

Samsung eyes firm foothold

SUMAN SAHA

Kanghyun Lee, managing director of Samsung Electronics, Dhaka Branch, sat with The Daily Star for an exclusive interview on the company's Bangladesh operations. The Seoul-based conglomerate with an annual turnover exceeding \$170 billion opened its branch office in Bangladesh in 2009. Lee also talked about its research and development (R&D) centre, major obstacles and future plans here.

What are the details on the R&D centre opened by Samsung in Bangladesh?

We have already opened an R&D centre in Bangladesh where over 100 Bangladeshi engineers work, turning out software for the regional market. The company plans to recruit around 1,000 local engineers by 2013 to compete with other centres in the region. They will work on developing mobile software and conduct research for the South Asian market.

Why did Samsung set up the R&D centre?

The company has already set up two R&D centres at New Delhi and Bangalore in India where more than 4,500 Indian technology professionals are working. The Bangladeshi professionals are as capable as the Indians; labour cost is comparatively cheap here and we have harnessed the Indian capacities fully in the meantime.

Would you explain the company's supply chain here?

The Samsung Dhaka office is not involved in any direct sales in Bangladesh. We sell refrigerators, televisions, mobile sets and computer monitors through local distributors in three product segments -- cellular handsets, consumer electronics and IT products.

For cellular handsets, Electra International and Transcom Electronics are the official distributors. Singer Bangladesh, Electra International and Transcom Electronics market con-



Kanghyun Lee, with a Galaxy Tab in hand

sumer electronics. In case of IT products, Index, Computer Source and Smart sell Samsung computer monitors, hardware and other computer accessories.

These distributors import Samsung products directly from the factories of India, South Korea, Malaysia and China and also handle the service centre activities. For the mobile segment, Samsung outsourced its mobile servicing centre to Discovery, a third party mobile servicing company.

We help the local distributors by providing marketing and logistic support to run their businesses smoothly.

Recent data shows the sale of Samsung mobiles in Bangladesh declined due to a glut of low-priced Chinese handsets. How would you deal with competition?

Samsung holds around 10 percent market share in Bangladesh's handset

segment, whereas its global share is nearly 20 percent. Samsung is competing with the industry leader, Nokia, and its biggest domestic rival, LG Electronics, in attracting young people to its premium devices.

We targeted the middle- and high-end segments in Bangladesh because the Chinese and Nokia sets currently dominate the low-end segment. We have already introduced high-end products such as Galaxy Tab, Galaxy S and the Samsung Wave smartphones in the local market to cater to business executives.

For the middle-income segment, we launched high-feature, loaded handsets, such as the Champ series, priced around Tk6,000-Tk8,000.

The company also focuses on the low-end market through differentiating its products. For example, it has recently launched low-priced dual-SIM sets. We

are number one in the IT product segment having a 60 percent market share for monitors, around 40 percent for laser printers and nearly 30 percent for other computer accessories.

What are the problems you are facing in doing business here?

The tax structure is very high, especially for consumer electronics. So, the price of electronic goods in Bangladesh is 2.5 times higher than global prices. We have to pay 90 percent tax for colour televisions, 100 percent for refrigerators and 150 percent for air conditioners; this is the world's highest tax structure.

As a result, many companies try to evade tax through adopting methods like under-invoicing while importing goods or importing in completely knocked down form or raw materials, assembling and then selling products in the local market.

Another problem is fake products. Some unscrupulous businesses brand their sub-standard products with the Samsung mark and sell them in the local market.

The situation is different globally than in Bangladesh. The local market depends on very basic products, such as CRT monitors and direct cooling refrigerators. But our global company depends on high-end products, such as LCD, LED and Internet TV.

LG could not continue in Bangladesh after opening their branch in Bangladesh in 2000, due to the high tax structure and an inability to sell basic products.

The government must ensure a level playing field by taking strong action against the under invoicing companies, and cutting taxes to more reasonable rates.

We understand the government must collect revenue through slapping tax on electronic goods and cars, but we urge the government to reset the tax structure in a logical manner.

In African countries, the maximum tax structure for electronic goods is around 50-60 percent; in India it is 20-30 percent. The government should consider those structures.

The mobile handset market in Bangladesh is growing because its tax structure is comparatively low, which is nearly 12.5 percent. We have plans to extend our mobile business in Bangladesh.

What are Samsung's plans to become the brand of customer choice?

The company is steadily launching various marketing campaigns for affordable products in Bangladesh to raise its corporate brand image. We have already opened Samsung's own brand shop in Gulshan.

Customers will get better service within three months because the Samsung Dhaka office is closely working with its headquarters to improve its service quality and scope.

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HEALTH CARE IN THE MIDDLE EAST

Sun, shopping and surgery

Can the Gulf attract medical tourists?

THE ECONOMIST

Could the Persian Gulf become the next hot destination for medical tourism? That was one of the questions on the minds of delegates at a health conference this week in Abu Dhabi, the capital of the United Arab Emirates (UAE). The idea may have legs.

For one thing, medical tourism continues to boom globally despite the downturn. High prices and queues in the overstretched health systems of the rich world have driven many people to seek hip replacements, plastic surgery and other care in Thailand, India and Costa Rica. Deloitte, a firm of consultants, forecasts that the number of Americans going abroad for care will rise to 1.6m in 2012, up from 750,000 in 2007.

Many medical tourists already come to the gleaming hospitals of Dubai, Abu Dhabi's neighbour. The Dubai government's growth strategy has long depended on attracting foreign workers and tourists, a feat it accomplishes by being more easy-going than its conservative Islamic neighbours. It is a short step from posh resorts to medical tourism. Dubai plans to host a big medical-tourism congress next year.

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The UAE as a whole is not doing badly, either. It has secured partnerships with some brand-name health providers. An offshoot of America's Cleveland Clinic, for example, is being built in Abu Dhabi. Yet the UAE's success as a medical hub is likely to hinge not on fancy infrastructure, but on how it handles two big problems.

The first is an epidemic of diabetes. The UAE has the world's second-highest incidence of this debilitating disease. UnitedHealth Group, an American insurer, estimates that 32 percent of the UAE's adults may have diabetes or pre-diabetes by 2020. Shockingly, perhaps half of those over 50 are diabetic. This is a common ailment in the

region. Five of the eight worst-afflicted countries are in the Gulf, thanks to the locals' sweet teeth and reluctance to exercise. Genes may play a role, too.

Gulf citizens have a fair bit of cash, so any Gulf state that develops expertise in treating diabetes should attract medical tourists. Abu Dhabi is trying. A sparkling diabetes centre there, run by Britain's Imperial College, uses the latest in digital medicine. Its sweeping spiral walkway, evocative of New York's Guggenheim museum, leads the patient efficiently around various stations, so waiting is minimised.

Diabetes usually cannot be cured, but it can be controlled. Some analysts think that, by importing both medical and managerial expertise, the UAE could offer first-rate treatment. Oliver Harrison of Abu Dhabi's Health Authority is cautious. His agency's investments are aimed at reversing the exodus of locals going overseas for care, he says. Still, he thinks his country offers lessons for others, for example by showing the value of universal screening. Some say this is too costly, but Abu Dhabi has screened more than 97 percent of its population, he says, for less than \$60 each.

The second problem that UAE health providers must tackle is controlling costs, which are often high. Vishal Bali, head of Fortis Global Healthcare, an Indian hospital chain with pan-Asian operations, says the Gulf has enormous potential as a destination for niche medical travel. But if it is to compete globally, it must avoid the trap that other rich countries have fallen into. Health care in America, for example, has become unaffordable for many because patients want the best of everything and costs are often disguised. The Gulf should learn from India's cheap and cheerful hospital operators, says Mr Bali. Hospitals, like people, are healthier when trim.

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Fireworks burst around Burj Khalifa, the tallest building in the world, marking the New Year at midnight in the Gulf emirate of Dubai.

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