

Western Union optimistic about Bangladesh's digital future

Official says BB heist incident should be taken as a lesson

MD FAZLUR RAHMAN

WESTERN Union, the leader in global payment services, is optimistic about Bangladesh's digital future as many sectors of its economy are embracing modern technologies, said a top official of the company.

"We would not have launched the international remittance services in Bangladesh had we not believed in the ongoing digitalisation process in the country," said Jean Claude Farah, president for Middle East, Africa and Asia Pacific at Western Union.

Farah was recently in Dhaka to roll out an international remittance transfer service in association with bKash and MasterCard.

With the tie-up, migrant workers will now be able to directly send remittances to the 22 million bKash users.

"We can only be optimistic about its future as the country has eight million migrants abroad, and earns \$15 billion in remittances with its GDP growing by more than 6 percent a year," he told The Daily Star in an interview.

"I think it's a revolution in the money transfer industry."

Previously, people from around the world could send money to Bangladesh either in cash or someone's bank account through Western Union.

The new move will make life easier for about eight million Bangladeshis living abroad by helping them send money to their beneficiaries in Bangladesh with ease, said Farah.

He said Western Union is, thus, a part of the government's vision for a Digital Bangladesh. The company started its operations in Bangladesh in 1994.

Although it has presence in 13,000 locations in Bangladesh, it does not have a huge coverage in the rural areas, because the institutions and banks it works with do not have a strong footprint in those far-flung areas.

Thanks to the remittance service, customers can now either cash out the money via 120,000 bKash agent locations across the country, or utilise the account balance to make person-to-person fund transfers, top up mobile airtime, pay bills and buy goods in shops.

Farah did not give a figure on the amount of remittance that enters Bangladesh through Western Union, but said, with the new tie-up, the market share will increase drastically.

Bangladesh is the eighth largest recipient of international remittance in the world, and received \$15.31 billion last fiscal year.

Rural areas receive 40 percent of the remittance flowing into Bangladesh, and it is mainly used for healthcare, education, food and housing.

"Remittance entering Bangladesh is well-poised to grow. The more you provide solutions and choices to customers, the more chances you will have to grow faster."

The service will particularly benefit the people who live in rural areas, who have limited access to formal banking channels. The bank account penetration rate in Bangladesh is about 18 percent.

"Being able to offer international money transfers into mobile phones in a nation that has a greater penetration of mobile phones than bank accounts is central to facilitating financial inclusion."

Globally, Western Union has



Jean Claude Farah

more than 500,000 agent locations, and 100,000 ATMs and kiosks in over 200 countries and territories. It moved more than \$150 billion in 2015 for consumers and business clients.

Its revenue grew 3 percent year-on-year in 2015. The company's margin is about 20 percent. "This is unheard of in the industry."

Farah, who joined Western Union in 1999, said they are providing what the customers have been asking for, and those are mobile wallet and digitisation.

Bangladesh is one of the first markets where mobile wallet was launched.

Farah, a migrant himself, said Western Union works and operates where migrant workers live.

He said the company provides its customers with competitive exchange rates. In case of cross-border remittance service, senders will have to pay the fees.

He also talked about the recent cyber heist of Bangladesh Bank funds.

"What happened to Bangladesh Bank is not an isolated case. This has happened before in the world. I don't know why people are blowing it out of proportion. You just have to pick yourself up and make sure that you look at the incident as a lesson, and strengthen your operating procedures to avoid such a situation in the future."

"Fraud does happen. The most important thing is how quickly you can react to it and how quickly you can prevent it from happening again."

Farah said there are 10,000 employees at Western Union. Of them, 2,500 are in the compliance department. It invests \$200 million every year in compliance.

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Online trading opens a new era of cost saving, transparency

SUJAN CHOWDHURY

OVER the past few years, conventional physical trading has taken a back seat and online trading has been gaining ground in what is now the new era of business. The global business scene has flourished online. Classifieds, e-commerce, hotels, superstores and airlines -- almost all products and services -- are now accessible online. The fast pace of life, consumers' impatience and the immediacy of every deal by buyers and sellers redefined the practices of trade and commerce.

This global phenomenon has also touched the business scene in Bangladesh, and just in the last five years B2C interactions have begun a paradigm shift, moving from conventional methods to online means.

Urban Bangladesh is trading everything on the net -- lands to apartments to cars to fashion and lifestyle products to groceries. Revenue from e-commerce is hitting promising numbers: Tk 300 crore a year. Industry analysts project significant growth in five years. But B2B trading here is yet to adopt the online platform widely.

Let's understand the need for a stronger B2B online business platform.

Take a look at "Situation A" from a buyer's point of view: a business conglomerate is trying to buy raw materials for its production. In most cases, raw materials will be sourced through a manual process of tendering with its enlisted suppliers followed by another round of interaction for pricing quotes and queries and then the selection of the supplier who would be given the job.

Look at the other side, from a seller's point of view. A new supplier has imported a potentially good product required for the garment industry. How is it going to penetrate its core TG and convey its product availability to them? Generally, the marketing team of the company will be pushing its limits to set up meetings with potential clients they have access to and then spend endless hours to find ways of penetrating new potential clients.

Both the scenarios raise a few questions. The conventional business model comes with a bundle of uncertainties, lack of

transparency, corruption, drainage of financial resources, loss of time and inefficiency. Why would you want all of this when you can do away with it?

For buyers, an online platform needs to give them access to a big basket of verified sellers, to provide a greater variety of options to choose from and simplify procurement and tendering activity by reducing the needed time and effort. In addition, the platform needs to facilitate buyers with information on ratings of suppliers, generate automated comparative statements from received quotations, and let buyers coordinate the sourcing activity from anywhere, anytime without any political or environmental or transportation barrier.

On the other hand, for sellers, a platform needs to give sellers exposure to new buyers and conduct business with the companies that were previously inaccessible, bring the buyers into one marketplace from all over Bangladesh and thus give the platform to sellers to do business with a large customer reach and provide accessibility to sellers to promote and sell products into a greater marketplace with countrywide coverage. For sellers, the online platform shall keep them connected to customers and the market to judge current requirement trends and demands as well as provide an opportunity to operate business without any physical presence and save on time, effort and costs.

Under the strong digitally enabled operation vision of the government for every sector, it has put emphasis on the process of e-tendering across its ministries and operational bodies, and the execution is already underway. So it is time for the private sector to adopt similar online tendering and sourcing processes for increasing business productivity.

Bangladesh has a robust pool of tech brains, which makes us confident that a B2B online platform for buyers and sellers may be just around the corner or may already be here, waiting for the spotlight. We need our very own Alibaba, tailor-made for our B2B needs.

The writer is the director for planning and investment management at MediaAxis, an affiliate of Aegis Dentsu network.

China economy eases in April, sparking worries on rebound



A customer counts her money as she purchases vegetables at a market in Beijing.

AFP, Shanghai

CHINA'S key economic indicators moderated in April from the previous month, official figures showed on Saturday, raising worries over the strength of a rebound in the world's second-largest economy.

Industrial output rose 6.0 percent year-on-year in April, the National Bureau of Statistics said, down from a 6.8 percent jump in March. Economists had estimated a 6.5 percent increase, according to Bloomberg News.

"Industrial production was lower than expectations, indicating that the stabilisation momentum for the economy is not as strong as we imagined," Liao Qun, China economist at Citic Bank International in Hong Kong, told AFP. "There was a strong economic rebound in March, so there was a bit of a correction in April," he said.

The Chinese economy grew at its slowest quarterly pace in seven years in the first three months of the year, expanding 6.7 percent, though the figure met market expectations and raised hopes it had started to improve.

Policymakers are seeking to wean China away from cheap exports and government-led investment to rely on domestic consumers as the key driver for growth in the

world's most populous country.

Separately, retail sales -- an indicator of domestic consumption -- rose 10.1 percent on the year in April, the bureau said, weaker than the 10.5 percent gain in March.

Fixed-asset investment, a gauge of government spending, rose 10.5 percent in the January-April period, it said. That was slower than the 10.7 percent rise in the first three months of the year.

Chinese officials say they are willing to accept slower growth to carry out structural reforms to retool the economy.

The People's Daily newspaper, considered to be the mouthpiece of the ruling Communist Party, on Monday quoted a source as sounding a warning over using credit to drive growth.

China was likely to have an "L-shaped" growth pattern, suggesting it will remain flat, the "authoritative person" said.

The Asian giant's economy grew 6.9 percent for all of last year, its weakest in a quarter of a century. Premier Li Keqiang in March set a growth target in a range of 6.5-7.0 percent for 2016.

The government has cut interest rates six times since late 2014 and also lowered reserve requirements -- the proportion of funds banks must put aside -- to boost the economy.

US retail giants feel pain as online shopping hits

AFP, New York

ICONIC American stores Macy's and GAP are facing tough questions about their future following dreary earnings announcements this week that highlighted the growing market share taken by online retailers.

Conventional retailer profits are falling as fewer shoppers head to malls in favor of click-and-buy options offered by Amazon and a trove of emerging online fashion vendors. The trend is all the more striking because retailers see good conditions in the economy for consumers, including strong employment levels.

"We're frankly scratching our heads," Macy's chief financial officer Karen Hoguet, told an analyst conference call. "We see the same economic data you all see and it would point to a customer that would be spending more."

In the first four months of 2016, all online retail sales rose 8.1 percent over a year ago, compared with just 1.9 percent growth in clothing stores, according to the Commerce Department.

"We're seeing a fundamental reorganization of retail from an automobile-centered model to a smartphone-centered model," said Andy Dunn, chief executive of Bonobos, a nine-year old men's apparel store that does most of its sales online.

"We're seeing a tremendous shakeout as we see online grow and offline contract," Dunn said.

Still, he added, "I don't think we're moving to an online-only world."

In women's apparel, rising online players include websites like Wanelo, which "curates" products from 550,000 vendors and doubles as a social network for shoppers.

There are specialty sites for plus-sized women, such as Eloquii, and for consumers focused on sustainable manufacturing, such as Reformation.

There are also fashion websites that combine editorial and selling functions, such as WhoWhatWear, part of the Clique Media Group, which boasts 12 million unique monthly visitors.

"People are now realizing they have more options," said Chris Morran, deputy executive editor Consumerist.com. "I don't see any of the (newer) companies replacing GAP, but I see them all chiseling way."

Shoppers say the online experience is greatly improved from just a few years ago,



Clothes are on display at a GAP retail store in Manhattan, New York on Friday.

with sellers permitting returns and sometimes paying for the shipping of items that don't fit. More online vendors lets shoppers easily compare items and prices as well.

"It's not only that you don't have to leave your house, it's that you don't have to walk around," said one forty-something professional mother of two. "It's very efficient."

Men's fashion too is experiencing seismic shifts. Gone are the days when department stores could rely on a captive audience to buy button-down shirts for the office. Boutique stores like Thomas Pink and Charles Tyrwhitt boast a multitude of fits for different body types that can be bought online once a consumer knows his size.

Bonobos, which began as an online-only men's store in 2007, began adding small showrooms in 2011 to display product and let customers get fitted.

"The store piece of what we do is really profitable," Dunn told AFP. "But you want the right sized store footprint and you want to be fully integrated with online."

But online earnings remain constrained by factors that include high shipping cost and bruising competition. Profit margins in brick-and-mortar stores remain about 10 percent compared with seven percent online, said Credit Suisse.

However, as shipping costs decline and rent and other infrastructure weigh on traditional stores, "brick-and-mortar" stores will be the ones to suffer, Credit Suisse said. That means more retail stores are likely to close.

Nordstrom, which reported earnings Thursday that badly lagged analyst expectations, said it will emphasize a buyer loyalty program and exclusive merchandise. It is also beefing up e-commerce.

"We're seeing a transformation in our business model," said chief financial officer Mike Koppel. "We continue to see traffic falling off in malls, and how we think about our store base asset will probably require some level of adjustment."

Macy's, which announced in January plans to close 40 stores, is emphasizing store-within-store ventures intended to appeal to millennials, such as the off-price Backstage and the beauty-and-spa Blue Mercury stores.

Macy's Hoguet said the 186-year-old retailer is "always evaluating" its fleet of 870 stores for potential closures.

GAP, which a year ago announced plans to cut 175 namesake stores in North America, pledged renewed focus to streamline its operations and whittle its presence internationally to the most promising markets.