

Lotto focuses on design innovation to grab market

Competition has shaped the shoe market in Bangladesh, says MD of Express Leather Products, the licensee of the Italian brand

SHUVASHISH ROY

IN an era when users' preferences dictate what features are to be incorporated in any product, logical thinking in the product-designing phase leads to successful brands, said Kazi Jamil Islam, managing director of Express Leather Products.

Lotto Sport Italia's Twist'ngo soccer shoe is one such example, he said. It is the first time a pivoting stud has been used that allows it to enhance the athletes' performance and reduce the risk of injury, he added.

Lotto has been operating in Bangladesh since January 2011 through a licensing agreement with Express Leather Products for the production, distribution and retailing of footwear, accessories and apparel.

Islam believes that the entry of brands like Lotto has shaped the footwear market in Bangladesh by bringing in competition. The introduction of tennis shoes and boots by Lotto inspired market leaders to come up with new product lines, he said in an interview.

Although Lotto is focused on sports accessories, the brand has become a part of people's lifestyle, he added.

"A successful job life now is not only an outcome of talent but also a blend of unleashing your inner self with the external splendour of how smartly you represent yourself through your clothes and appearances," said Islam, who has experience working at James Finlay, Novartis and Bata.

Lotto cares for people and thus it works to continuously innovate and match people's lifestyles, the corporate manager-turned-entrepreneur said.

Lotto has introduced Lotto Works -- the European standard shoes that prevent workplace accidents. This is an example of innovation that addresses job satisfaction of people working in heavy industries and garments, he said.



Kazi Jamil Islam

Lotto has 95 retail outlets across Bangladesh and the number may reach 200 within next year, added Islam, who holds an MBA from the Institute of Business Administration, University of Dhaka.

Islam said product lines here come with scientific formulas, focusing on every detail. The Lotto retail channel management includes regular open-to-buy planning that provides guidance on how much to buy and benchmarks for evaluating progress, thus adjusting future plans. He suggested new local retailers follow structured sales processes to be more successful.

Retail branding can create huge customer satisfaction and plays a vital role in purchasing decisions, Islam said.

He thinks facilities such as free Wi-Fi, a cozy sitting arrangement and light music to set the mood act as catalysts and eventually give customers a comfort zone.

A relaxed environment for product selection will lead the brand to have loyal customers, he said.

"Cost is a fact, price is a policy," Islam said, describing their pricing policy.

Lotto outlets carry a variety of products in different price ranges to meet the needs of different people, he added.

"I have products for both students and corporate employees, because one day, a student who is currently buying a value for money product, might go for a premium product after getting a job."

He describes his success mantra as 'honesty and hard work'. Hard work has no substitute, said Islam, who turned a Tk 15 lakh startup into a Tk 100-crore company.

The interviewer is strategic project planner of business development at The Daily Star.

Russian banking system in a safe place: central bank

AFP, Moscow

Russia's central bank chief insisted Monday that the country's beleaguered banking system is out of danger after being battered by the economic crisis rocking the country.

"The situation in the banking system is by and large a mirror for what is happening in the economy," bank head Elvira Nabiullina told President Vladimir Putin at a meeting.

"Of course, external events have had an impact on the development of the banking system. But in general, indicators show that it is in a safe place, that the banking system is stable."

Russia entered its worst financial crisis of Putin's 15-year rule in December as plummeting oil prices and Western sanctions over the conflict in Ukraine sent the economy into a nosedive.

A sharp plunge in the ruble spurred Russians to withdraw funds for conversion into foreign currencies, and threw huge corporate debt repayments into doubt.

The central bank hiked interest rates

sharply to curb the ruble's fall, stifling new lending and ramping up the rate of unpaid debts.

Authorities were then forced to close down dozens of banks judged to be too fragile, while major lenders suffered losses or eroded profits.

Nabiullina said that after several months of losses the banking sector as a whole had returned profits of some 51 billion rubles (\$794 million, 724 million euros) in the first half of 2015.

The figure is way down on the profits of 600 billion rubles (\$9 billion, 8.5 billion euros) at the current rate) in the 12 months of last year, and 1 trillion rubles (\$15.5 billion, 14.2 billion euros) in 2013.

The banking sector profited from a rebound in the ruble in the spring that allowed the central bank to cut back its rates and moved Russian officials claim the worst of the crisis had past.

A recent renewed slump in the ruble on the back of falling oil prices has seen the currency fall to its lowest point against the dollar since February, highlighting how fragile the situation remains.

Xiaomi ties up with Taiwan's Foxconn to assemble smartphones in India

REUTERS, Mumbai

China's Xiaomi Inc has tied up with Taiwan's Foxconn to start assembling phones in India, seeking to cut costs and grab a bigger slice of the world's third-largest smartphone market.

It is another key win for Prime Minister Narendra Modi's efforts to turn his country into a manufacturing powerhouse with his "Make in India" campaign and comes on the heels of a separate announcement by Foxconn to invest \$5 billion in an electronics manufacturing facility.

A lack of good infrastructure and suppliers have hampered efforts to manufacture smartphones in the country, forcing most of India's more than 100

different phone companies to obtain their products from China and Taiwan.

An assembly line in the southern state of Andhra Pradesh will, from Monday, begin rolling out Xiaomi's first locally made smartphone, the Redmi 2 Prime, company executives said.

The Indian market, which Xiaomi entered in July last year, has fast become its second-largest market as the company's low-priced, feature-rich phones find favour with young and cost-conscious customers.

In the April-June quarter, Xiaomi ranked seventh in terms of smartphone shipments in India - a segment that is dominated by Samsung Electronics Co Ltd and India's Micromax Informatics Ltd, according to Counterpoint Research.



Women buy vegetables at a market on the outskirts of Phnom Penh. The Asian Development Bank predicts Cambodia's economy will grow 7.3 percent in 2015, underpinned by well-managed inflation, a stable exchange rate and competitiveness.

Gazprom net profit jumps 71pc

AFP, Moscow

Russian gas giant Gazprom said Monday its net profit surged 71 percent in the first quarter as a weak ruble compensated for declining sales and lower energy prices.

The net profit of 382 billion rubles (\$5.9 billion) compared with 223 billion rubles in the first quarter of 2014, the company said in a statement.

Gazprom acknowledged that the result was partly attributable to the "increase in average prices in ruble terms". Most of Gazprom's costs are in the battered Russian currency, while most of its revenues are in dollars or euros.

The ruble lost nearly half its value in 2014 but slightly recovered after energy prices stabilised. A recent slump in energy prices, however, last week saw the Russian currency hit its weakest level against the dollar since February.

The profit figure exceeded analysts' predictions averaging 347 billion rubles for the January-to-March period, Interfax news agency reported.

But while sales revenues were up, Gazprom's operating profits dropped by 3.0 percent to 459 billion rubles and sales volume was down 10 percent to 132.3 billion of cubic meters (bcm).

Russia's economy has slumped into recession on the back of lower oil prices and Western sanctions over the Ukraine crisis.

The country's economy ministry said last month it expected Gazprom's production to drop to 414 billion bcm this year, which would be an all-time low.

Gazprom has recently encountered difficulties with some of its partners, including conflict-hit Ukraine.

In June, Kiev suspended purchases of Russian gas from the company in the latest pricing dispute.

Oil prices fall on oversupply fears

AFP, Hong Kong

Oil prices fell in Asian trade on Monday, extending weeks of losses after a US report stoked expectations of a global glut.

US benchmark West Texas Intermediate (WTI) for September delivery was at \$43.76, down from \$43.87 on Friday in New York -- its lowest close since March 17.

Brent crude for September was trading at \$48.50 after ending at \$48.61 on Friday.

"It's still a supply story," Jonathan Barratt, chief investment officer at Ayers Alliance Securities, told Bloomberg News.

"There is not a lot of upside for oil."

Concerns about a global supply glut were stoked on Friday when Baker Hughes said the number of US drilling rigs rose for the third straight week.

The count rose to 670, the oilfield services firm reported, just days after the US government reported an increase in oil production in the world's top consumer.

Back to the future: Nokia prepares for mobile comeback

REUTERS, Frankfurt/Helsinki

NOKIA is hiring software experts, testing new products and seeking sales partners as it plots its return to the mobile phone and consumer tech arena it abandoned with the sale of its handset business.

Once the world's biggest maker of mobile phones, the Finnish firm was wrongfooted by the rise of smartphones and eclipsed by Apple and Samsung. It sold its handset business to Microsoft (MSFT.O) in late 2013 and has since focused squarely on making telecoms network equipment.

Now Nokia boss Rajeev Suri is planning a comeback. He must wait until late 2016 before he can consider re-entering the handset business - after a non-compete deal with Microsoft expires - but preparations are underway.

The company has already dipped its toe into the consumer market; it has launched an Android tablet, the N1, which went on sale in January in China and days ago unveiled a "virtual-reality camera" - heralding it as the "rebirth of Nokia".

It has also launched an Android app called Z Launcher, which organizes content on smartphones.

Meanwhile its technologies division has advertised on LinkedIn dozens of jobs in California, many in product development, including Android engineers specializing in the operating software Nokia mobile devices will use.

Nokia had also planned to lay off about 70 people at the division, according to a May announcement, but a company source told Reuters that the figure had since been halved.

Nokia itself is not giving much away about its preparations, beyond saying some staff at the 600-strong technologies division are working on designs for new consumer products, including phones, as well as in digital video and health.

But it will not be easy to claw its way back to relevance in the fast-changing, competitive mobile business where Apple has been scooping up nearly 90 percent of industry profits, nor for it to carve out a place in electronics.

One ace Nokia that holds is ownership of one of the mobile industry's biggest troves of intellectual property, including patents it retained after selling its handset business. It does not want to waste such resources, built up with tens of billions of euros of investment over the past two decades.

It will also get an injection of talent when it completes the 15.6-billion-euro (\$17 billion) acquisition of Alcatel-Lucent, announced in April, in the form of Bell Labs - a U.S. research centre whose scientists have won eight Nobel prizes.

It says it will not repeat the mistakes of the past of missing technology trends, being sad-



The Nokia headquarters are seen in Espoo, Finland.

dled with high costs, and reacting too slowly to changing consumer tastes.

To blunt such risks, it is seeking partners for "brand-licensing" deals whereby Nokia will design new phones, bearing its brand, but - in exchange for royalties - will then allow other firms to mass-manufacture, market and sell the devices.

This is stark contrast to its previous handset business which in its heyday manufactured more phones than any other company in the world and employed tens of thousands.

Suri said last month that Nokia aimed to re-enter the mobile phone business, but only through such licensing agreements. It will not fall back on the "traditional" methods, said the CEO, who took the helm last May and has turned it into a slimmed down, more profitable company. He sold off its mapping business a week ago.

Such brand-licensing deals - as Nokia has struck for the N1 tablet - are less profitable than manufacturing and selling its own products, but also less risky. They can add a tidy sum of revenue for little investment for the company, which generates the bulk of income from selling telecoms network equipment to operators like Vodafone and T-Mobile.

"They want to be innovative and seen as a company with long-term vision in the (tech) industry and having a foot in devices plays into this impression, even if it's not bringing massive revenue at the outset," said Gartner analyst Sylvain Fabre.

Brand-licensing models are not new in the industry; European companies like Philips and Alcatel have made money from consumer electronics by licensing out their brand after

capitulating to Asian competitors more than a decade ago.

But given the crop of newcomers like China's Xiaomi and India's Micromax, it may not be possible for Nokia to reproduce even the minor successes that Philips and Alcatel were able to achieve by renting out their brand.

With advances in contract manufacturing and standardization of software, components and features like touch-screens, it is also easier than ever for companies to outsource everything to produce lookalike phones.

"We only see this competitive pressure intensifying in coming years," said CCS Insight mobile analyst Ben Wood. "Barriers to entry in the handset market are lower than ever and almost anyone can enter the smartphone market."

The strength of the Nokia brand - crucial to the success of such licensing deals - is also open to debate.

The company says its brand is recognized by four billion people. But, after being consistently ranked as one of the world's top-five brands in the decade up to 2009 according to market researcher Interbrand, it has since nosedived and now looks set to disappear from top 100 lists.

"A brand is quickly forgotten if it is absent from the consumer business," said former Nokia executive Anssi Vanjoki, a professor at Finland's Lappeenranta University of Technology.

"The brand will not help much if the product is similar to what is already being sold out there. But if there is something new and interesting to it, the old heritage may be helpful."