 35.91 percent and general investors own the rest.

Apex Footwear Limited - a leading shoemaking brand in Bangladesh started its journey more than two decades ago on January 4, 1990. From the inspiration of the leather business, it started the shoemaking operation.

Apex started its retail chain in 1997 to fulfil the footwear needs of Bangladeshi consumers.

Since its inception, Apex has sought to make use of their expertise in shoemaking and gathered through serving major shoe retailers across the world to provide high quality and fashionable footwear to everyone.

The last trading price of each share of the company at the Dhaka Stock Exchange was Tk219.30.

according to Syed Nasim Manzur, Managing Director and Co-Founder of Apex Footwear, it is "reeling from the economic impact of Covid-19", as he wrote in a recent open letter in the Dhaka Times. He says that demand for footwear and leather goods from big international brands has almost dwindled to zero. "For smaller factories working entirely with such shoe brands/retailers, they are literally helpless as they have no bargaining power or leverage. It's very easy for the brands/retailers to throw them under the bus", he writes and goes on to cite that as of end of March, according to information submitted by the 160 active export factories of footwear and leather goods to the industry association, US\$190.20 million worth of current orders have been cancelled by foreign buyers.

# Impact of COVID- 19 on E-commerce Industry of Bangladesh

## Market Background

The E-commerce sector in Bangladesh has been growing rapidly for the 2-3 years with more and more consumers buying goods online. In 2009, Bangladesh Bank officially permitted the online payment system in the country and Wimax Internet was the first company to start the business.

The following year SSL COMMERZ launched their business in Bangladesh and within a decade the scenario for E-commerce has changed significantly as both local and international companies penetrated in this market.

Currently, there are approximately 2,500 e-commerce sites and 150,000 Facebook-based outlets operating in Bangladesh and 80% of the total online sales are taking place in Dhaka, Chattogram, and Gazipur.

According to the president of the e-commerce association of Bangladesh (e-cab), the current market size of E-commerce in Bangladesh is around USD1 billion (BDT 8,000 crore).

## Impact of COVID-19 on the E-commerce

Not only Bangladesh but almost all of the countries in the world is facing a lockdown due to the outbreak of Corona virus. Economies are slowing down; people are losing their job and a large number of lower-income people are going into extreme poverty situations.

E-commerce businesses are also facing challenges due to restriction on transportation and fear among some consumers of getting infected by the delivery men.

E-commerce sites also failed to source products initially as all the shops were closed down abruptly. Especially, fashion, IT services, cosmetics, dairy products, household stationery, cleaning material, sanitizers, health products, etc. But eventually, in small cases, all the products become available to the e-commerce sites but they still struggled as most of the delivery-men returned to their native places. All these were initial problems but as time passed, traffic on the e-commerce sites started to increase.

## **New entrants in the industry amid the pandemic**

Due to the pandemic, several new groups of people came forward and started selling health-protective gears like face masks, gloves, PPE, safety goggles, sanitizers, etc. In the grocery retail e-commerce market, Chaldal.com, Direct Fresh, Khass food, Meena click, etc were thriving before the pandemic. In the initial stage of the lockdown, they received a large number of orders on their platform but they were falling short to deliver. In most cases, they had to restrict their daily orders and in some cases, they took more than one day to deliver the product.

At that stage in the grocery retail e-commerce market, new players entered.

Pathao, Shohoz, Uber, Foodpanda four major food delivery service providers started to deliver grocery items.

They tagged along with super shops like Shwapno, Meena Bazar, and other local grocery shops. Their delivery time is also faster than traditional platforms. In most cases, they delivered within 30 to 40 minutes as they concentrated customer to customer basis.

Even priyoshop.com, othoba.com, daraz, ajkerdeal.com who were lifestyle e-commerce business platforms started to provide grocery items.

Aarong Dairy, Kazi Farms, Golden Harvest who are the leading processed food manufacturer of the country also started home delivery as people were unable to go outside. That is how the grocery retail e-commerce market system evolved during the ongoing coronavirus crisis.

## **Market Insights:**

According to a market insider, the online grocery market place is experiencing double digits growth in the number of

deliveries. Chaldal's daily number of orders is increasing at an exponential rate per day.

According to Khassfood officials, basket size per order has increased due to the lockdown. They said per order size has become almost double than the previous situation.

Due to the pandemic, the e-commerce market may experience heavy traffic but still, the market is very small. The Bangladeshi retail grocery market size is around BDT1,00,000 crore per year, and the overall online business is around BDT 8,000 core where retail is just a part.