

# Samsung poised for a lift-off

## The company's Bangladesh MD says it completes groundwork

SUMAN SAHA

**S**AMSUNG aims to strengthen its foothold in Bangladesh as it sees the country as a promising market due to the presence of a large customer base and high economic growth.

The South Korean electronics giant has completed its groundwork in the country by opening a branch office and establishing a software development centre during the last three years.

It would now focus on reaching the broader segment of people through a number of initiatives: launching innovative products, opening more outlets and developing mobile applications in the local context, says a top official of the company.

"We have already finished our groundwork and now will focus on lift-up," says Choon Soo Moon, managing director of Samsung Electronics (Bangladesh operations), in an interview with The Daily Star on Wednesday in Dhaka.

Sales of Samsung handsets rose 10 percent to 1.2 lakh in Bangladesh in the first quarter, compared to the previous three months, he says. The company also plans to sell eight lakh handsets worth around \$100 million within this year.

An aggressive marketing campaign and the launch of a series of mobile phones targeting the low- and middle-end segments boosted the sales.

Samsung holds around 10 percent market share in terms of value in Bangladesh's handset segment, says Moon. "We, however, are holding the number one position in smartphone category."

Moon, who joined the Dhaka office in February, says Bangladesh has immense potential in informa-

tion technology and telecom sectors due to its large population and successive economic growth.

"Market demand mainly relies on the population size of a country. Bangladesh has a total population of 160 million and has witnessed an average 6 percent GDP growth in the last several years, creating more demand for the sector."

The country chief of the company says there is a lack of awareness about Samsung products in Bangladesh. "We make not only mobile handsets but all categories of electronics and IT products."

Moon, who is leading the operations of mobile phones, consumer electronics and IT business of the company in Bangladesh, says the country is a unique market in comparison with global standards.

"Globally, we focus on selling premium brands such as high definition television sets, refrigerators and smartphones targeting the high-end consumers."

The situation is different in Bangladesh, he says. The local market depends on basic products, such as CRT (cathode ray tube) monitors, direct cooling refrigerators and low priced handsets.

Moon, however, expects the market pattern of the IT and telecom sectors will change in the next few years as the sectors will reach a level of maturity by the time.

The consumers' preference will also be shifted due to a rise in their purchasing capacity, he adds.

The Seoul based company with an annual turnover of more than \$220 billion also aims to launch innovative products targeting the young people in the country.

"We will launch solar notebooks in June for young professionals," says Moon who has been working for the company for more than 23 years.



Choon Soo Moon

"It is a unique product and we will be the first company to launch it in Bangladesh with a price tag of Tk 34,000."

He expects the product to attract professionals, especially of 23-30 years of age, who have to travel a long way for office work.

Samsung aims to introduce the solar notebook computers as the country faces a nagging power crisis and still half of the population is deprived of electricity from the national grid, says Moon.

Besides, in terms of weather, Bangladesh is suitable for solar energy as the country enjoys longer sunlight hours.

The South Korean electronics powerhouse will initially focus on awareness building about the solar notebooks, says the official.

"In the beginning, we are not targeting big, rather focusing on creating demand for the products through promotional campaigns," He expects to sell around 500

pieces of solar notebooks in a month.

The Samsung's Dhaka office is not involved in any direct sales in Bangladesh. It sells refrigerators, television and mobile sets and computer monitors through local distributors in three segments -- mobile handsets, consumer electronics and IT products.

For cellular handsets, Transcom Mobile Ltd is the official distributor, while Electra International and Transcom Electronics market consumer electronics.

In the IT products' category, Smart Technology, Index IT Ltd and Computer Source 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 mobile phones, Samsung outsourced mobile servicing to

Discovery, a third party mobile servicing company.

The managing director of the company says it generally sells products through two types of shops: product wise shops and integrated brand shops.

At present, the company has 20 branded mobile shops run by local distributors to sell only Samsung handsets within the metropolitan area and would increase the number of outlets to 50 within this year.

"Globally, we sell all types of Samsung products at the one-stop outlets. But in the country, it has only product-wise branded shops due to different market structures," says Moon.

"In Bangladesh, you have to go to one market to buy a television set, while for IT products and consumer electronics, you have to go to other markets," he says.

"It is good. But the end-users have to spend a lot of time for this."

Moon says: "We, therefore, would open at least two integrated branded shops in Dhaka within this year to sell all Samsung branded products such as television sets, mobile handsets, refrigerators and IT products under one roof."

The one-stop shops run by its local distributors will display all the products of the company, attracting customers to buy more Samsung products, he adds.

The company also plans to develop around 50 mobile applications for local market this year at its research and development centre in Dhaka.

The R&D centre, which was launched last year, has offered a big advantage for the electronics giant to face the challenges in the local market.

"We are in a position to handle any regulatory or unforeseeable challenges due to having our own

software development centre in the country," says Moon.

He says Bangladesh Telecommunication Regulatory Commission (BTRC) has recently made it mandatory for all mobile handsets to be used within the country to have Bangla keypad.

"We could easily comply with the directive as four hundred Bangladeshi software developers are working at the R&D centre," says Moon.

Samsung is the number one in the IT product segment in Bangladesh, having a 55 percent market share for monitors, around 40 percent for laser printers and nearly 30 percent for other computer accessories.

In the digital camera segment, the company witnessed 100 percent sales growth last year, he says. "In terms of the market size, the demand for camera is very low in the country as it is a very unique market."

"Most people do not want to use high resolution cameras as they get cameras in their cellphones."

However, he hopes Bangladeshi consumers will change their preferences and will buy high quality cameras.

On the 3G technology, the Samsung chief in Bangladesh says they are ready for the technology. "We can deliver 3G handsets for the local market whenever the regulator awards licences."

He says most of their handsets supplied across the global markets have the 3G features.

On the growing use of counterfeit handsets in the country, he says his company is closely working with the BTRC and urges the customers to buy original Samsung handsets from the authorised distributors.

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# JPMorgan \$2b loss hits shares, credit, image

REUTERS, New York/London

**J**PMORGAN Chase & Co lost \$15 billion in market value and a notch in its credit ratings on Friday while a chorus of regulators and politicians reacted to its surprise \$2 billion trading loss by demanding stiffer oversight for the banking industry.

The loss by one of Wall Street's most respected banks embarrassed chief executive Jamie Dimon, a leader lauded for steering his bank through the fallout from the 2008 financial crisis without reporting a loss.

"We know we were sloppy. We know we were stupid. We know there was bad judgment," Dimon said in an interview with NBC television to be broadcast on "Meet the Press" on Sunday.

He said it wasn't clear whether the bank had broken any laws or violated any rules. "We've had audit, legal, risk, compliance, some of our best people looking at all of that."

The loss also invited regulatory scrutiny for a man who had all but led the charge to limit it, criticizing the so-called Volcker rule to ban proprietary trading by big banks.

The New York Times reported that the Securities and Exchange Commission has opened a preliminary investigation into JPMorgan's accounting practices and public disclosures about the trading loss.

On Friday, Securities and Exchange Commission Chairman Mary Schapiro told reporters: "It's safe to say that all the regulators are focused on this."

The debacle sparked new fears about big banks and prompted Dallas Federal Reserve Bank President Richard Fisher, who has called for the breakup of the top five US banks, to say he is worried the biggest banks do not have adequate risk management.

The fallout extended across much of the banking sector, with shares of some of Wall Street's top names

declining on Friday. Among others, Citigroup dropped 4.2 percent, Goldman Sachs fell 3.9 percent and Bank of America slipped 1.9 percent.

JPMorgan was far away the worst performer, however, falling 9.3 percent on a day when some 212 million of its shares traded, the most volume in its history.

Fitch Ratings cut JPMorgan's debt ratings a notch and put all of the ratings of the bank and its subsidiaries on negative ratings watch.

While Fitch saw the size of the loss as manageable, "the magnitude of the loss and ongoing nature of these positions implies a lack of liquidity," the ratings agency said.

"Fitch believes the potential reputational risk and risk governance issues raised at JPM are no longer consistent with an 'AA-' rating," it said.

Standard & Poor's put JPMorgan and its banking units on a negative outlook, but affirmed its current ratings.

In a conference call disclosing the problem on Thursday, Dimon said the \$2 billion in losses could rise by a further \$1 billion, and acknowledged they were linked to a London-based credit trader Bruno Iksil. Nicknamed the 'London Whale,' Iksil amassed an outsized position which hedge funds bet against.

The Federal Reserve Bank of New York, meanwhile, had been aware of JPMorgan's big trading loss and is currently monitoring the situation, according to a source close to the situation.

The Fed, which is JPMorgan's primary regulator, aims to ensure banks are sufficiently capitalized to withstand such trading mistakes, not to prevent them, the source said.

The exact nature of the trading loss is still unclear, although sources said a host of asset managers, arbitrageurs and hedge funds were on the other side of the bet, viewing it as good



US banking giant JP Morgan's offices in Canary Wharf, London.

value and an effective way to insure portions of their portfolio.

Blue Mountain, a hedge fund with offices in New York and London, was among those on the other side of JPMorgan's trade, according to two people familiar with the situation.

Dimon will undoubtedly be pressed by investors for more details

about what exactly went wrong when he hosts the bank's annual shareholder meeting on Tuesday in Tampa, Florida.

A national union on Friday urged shareholders to approve a stockholder resolution calling for an independent board chairman at JPMorgan. Dimon currently holds the

chairman and CEO titles.

"The stakes are too high to leave Jamie Dimon unsupervised," said Gerald McEntee, president of the American Federation of State, County & Municipal Employees, which sponsored the proposal. "Dimon denied that the 'London Whale' was making risky bets, and now that this has turned out to be a fish story, shareholders need to step in."

Dimon had parlayed his bank's reputation as a white knight during the financial crisis into a position as the de facto representative fighting against excessive post-crisis regulation.

"What concerns me is risk management, size, scope," said Dallas Federal Reserve Bank's Fisher answer to a question about JPMorgan's trading loss. "At what point do you get to the point that you don't know what's going on underneath you? That's the point where you've got too big."

The trader at the centre of the storm, Iksil, who graduated in engineering from the Ecole Centrale in Paris in 1991, was not available for comment. The Frenchman, and the Chief Investment Office (CIO) where he works, are known by rival credit traders for taking extremely large positions.

Friends, colleagues and fellow traders describe an unassuming man, a far cry from the brash image normally associated with traders staking huge bets in fast-moving financial markets, including derivatives.

"He's a really nice bloke. A quiet bloke. He's not an arrogant trader, he's quite the opposite. He's very charming," one former colleague at JPMorgan said of Iksil, whom he said was married with "a couple of kids"

JPMorgan characterised the costly trading strategy that led to the loss as a hedge, rather than as proprietary trade, or a bet with the bank's own money. But that line has been difficult for regulators and experts to define as they seek to craft the Volcker rule.

One friend and former JPMorgan colleague said Iksil and the team were not carrying out proprietary trading in disguise, and that the unit's activities were known at the highest levels of the bank.

"The CIO does not do prop trading, let's be clear on that ... It involves taking positions in the form of investments, trades, credit-default swaps, or other, with the aim of rebalancing the risks of JPMorgan's balance sheet."

"The information comes from the very top of the bank and I do not even think that the CIO team members at Bruno's level are given the full picture," the ex-colleague said.

Iksil was brought into the CIO unit to head its credit desk, an asset class it had not previously covered, a person who worked in the unit said. It built up large credit positions over several years through trades which were vetted by management and the losses now likely resulted from a combination of these trades going wrong, the person said.

The CIO desk had grown rapidly in the past five years and was given free range to trade in a whole range of financial products, the only exception being commodities, they added. The CIO is run by New York-based Ina Drew, who is Chief Investment Officer.

Credit market traders said other banks have comparable functions to JPMorgan's CIO. The French banks, Citigroup, Deutsche Bank and UBS were all cited as examples of large treasury functions that hedge credit exposures in similar ways.

"The argument that financial institutions do not need the new rules to help them avoid the irresponsible actions that led to the crisis of 2008 is at least \$2 billion harder to make today," U.S. Representative Barney Frank said in a statement.

The Dezmocrat co-authored the 2010 Dodd-Frank financial reform law designed to avoid a repeat of the recent credit crisis.