# Exporters may clock up $60b from big Asian markets

## M Nasir Uddin, chief of Pacific Jeans Ltd, is optimistic about performance in non-traditional apparel markets

SHARIER KHAN

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BANGLADESHI apparel exporters can penetrate the major east Asian markets to help the country hit an annual $60 billion mark in the next five years, said M Nasir Uddin, pioneer of tapping non-traditional apparel market.

"All the top fashion retailers of the world are now looking at Bangladesh," says Nasir, chairman and managing director of Pacific Jeans Ltd, one of Asia's largest jeans makers with 22,000 employees.

Talking to The Daily Star at his Chittagong office last week, he said he sees massive opportunities in the quality sensitive Japan market, where he made a breakthrough a decade back.

Nasir also believes China will become a major importer due to a sharp rise in its own production cost. "In five years' time, China will have to import 35 percent to 40 percent of their apparel demands."

"At the same time, Bangladesh can tap Hong Kong, Taiwan, Korea, Singapore, Thailand and Malaysia. But we will face competition from Myanmar, Cambodia and Laos. This is why we need effective commercial diplomacy to ensure preferential market access or market access through bilateral or multilateral agreements," he said. "Presently we have such a deal with only Malaysia."

In addition, Turkey and central and Latin American markets will also offer greater opportunity, he added.

But to tap this non-traditional market, suppliers should continuously focus on production efficiency, on-time delivery, capacity enhancement, stricter labour and environmental compliance, value added and premium product promotion, embrace new technology and efficient supply chain management.

M Nasir Uddin

From the government side, there should be greater emphasis on effective commercial diplomacy to bag business friendly treaties.

Nasir strongly advocated setting up new industrial or economic zones in every divisional headquarters with the capacity to create jobs for five to 15 lakh people in each region. The new zones should be provided with sufficient energy, infrastructure and logistic support, he said. Port operation efficiency and connectivity to the industrial zones need to be improved, he added.

More than 55 percent of the population is below 25 years age, which gives the country a great resource that can be transformed into a skilled workforce.

"Due to high labour costs, appreciation of currency, shortage of labour, etc, China's overall industrial structure will shift to high-end products. This suggests there is huge potential in furniture, toys, household, light and engineering and other low-end labour-intensive industries in Bangladesh," he said.

If the government can ensure uninterrupted power supply, power and energy tariff hikes that fuelled non-food inflation would not hurt the export industries, he said.

Nasir's positive outlook comes from his successful experience in building Pacific Jeans from scratch from 1984, attracting top global brands now. In 1995-96, he approached and impressed Gap, the respected American fashion icon, to take supplies from Pacific Jeans.

He played a pioneering role in getting into the Japanese market a decade back. "Although Bangladesh had Preferential Market Access (GSP) in Japan, we hardly could utilise the benefit as the Japan market remained unexplored to us," he said. The Japanese apparel market is dominated by China that now holds 80 percent market share, he added.

"Our target was to get deals from Japanese top brand Uniqlo," says Nasir. "Thanks to cooperation and advice from Tadashi Yanai, the chairman of Uniqlo, we have positioned our company as a trusted supplier in the Japan market."

"Bangladeshi people are highly respected by the Japanese and vice versa. That is why it is easy to promote Bangladeshi products there. The Uniqlo chairman himself promoted Bangladesh on television. I am grateful to him," he added.

"Bangladesh's opportunity in Japan is unbelievable in both knit and woven garments. Interested exporters must remember that Japan is very quality conscious; they are very committed to the promised punctuality and they go for transparent business operations," he said. "In other words, interested companies must be ethical and efficient."

Sharing his experience in growing with his company, Nasir said, "We need to create positive branding for Bangladesh."

Bangladesh has long suffered from a negative image of a poor country that drew the sympathy of other countries -- but not a country with which they wanted to do business, he added.

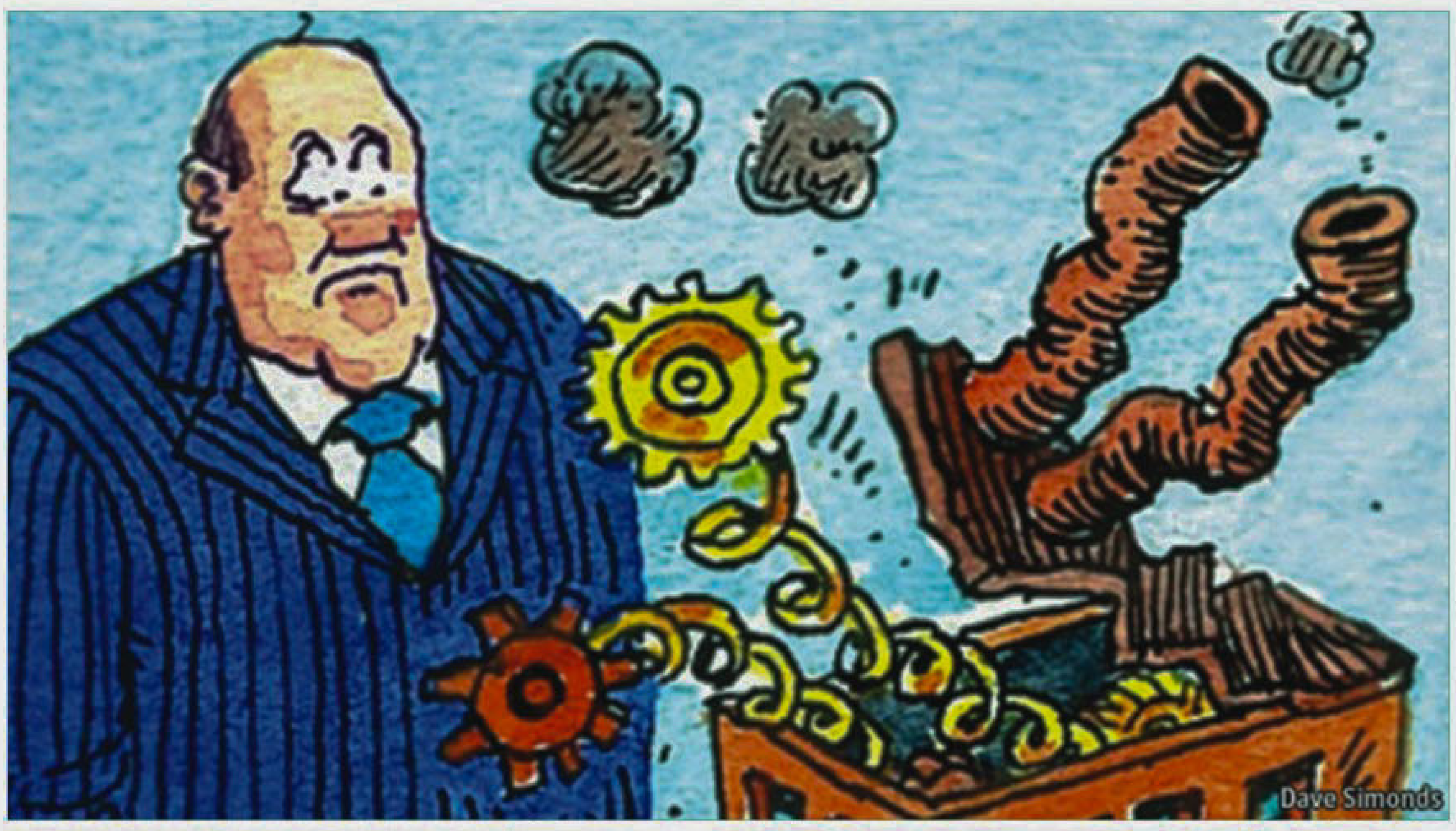
"We may be branded as the country of fashion and apparel destination," he said.

COMPANIES AND PRODUCTIVITY

# Small is not beautiful

## Why small firms are less wonderful than you think

THE ECONOMIST




PEOPLE find it hard to like businesses once they grow beyond a certain size. Banks that were "too big to fail" sparked a global economic crisis and burned bundles of taxpayers' cash. Big retailers such as Walmart and Tesco squeeze suppliers and crush small rivals. Some big British firms minimise their tax bills so aggressively that they provoke outrage. Films nearly always depict big business as malign. Tex Richman, the oil baron in the latest Muppets movie, is so bad he reads The Economist. Small wonder that whenever politicians want to laud business they praise cuddly small firms, not giants.

It is shrewd politics to champion the little guy. But the popular fetish for small business is at odds with economic reality. Big firms are generally more productive, offer higher wages and pay more taxes than small ones. Economies dominated by small firms are often sluggish.

Consider the southern periphery of the euro area. Countries such as Greece, Italy and Portugal have lots of small firms which, thanks to cumbersome regulations, have failed lamentably to grow. Firms with at least 250 workers account for less than half the share of manufacturing jobs in these countries than they do in Germany, the euro zone's strongest economy. A shortfall of big firms is linked to the sluggish productivity and loss of competitiveness that is the deeper cause of the euro-zone crisis. For all the boosterism around small business, it is economies with lots of biggish companies that have been able to sustain the highest living standards.

Big firms can reap economies of scale. A big factory uses far less cash and labour to make each car or steel pipe than a small workshop. Big supermarkets such as the villainous Walmart offer a wider range of high-quality goods at lower prices than any corner store. Size allows specialisation, which fosters innovation. An engineer at Google or Toyota can focus all his energy on a specific problem; he will not be asked to fix the boss's laptop as well. Manufacturers in Europe with 250 or more workers are 30-40% more productive than "micro" firms with fewer than ten employees. It is telling that micro enterprises are common in Greece, but rare in Germany.

Big firms have their flaws, of course. They can be slow to respond to customers' needs, changing tastes or disruptive technology. If they grew big thanks to state backing, they are often bureaucratic and inefficient. To idolise big firms would be as unwise as to idolise small ones.

Rather than focusing on size, policymakers should look at growth. One of the reasons why everyone loves small firms is that they create more jobs than big ones. But many small businesses stay small indefinitely. The link between small firms and jobs growth relies entirely on new start-ups, which are usually small, and which by definition create new jobs (as they did not previously exist). A recent study of American businesses found that the link between company size and jobs growth disappears once the age of firms is controlled for.

Rather than spooning out subsidies and regulatory favours to small firms, governments should concentrate on removing barriers to expansion. In parts of Europe, for example, small firms are exempted from the most burdensome social regulations. This gives them an incentive to stay small. Far better to repeal burdensome rules for all firms. The same goes for differential tax rates, such as Britain's, and the separate bureaucracy America maintains to deal with small businesses. In a healthy economy, entrepreneurs with ideas can easily start companies, the best of which grow fast and the worst of which are quickly swept aside. Size doesn't matter. Growth does.

# Wal-Mart's price push tests manufacturers' prowess

REUTERS, *New York/chicago*

Consumer staples companies have a problem. It costs more to make everything from soup to soap to soda, but when they raise prices they turn off consumers and strain their relationships with Wal-Mart Stores Inc, their biggest customer.

For some companies, like Clorox Co and Kraft Foods Inc, the problem can be comparatively easy to handle. They either have brands that consumers like, and therefore Wal-Mart needs, or they are big enough to have significant negotiating power.

But Wal-Mart is now pushing its grocery suppliers harder to offer consistently low prices, instead of timed promotions or "rollbacks." That means food companies are unlikely to be able to pass through more price increases and will be forced to pull other levers, such as cost-cuts to protect margins or product innovation to drive sales.

And with many consumer goods stocks trading at a premium to the broader market, analysts say the risk is on the downside. In particular, they see pressure on companies with second- or third-tier brands, such as ConAgra Foods Inc, whose Hunt's ketchup competes with Heinz.

Shares of makers of packaged food that raised prices too much, like General Mills Inc, whose products range from Cheerios cereal to Progresso soups, also may face pressure.

Consumer staples companies that make up two Standard & Poor's indexes -- the S&P 1500 Packaged Foods & Meats Index and the S&P 1500 Household & Personal Products Industry Group Index -- trade at nearly 16 times expected earnings, while companies in the S&P 500 index trade at 12.8 times expected earnings.

"I think we reached the wall in terms of raising price. Consumers can't take any more," said Edward Jones analyst Jack Russo, citing recent Nielsen data showing correlations between price increases and declines in sales volume.

"A lot of these companies are going to have to get back to basics and not raise prices much, and if they want to grow sales they're going to have to do it through innovation, or being razor-sharp on pricing."

For example, General Mills' sales volume fell 11.3 percent in the 12 weeks ended February 18 after the cereal maker raised its average selling price by 11.5 percent with a combination of price hikes and a mix of higher-priced goods, Russo said, citing Nielsen.

One silver lining is that cost pressures are abating, as prices of many commodities, among them corn and wheat, have eased in recent months. Among packaged food stocks, Edward Jones recommends General Mills, Kellogg Co and McCormick & Co. It has a "Hold" rating on Hormel Foods, ConAgra, Hershey Co, Campbell Soup and Kraft Foods Inc.

For Wal-Mart, the biggest grocery seller in the United States, lowering prices on a long-term basis can help it convince shoppers that it is the best place to go for everyday items.

With gasoline prices climbing and many shoppers living from paycheque to paycheque, Wal-Mart wants to win a larger share of shoppers' limited spending, after having lost some customers to dollar stores during the last recession.

"We want to work with vendors on that to see if we can take a price lower and leave it there permanently," Wal-Mart Chief Financial Officer Charles Holley told reporters last month. "The price image for a customer is very important."

So far, the switch is working. At Wal-Mart US, fourth-quarter grocery costs rose 4 percent, fuelled by commodity inflation. As the company absorbed some of that increase and shoppers, for example, opted for pasta instead of more expensive meat, they only paid 0.1 percent to 0.2 percent more for food and household products in the quarter.