

Bata targets low-income markets

Czech footwear maker works with village vendors to sell low-cost shoes in rural areas of Bangladesh, Colombia and Bolivia

THE GUARDIAN, UK

Life in the Bangladeshi countryside is tough. More than half (53 per cent) of the country's rural residents are classified as "poor", with many living on less than \$2 per day. As a consequence, most consumer goods companies have traditionally paid them little heed. Retailing and logistical complications compound this disinterest: Bangladesh's villages tend to have precious few shops and pretty awful roads.

Bata's Aparajitas programme marks an ingenious attempt to get around these constraints. In a reversal of traditional retail models, the family-owned Czech footwear company brings its products to the consumer rather than vice-versa. Bata works with around 3,000 village-based vendors, who market its products door-to-door. Each vendor receives around 10-15 per cent commission for every pair of shoes sold.

To avoid the logistical headaches of rural distribution, Bata runs 54 regional distribution centres around the country. It delivers its

shoes to these hubs, from where development charity CARE International—which has partnered the company since the programme's launch in 2005—collects them. CARE's local representatives then deliver the shoes by motorbike or small car directly to the village vendors.

Bata, which operates in more than 60 countries, has developed a similar retail model in Colombia and Bolivia. Through its Aquarella programme, it works with around 10,000 self-employed salespeople. Instead of selling directly on the doorstep, they provide office-workers and homeowners with a weighty product catalogue. They then take a commission on any orders placed.

Nicole Voillat, Bata's sustainability director, insists that the approach is helping empower the sales representatives on the ground—the majority of whom are marginalised or low-income women. In Bangladesh, for instance, the vendors participating in the Aparajitas (Bengali for a "woman who never gives up") programme take home \$80 per

month—more than the minimum wage in Bangladesh.

Commercially, meanwhile, Bata's venture into the base of the pyramid market has led to a "steady increase" in sales, Voillat says. The company's primary focus is on the longer term, however. "It's not a programme that will make us rich ... but they [consumers] will remember that Bata reached out to them," says Voillat, who claims its low-income customers are its most loyal.

That strategy has certainly proved true in India, where many of Bata's low-income customers have gravitated into the middle classes over the past two decades. During that transition, they've stuck with the Bata brand. The company now has around 3,500 stores country-wide, giving it the largest market share of any shoe retailer in India.

Of course, physically accessing low-income markets is only half the battle: the price has to be right when the product gets there. Bata knows that. Hence, its base-of-the-pyramid ranges often cost \$1 or less.

Much of Bata's affordability strategy rests on keeping its designs

simple and its materials economical. The company's low-cost footwear is typically made from plastic, for instance. Another cost-cutting factor is Bata's local production/distribution system. The company has 25 factories around the world, all of which exclusively supply their respective domestic markets, keeping transport costs down.

Additional cost savings come from eco-design measures. All its production facilities are equipped with transparent roofs, for example, thereby omitting the need for artificial lighting during daylight hours. Bata implements tight waste management and recycling procedures too. In Malawi alone, it collected nearly one million used shoes last year.

Providing affordable shoes has huge social ramifications, argues Voillat. The use of plastic shoes can help prevent illnesses linked to parasitic worms such as bilharzia, she says. Shoe ownership is a requirement for many school children too. More fundamentally, Voillat says, wearing a pair of shoes confers basic dignity on a person.



AGRABAD HOTEL

HM Hakim Ali, chief executive of Hotel Agrabad and president of Bangladesh International Hotel Association, led a delegation of the association to meet Rashed Khan Menon, civil aviation and tourism minister, at the minister's office in Dhaka on Tuesday.

Shippers' council picks office bearers

STAR BUSINESS DESK

Md Rezaul Karim, owner of SN Jute International, was elected chairman of Shippers' Council of Bangladesh for the term 2014 and 2015, the council said in a statement yesterday.

Mozibur Rahman Mridha, chairman of Multipoint Technology, was elected senior vice chairman, and Arzu Rahman Bhuiya, owner of Arzu Jute Traders, was elected vice chairman for the same term.

The new office bearers were announced at the council's 32nd annual general meeting at Dhaka Club recently.



Md Rezaul Karim

Boss Sweets offers special discount

STAR BUSINESS DESK

Boss Sweets and Food is offering 21 per cent special discounts on all its sweets and sweet products throughout the day today, marking the memories of Language Movement martyrs.

The special discount offer is available at Boss Sweets outlets on Satmasjid Road and Road 27 in Dhanmondi in the capital, the company said in a statement yesterday.



MCCI

Anis A Khan, vice president of Metropolitan Chamber of Commerce and Industry, led a delegation of the chamber to meet Atiur Rahman, governor of Bangladesh Bank, at the latter's office in Dhaka yesterday.

\$30b garment exports hinge on tech upgrade

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The CPD, a think-tank, organised the event in association with the DFID-ESRC Growth Research Programme.

Garment exports accounted for 80 per cent or \$21.5 billion of the country's total overseas sales of \$27 billion in fiscal 2012-13, according to Export Promotion Bureau.

Commerce Minister Tofail Ahmed said Bangladesh needs to go for high-end products as part of its transformation process, as the country has targeted to earn \$30 billion from garment exports by 2015 and \$50 billion by 2021.

He, however, stressed the importance of low-end products, saying the cheap garments had helped Bangladesh keep up its healthy export growth during the recent economic meltdown.

"The demand for this type of products never goes," he said.

Bhattacharya said choosing between high-end and low-end products would turn out to be a key important policy decision.

"It's true that during the recession, the demand for the low-end products did not fall as we have seen in case of high-end products. But with the economic recovery in the developed world, the demand for high-end products will increase again."

Besides, the competition in the low-end segment will also go up, as Bangladesh is not the only country in the category, Bhattacharya said.

"New countries such as Myanmar are coming in full force, while some African countries will come in the scene with lower wage."

The availability of gas and electricity has to be increased and swift steps have to be taken to improve roads and sort out traffic jam, he said.

The former ambassador and permanent representative of Bangladesh to the WTO and UN offices in Geneva also called for effective coordination in policymaking.

"This has become more essential after the Tazreen Fashions fire and Rana Plaza building collapse as the twin accidents dented the country's image."

On winning back the generalised system of preferences (GSP) from the US, the commerce minister said Bangladesh would meet all the conditions by this March and send a report to the US in April.

Ahmed said the industries are not willing to contribute more than Tk 100 crore out of Tk 800 crore to be needed for setting up the proposed garment village in Gozaria, although the government is

giving the land.

Abdul Moyeen Khan, a senior leader of BNP and also a former minister, advised the garment makers to continue technological upgradation and structural transformation on their own.

Khan also said it baffles him how garment entrepreneurs make profit despite borrowing from banks at an 18 per cent rate of interest.

Bangladesh is the second largest garment exporter after China. Currently, China's market share is around 31 per cent of the total global garment market of \$450 billion, where Bangladesh's share is 5 per cent.

"There is a lot of space for further growth. We have to go through a significant transformation to tap the growth potential," said Mustafizur Rahman, executive director of CPD.

Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), acknowledged that the apparel sector has a significant deficiency in productivity.

He said the minimum monthly wage in Bangladesh is \$69, and the productivity of workers stands at 77 per cent. On the other hand, Vietnam pays \$78 as minimum wage while their workers' productivity is 90 per cent. The minimum wage and the productivity in Pakistan stand at \$79 and 88 per cent respectively.

"So we have no other alternative to upgrading the industrial process," he said, adding that the government should set a separate fund for technology upgrades.

Azam Mohammed, an additional commerce minister of Pakistan, said financial assistance is a must for technological upgrades.

He said Pakistan imposes a tax of 0.25 per cent on all its exports, with the fund being used for technology upgrades, human resource development and resolving infrastructures deficit.

Anwar-ul-Alam Chowdhury Parvez, a former president of the BGMEA, said regaining the GSP from the US and ensuring workplace safety are the biggest challenges for the garment sector.

He also criticised the inspection standards of international brands and retailers, saying if those are implemented, around 90 per cent factories will be shut.

Dirk Willem te Velde, head of programme at UK-based International Economic Development Group, and Khondaker Golam Moazzem, additional research director of CPD, also spoke.

Nokia mulls buying Juniper

REUTERS, Frankfurt

Finland's Nokia is considering buying U.S.-based network gear maker Juniper Networks to merge it with its unit Nokia Solutions and Networks (NSN), German online publication Manager Magazin Online reported, citing unnamed sources.

NSN Chief Executive Rajeev Suri travelled to the United States late last year to discuss with Juniper's management closer cooperation and a possible merger that would strengthen NSN's weak U.S. business, the online magazine said on Thursday.

Syndicated loans require benchmark interest rate: analysts

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A syndicated loan is one in which two or more banks (the syndicate of lenders) contract with a borrower to provide loans on common terms and conditions governed by a common document or set of documents.

Loan syndication most often occurs in situations where a borrower requires a large sum of capital that may either be too much for a single lender to provide, or may be outside the scope of a lender's risk exposure levels.

"Lenders' security requirement may decrease gradually as corporate houses improve their corporate governance practice and make a good credit history," said ASM Arif, senior vice president and head of structured finance division of United Commercial Bank.

Lenders should come up with more innovative solutions for project financing, Arif said, adding convertible bonds, for example, may be a good syndication option.

In many organisations, the agency unit is separated from the marketing unit, which sometimes disrupts services, said Mohammad Jahangir Alam, head of structured finance of The City Bank.

It has been observed that after the marketing unit sign a deal with a client, the agency unit sometimes does not cooperate like before, which delays fund disbursement, Alam added.

Development financial institutions require high standards of due diligence and IM, said Parvez Akhter, senior investment manager of DEG-KFW Office Dhaka, a German development financier.

"In order to bring international development financial institutions in local syndication, lead arrangers need to incorporate in-depth analysis of the business model and business prospect in the IM."

The investment promotion and financing facility cell at Bangladesh Bank has promised to extend their regulatory support in syndication financing, said Hosne Ara Shikha, deputy general manager of the central bank.

Public private partnership projects will bolster the syndication industry, but these require large funds, Shikha added.

Selim RF Hussain, managing director of IDLC Finance, said: "Risk sharing and meeting financial requirements in diversified sectors have been possible due to loan syndication."

"We at IDLC believe that there is more to loan syndication than just fund agreements and participations."

Organising the seminar is IDLC's endeavour to contribute to overall loan syndication and discover effective ways and processes that could lead to better



APOLLO HOSPITALS

Bhagwan W Kundanmal, chairman of STS Holdings, parent company of Apollo Hospitals Dhaka, attends the company's 17th annual general meeting on the hospital premises in Dhaka on Monday. Mohammad A Moyeen, director, was also present.

Shykh Seraj calls for fair prices for farmers

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He says, in the coming days his show would take up the issue of maintaining Bangladesh's degrading land fertility as an important agenda. "We must promote biocompost and vermicompost; excessive use of chemical fertilisers would not do."

Seraj, winner of prestigious Ekushey Padak and UN Food and Agriculture Organisation's AH Boerma Award, now plans to reach out to more farmers and their causes through the TV show. He had also presented another programme, Mati O Manush, on agriculture in the state-run Bangladesh Television since 1982.

"When we launched Hridoye Mati O Manush on February 21, 2004, the context was very different from that in the 1980s. We took up issues like marketing of farm produces, farmers' empowerment, and linking the urban youths to agriculture," Seraj says.

He made and telecast programmes on farmers' Eid, dialogue with policymakers

and researchers, familiarising farming with the urban and educated youths, and introduced Channel i Agriculture Award.

Though the farm sector has drawn substantial attention in the past few years, farmers' failure to get fair prices remains a major concern, Seraj says.

"This is because middlemen at different levels eat up the major share of their profits. Also, we do not have adequate storage facilities for vegetable growers," he says.

Seraj calls for setting up a 'price commission' for farmers and building storages across the country through the engagement of both public and private sectors. In a bid to assist farmers in offsetting the impacts of climate change, he would help speed up farm extension work through the TV show.

Another concern of Seraj is a lack of coordination among different stakeholders within the government in mitigating farmers' woes.

About the recent supply glut of potato and its falling prices, he says, "We don't see much

Mozena slams defiant garment owners

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Mozena specifically mentioned of the hiring of 200 new inspectors, establishing and utilising a publicly accessible database that will post the results of all inspections and the status of efforts to address identified shortcomings, implementation of the 2006 and 2013 reforms to the labour law and extending them to the factories at the export processing zones.

He is hopeful that "much further progress will be made on all of these fronts" before the April 15 deadline for submitting input for the next review of Bangladesh's claims for trade privileges to the US market, suspended on June 27 last year by the Obama administration.

"I believe the darkest, darkest clouds of the Tazreen Fashions fire and Rana Plaza building collapse do have a silver lining. I believe

that from those tragedies will come transformation of the Bangladesh readymade garment industry," he said, while citing the remedial steps taken in the last nine months.

About the workers' right to freely associate, one of the chief demands of the international community, he said: "Workers are increasingly organising themselves in unions, real unions that represent genuinely the interests of the workers."

Between 2011 and 2012, only two unions were registered by the government, but in 2013 and so far this year, around 100 unions have been done, he said.

"I hope that the pace of union formation will accelerate and that there will soon be hundreds and hundreds of unions that will provide workers an organised voice so workers can partner with the owners to the benefit of the entire sector."

Go for new tools to boost farm sector: analysts

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Agriculture was used only to ensure food security, he said. He gave examples from Denmark that transformed its agriculture sector as an economic growth driver.

"Agricultural marketing has not been prioritised, while investment in the area is insignificant."

Government investment in fisheries and livestock is also low, he added. "In fisheries, we can become a global leader."

M Osman Farruk, a former education minister, said, "We need a quantum jump in agricultural production function." He also emphasised the cultivation of higher value crops.

Stephen Wiggins, a research fellow of Agricultural Development Policy at Overseas Development Institute UK, said rapid growth in agricultural productivity is possible.

"Agricultural growth in low income countries is most effective in reducing poverty and hunger."

Quazi Shahabuddin, a professorial fellow at Bangladesh Institute of Development Studies, said, "The agriculture sector has already gone through a major transformation."

He stressed the need to increase productivity of livestock and fisheries at a rate that is greater than the demand growth.

MM Akash, a professor of economics at Dhaka University, said progress

made through a green revolution has already reached its frontier.

New types of technologies, including seed varieties, are needed to boost agricultural production, he added.

Planning Minister AHM Mustafa Kamal said Bangladesh has lost farm lands due to urbanisation and other reasons in the past decades.

The government plans to initiate projects where four-storey buildings will be built in villages to house families that he said would curb reduction in agricultural lands.

Amenities, such as parks, markets, schools and other facilities, will be set up in a way that farm lands are available for cultivation, he added.

Referring to plans to establish compact townships in rural areas, Sajjad Zohir, a research director of Economic Research Group, stressed the need for digitisation of land records.

Prof Md Rafiqul Hoque, vice chancellor of Bangladesh Agricultural University, Mymensingh, said changes need to be brought about in agriculture, including mechanisation.

On the losses incurred by potato growers for falling prices, he called for policy support to growers.

"This is a burning issue," he said. "Farmer will refuse to grow potato next year."

CPD Executive Director Mustafizur Rahman stressed the need to prepare Bangladesh's agri-