

International Business News

Survey shows pre-election lift for German economy

AFP, Berlin

Investors are increasingly confident that Germany's economy will rebound quickly from recession, a survey showed on Tuesday, providing some cheer less than two weeks before the country goes to the polls.

The closely-watched ZEW survey, which measures the mood of financial market players, rose slightly in September to 57.7 -- its highest level since April 2006 -- from 56.1 in August.

This was well above the historical average for the survey but was slightly lower than analysts surveyed by Dow Jones Newswires had expected.

"The economic expectations for Germany are consistent with the picture that the German economy is recovering, but at a slow pace," says the ZEW institute's president Wolfgang Franz.

Official data last month showed that Germany's economy, Europe's biggest, climbed out of its worst recession in six decades, registering a growth rate of 0.3 percent in the second three months of the year.

The brighter outlook has boosted Chancellor Angela Merkel, who is seeking a second term in elections on September 27 and who has based her campaign around economic competence with the slogan: "The clever way out of the crisis."

The data followed the latest forecasts from the European Commission on Monday that showed the European Union as a whole would likely emerge from recession in the third quarter of 2009 but that any upswing would be weak.

Russia sees exit from recession from Q3

AFP, Moscow

Russia will start fully emerging from recession in the third quarter, Finance Minister Alexei Kudrin said on Tuesday, after an economic crisis that has battered the once-booming Russian economy.

"June was the first month of Russia's exit from the crisis. But the full start of our exit from the recession will be in the third quarter," he said according to the RIA Novosti news agency.

"Today we have no doubts about this," he added.

Russia, which failed to implement significant economic reform during boom years over the last half decade, has been hit much harder by the crisis than most other developing economies.

The Russian economy shrank 9.8 percent in the first quarter on a 12-month basis and, according to preliminary data, by 10.9 percent in the second quarter.

But Kudrin said that the economy grew by 0.4 percent in June in comparison to May, adding that the government's anti-crisis measures were now starting to bear fruit.



AFP

President and CEO of Honda Siel Cars India Masahiro Takedagawa poses in front of a pair of Honda City 1.5V cars at a Honda Siel car plant in Greater Noida, some 60km from New Delhi. The Honda City 1.5V and Honda City 1.5S were launched into the Indian market yesterday and priced between \$16,740 and \$20,480.

China says US must avoid triggering trade tensions

AFP, Beijing

China said Tuesday the United States, as the source of the global financial crisis, should avoid triggering trade tensions, but also signalled a willingness to avoid an all-out war with Washington.

The comments by China's commerce ministry came one day after Beijing lodged a complaint against new US tariffs on Chinese tyre imports at the World Trade Organization, charging the move was "protectionist."

"We know the economic crisis originally began in the US so it should take the corresponding responsibility and be careful about using trade protectionist measures," ministry spokesman Yao Jian told a press briefing.

Amid warnings that a jump in Chinese-made tyres had cost more than 5,000 jobs in the United States, President Barack Obama on Friday imposed punitive duties of 35 percent on the Chinese imports, invoking a WTO rule.

The step has ignited the first trade spat of his presidency just as he prepares to host his Chinese counterpart Hu Jintao at a G20 gathering next week in Pittsburgh.

While further criticising what he called the US "abuse" of WTO rules in imposing the tariffs, Yao signalled China might be willing to avoid an all-out trade war through negotiations.

Japan Airlines to cut 6,800 jobs, pursue tie-up

AFP, Tokyo

Japan Airlines (JAL) said Tuesday it would slash 6,800 jobs and pursue a tie-up with a foreign carrier in a bid to return to profit in the face of severe turbulence unleashed by the global recession.

The job cuts, which will shrink JAL's workforce by 14 percent, are part of an emergency restructuring plan being prepared by Asia's largest carrier, which is seeking financial aid from the government.

"The personnel reduction cannot wait," president Haruka Nishimatsu told reporters after briefing a government-appointed panel on the planned revamp.

"The world is changing, and we have to adjust our size. It's easy to expand, but it's extremely difficult to downsize," he said.

JAL, which lost more than one billion dollars in the April-June quarter, has already slashed thousands of jobs in recent years.

TECHNOLOGY

JEESHAN MIRZA

Every year, Ernst & Young recruits many of its 3,500 college graduates using a career group on Facebook, where it not only posts job information but also interacts with prospective employees. Last year, Starbucks launched an online community "my Starbucks Idea", which allows consumers to share, discuss and vote on ideas giving vital marketing feedback to the company.

Similarly, Dell launched "IdeaStorm", which is helping the company gauge which ideas are most important and most relevant to the public.

Earlier this year, Ford tapped into 100 top bloggers by giving them their Fiesta model for six months with the agreement that once a month, they are required to upload a video on YouTube about the car, and talk about the Fiesta on their blogs, Facebook and Twitter.

The above are all examples of the phenomenal concept of social networking that has swept the world in recent years. Social networking is no longer confined for "Social" purposes. It is going corporate!

Companies around the world are increasingly tapping into the wonders of social networking with the objective of getting closer to its consumers, to get new business, fresher ideas and improving business performance to name a few.

Social networking is changing the way we spend our time, the way we interact with people, buy products or services and the choices we make.

So how are companies in Bangladesh responding to social networking?

A short survey of senior executives conducted by MTI yielded mixed results. While most executives understand and acknowledge the potential of social networking as a business tool, most are unsure about its strategic use and implementation in the near future. This does not come as a surprise at all.

Bangladesh has one of the lowest internet penetration rates in the world with usage primarily in urban and suburban areas. Social networking in Bangladesh also supposedly has a more youthful user base thus only revealing insights of a particular demographic group. Companies also continue to have greater confidence in the use of traditionally proven communication mediums. Thus it seems like the use of social networking in business in Bangladesh seems impractical, at

least in the short-medium term.

However MTI's survey of internet usage in Bangladesh suggests otherwise. Over the past few years, internet penetration in Bangladesh has increased exponentially. According to internet industry insiders, this can be mainly attributed to the growing popularity of mobile internet.

Last year, Facebook shared some statistics that revealed over 1,00,000 Bangladeshis maintain Facebook accounts. This means one among every five Bangladeshi internet users are Facebook users.

A peek into "Alexa's 100 Most Browsed Websites in Bangladesh" reveals over 35 social networking websites with Facebook ranking as the most browsed website in the country. What is more encouraging is the rise in popularity of Bangladeshi blogs, forums as well as Bangladeshi social networking and e-commerce websites, such as Linkedbd and Clickbd.

The growing popularity of social networking has led to a promising outlook for its application in business.

One of the primary uses of social networking can be to generate business. Through word of mouth marketing, consumers are becoming the best advocates for companies. It is no secret that consumers trust their peers more

than advertisers. With this principle in mind, companies can develop blogs and create pages in the likes of Facebook and Twitter to open up an entirely new channel of communication. This is not only free, but it effectively cuts through the media clutter, keeping consumers up-to-date with every new development.

Already some companies in Bangladesh are reaping the benefits of this. Recently, a retail company enjoyed a successful launch of its new outlet with no advertising at all. When asked, an executive of the company stated they generated enormous buzz merely through word of mouth communication from its 10,000 loyal advocates.

The ability to obtain research insights can be another important purpose. Using social networking companies can get instant and candid feedback from its consumers regarding a product, customer service and new advertisement.

Focus group discussions and surveys will always provide better depth, however time and cost often deters companies from carrying out continuous research and eventually implementing changes.

Social networking is also being used in other functional areas. HR departments are identifying talent and being able to evaluate pro-

spective employees using social networking. As these websites evolve and develop new functionalities and features, its application in business will be boundless.

However, with every reward comes risks and challenges. Despite its numerous benefits and applications, it must be kept in mind this is still a new concept, which has not been thoroughly tested.

Although internet usage is increasing in Bangladesh, it is still focused on selected geo-demographic segments. Questions are bound to arise on authenticity and also whether the views and opinion represent the entire market.

It must also be kept in mind that every consumer will have a different opinion and companies must be able to differentiate from what matters and what is a mere trivial opinion.

There is also the threat of sabotage and infringement of privacy. One must also consider in the same way that positive news can spread rapidly through social networking, negative news can too, which may lead to disaster for a company.

Finally there will always be traditionalists who challenge the ROI of social networking as opposed to other visible and

proven mediums.

To many, social networking can appear to be a revelation. However, companies should not rely on it as a strategy for success.

As Intel's Social-Media Strategist Michael Brito says, "Social media is not the messiah. It is one of several tools". Whether it wishes to use social networking for marketing or any other purpose, it should always be a part of its broader marketing or research or other strategy. It is not a substitute or alternative for advertising or research, rather a tool to augment.

Like other media, there should be resources allocated for execution, with a clear plan on how to tap into its outcome. For every issue there will always be two schools of thought and, in this case, those who embrace social networking and those who shun it. The latter group needs to rethink. They simply cannot ignore the millions of customers who are consuming media in new ways. Social networking is not a fad -- it is a fundamental shift in the way we communicate. The sooner companies realise and respond to this, the sooner they will reap the benefits.

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CORPORATE PHILIPPINES

San Miguel looking for investments abroad

AFP, Manila

Top Philippines firm San Miguel said Tuesday it was on the prowl for big natural resource investments abroad as part of an increasingly aggressive expansion outside of its core brewing business.

"It does not matter where, as long as it is viable and is a big company with big volume, we will be interested in investing in coal companies, (and) for oil and gas," San Miguel president and chief executive Ramon Ang told AFP.

In an interview, Ang said Southeast Asia's largest food and beverage company was also looking to invest in more major infrastructure projects in the Philippines, including toll roads and airports.

Ang has over the past year led the domestically listed firm's diversification drive with multi-billion-dollar acquisitions in local power firms, oil refining and retailing, telecommunications and toll roads.

Last month San Miguel won the right to sell power from the country's largest coal-fired plant, with a capacity of 1,000-megawatts, and bought a 620-megawatt power plant on Manila Bay for a combined 1.085 billion dollars.

The investments outside of its core brewing, food processing and packaging businesses offered high-growth opportunities and a



Ramon Ang

hedge against economic downturns, according to Ang.

"You can't have all your eggs in one basket in case there's a downturn," he said.

Ang spoke enthusiastically about San Miguel's global ambitions, although he would not give any specific details about where the company was hoping to invest.

"We are leveraging left and right. I hope we can buy some good oil fields, gold mines or gas fields... something that will propel the company," Ang said.

San Miguel this year expressed interest in acquiring a stake in top Indonesian coal miner PT Adaro, but then pulled back from the deal, saying the stake offered was not big enough.

Domestically, Ang said San Miguel planned to build its infrastructure portfolio, after recently taking a 35-percent stake in Private Infra Dev Corp., which will build a 312-million-dollar toll road in the northern Philippines.

He said the company would make a bid to extend an existing toll road linking Manila with the northern provinces, called the North Luzon Expressway.

"We (also) hope to develop more new, major airports to help our country," he said, but declined to give details.

Ang said San Miguel would likely not exercise an option to acquire a 51-percent stake in a holding company that controls top Philippine oil refiner Petron until next year.

"Because we can use our money for a lot of other things beforehand," he said.

In the same interview, San Miguel chief financial officer Ferdinand Constantino told AFP the big-ticket acquisitions had been safely financed by a combination of equity and debt.

"I think it's really moderate leveraging. We have our own cash and borrowings, and we are very conservative when it comes to borrowing," Constantino said.