Bata to keep expanding in Bangladesh

Says a top official

Refayet Ullah Mirdha

THANKS to steady economic development and higher incomes of people, Bangladesh has turned into a lucrative market for multinational retail companies, said Rajeev Gopalakrishnan, president of the Asia-Pacific region of Bata.

"Many global companies that manufacture high-end shoes, sports items, garments and food items are opening their retail outlets in Bangladesh targeting the rising young customers," he said.

Gopalakrishnan was in Dhaka last week as Bata opened its first sneaker outlet – B-sneakers – on the Gulshan Avenue, to cater to the country's young people.

"This is the happiest moment for us. This is the first sneaker outlet of Bata worldwide. This is the test case for Bangladesh."

"We will open a lot of such outlets in Bangladesh in near future," he told The Daily Star in an interview.

The multinational shoe company has been serving the local customers since 1962. Currently, Bata Shoe Company (Bangladesh) Ltd operates two manufacturing facilities – one in Tongi and the other in Dhamrai.

With a production capacity of 160,000 pairs of shoes daily, its annual sales stand at about 30 million pairs, according to the company's website.

The turnover of Bata Shoe Company (Bangladesh) stood at Tk 459 crore in the first half this year and it made a profit of Tk 28 crore, data available about the company on the website of the Dhaka Stock Exchange (DSE) showed.

Gopalakrishnan also talked about the future of retail business in Bangladesh and future plans of Bata in the country.

Rajeev Gopalakrishnan

"Bata has been in Bangladesh for many years and investing in its own manufacturing units. A huge amount of money will be invested in Bangladesh by Bata in near future."

The company is targeting the younger population to keep up the growth momentum.

"Young people are travelling abroad and have access to the internet. They know what is happening around the world. Most of them prefer sneakers to formal shoes," he said.

Sneaker use grows five times more than black and brown formal shoes. "That means everybody is moving to sneakers for use in offices and at everywhere," Gopalakrishnan said.

Bata is the lone franchisee of internationally renowned brands such as Adidas, Nike, Hush Puppies, and Skechers in Bangladesh. It has its own sneaker brands, namely Power and North Star.

"We have 300 lines of sneakers in the shop. This is the first venture. I am sure the youngsters will come and enjoy the sneakers," he said, adding that the population aged 15 to 25 years is the targeted customers for B-sneakers.

The sneaker market is growing in Bangladesh as well, he said.

Gopalakrishnan holds a bachelor degree in mechanical engineering from the University of Kerala and has had a successful run at Bata which started more than 26 years ago.

He is upbeat about the robust growth of the retail market in Bangladesh in the coming days. The retail marketing is growing on the back of economic growth.

Bangladesh is one of the world's fastest growing economies. The economy has nearly tripled in the last decade and continues to grow at around 8 percent per annum, driven by strong domestic demand, private consumption and exports.

"Retail is evolving in Bangladesh. In the next five years, a lot of retail brands will come to the country," Gopalakrishnan said.

International retailers are opening outlets at prime shopping malls to sell shoes and garment items.

Bata grew substantially in the country last year, he said, without giving any specific number.

Gopalakrishnan said the shoe market is growing in Bangladesh. Bata holds the majority of the market share, at 40 percent.

Since July 2019, Gopalakrishnan has been leading the Asia-Pacific region in the capacity of president.

A listed company on the DSE, Bata has a very good reputation and has been paying more than 300 percent cash dividend since 2015.

Fiscal stimulus needed to revive India's stuttering economy: analysts

Reuters, *Mumbai*

INDIA has depended on monetary policy to support its economy growing at its slowest pace in six years but the government must now deploy more direct fiscal stimulus or risk a long period of stagnation, analysts and experts say.

Growth in Asia's third-largest economy has been hit by weak consumer demand and slower government spending amid pressures from the Sino-US trade war, and more recent economic data suggests growth could fall further.

The central bank has already chopped 135 basis points off its key lending rate, but this has failed to spur demand.

In an opinion piece in The Hindu newspaper on Monday, former Prime Minister Manmohan Singh - the architect of the liberalization of India's economy - wrote the government needs to "act quickly to restore consumption demand through fiscal policy measures since the impact of monetary policy seems muted."

He warned the economy risks stagflation - high inflation combined with stagnant demand and high unemployment - if it fails to act.

Other economists agree. "It's not a question of debate, it has now become imperative," said Rupa Rege Nitsure, chief economist at L&T Financial. "We need to keep aside all other considerations and work in the interest of growth."

While the government has announced various sector-specific measures and a cut in corporate taxes, economists note it has not directly addressed the widespread weakness in consumption demand - the main economic driver in recent years.

Economists and analysts say it is time to loosen the purse strings and let the fiscal deficit climb above the targeted 3.3 percent until the economy is back on its feet.

Subsequently, calls are growing for direct cash transfers to the rural economy and even cuts in income taxes to boost demand.

Large fiscal stimulus has in the past lead to a spike in inflationary pressures, but economists say consumer price inflation has stayed within the central bank's mandated 2 percent-6 percent range.

Annual retail inflation rose to 4.62 percent last month, breaching RBI's medium term target of 4 percent for the first time in 15 months but core inflation fell sharply suggesting the rise is likely a blip and not broad-based.

Investors step up pressure on global energy watchdog over climate change

Reuters, *London*

FATIH Birol, the head of the International Energy Agency (IEA), faced renewed pressure on Monday to overhaul the organization's influential projections for fossil fuel demand from investors and scientists concerned about climate change.

Pension funds, insurers and large companies were among 65 signatories of a joint letter to Birol, seen by Reuters, urging him to do more to support the implementation of the 2015 Paris Agreement to avert catastrophic global warming.

"The year 2020 marks a turning point for the world — the year when we either grasp the challenges and opportunities before us, or continue delaying and obstructing the low-carbon transformation," the letter said.

The letter represented the first coordinated response by investors, scientists and campaigners pushing Birol to rethink the Paris-based organization's flagship annual outlook since the latest edition was launched on Nov. 13.

Known as the World Energy Outlook, the document, which runs to hundreds of pages, helps shape expectations in financial markets over how quickly the world could transition from a fossil fuel-dominated energy system to cleaner sources of power.

Since the start of this year, various networks of institutional investors, asset owners, scientists and climate advocacy groups have been urging Birol to change the way the report is produced and presented.

These critics argue that a revised approach could help unlock faster investment in renewables and better identify possible risks to the value of oil, gas and coal companies posed by the prospect of rapid action to cut greenhouse gas emissions.

The IEA made several changes to the last edition of the outlook, including providing what officials describe as a more "stringent" scenario showing how the world could fully achieve the goals of the Paris agreement than in the previous edition.

In interviews with Reuters this month, Birol and other senior IEA officials argued that the criticism of the outlook was misplaced, saying it was based on misunderstandings of how its scenarios work and what they aim to demonstrate.

Birol also emphasized that the IEA's wide-ranging work on topics from energy efficiency to offshore wind played an important role in boosting international efforts to tackle climate change.

Nevertheless, in the letter, sent on Monday, signatories described the new elements in the latest outlook as "minor improvements" that should not be mistaken for delivering "urgently needed substantial changes."

The signatories said they wanted the IEA to produce what they would consider a "fully transparent" scenario showing how the world could meet the most ambitious Paris accord goals.

That would include reliably limiting the rise in average global temperatures to 1.5 degrees Celsius above pre-industrial times without banking on early stage technologies to suck carbon from the air, and reaching net zero carbon emissions by 2050.

The signatories want their vision for what would qualify as such a scenario to be the centrepiece of the next outlook.

Samsung farms out more phones to fend off rivals

REUTERS/FILE

Samsung Electronic's Galaxy A90 is seen on display at a Samsung store in Seoul.

Reuters, *Seoul*

SAMSUNG'S plan to outsource a fifth of its smartphone production to China next year may help it compete with low-cost rivals such as Huawei and Xiaomi but it's a strategy fraught with risks, people with familiar with the move said.

Samsung Electronics, which shut its last in-house Chinese smartphone factory in October, is quietly moving production of some Galaxy A models to contractors such as Wingtech, which are little known outside China.

Samsung has been coy about the volumes involved but sources said the South Korean tech giant plans to ship some 60 million phones made in China by so-called original design manufacturers (ODMs) next year out of a total of about 300 million devices.

Wingtech and other ODMs make phones for multiple brands - including Huawei, Xiaomi and Oppo - giving them the economies of scale to keep costs down, and the nimble contractors can develop and produce new budget phones quickly.

Critics of Samsung's strategy say it risks losing control of quality and undermining its manufacturing expertise by outsourcing, and may even help rivals by giving contractors the extra volume they need to lowers costs further for all.

Samsung can ill afford another quality crisis. It scrapped its flagship Galaxy Note 7 in 2016 after reports the expensive phones were catching fire and delayed the launch of its folding phone this year after screen defects were identified.

But with margins razor thin for budget smartphones, people familiar with Samsung's strategy say it has little choice but to follow rivals and use Chinese ODMs to shave costs.

"This is an inevitable strategy rather than a good strategy," a source with knowledge of Samsung's Chinese operations said.

Samsung said in a statement to Reuters that it has been making limited lines of smartphones outside its own plants to broaden its existing portfolio and "ensure efficient management in the market". It declined to say how many Samsung phones are made by ODMs and said future volumes had yet to be determined.

Wingtech did not respond to a request for comment.

Research firm Counterpoint says ODMs can procure all the components needed for $100-$250 smartphones for 10 percent to 15 percent less than major brands with their own factories in China.

One supply chain source said Wingtech can get some parts for up to 30 percent less than Samsung Electronics pays in Vietnam, where it has three factories churning out smartphones, TVs and home appliances.

Wingtech started making tablets and phones for Samsung in 2017, accounting for 3 percent of its smartphones. That's expected to hit 8 percent, or 24 million units, this year, according to IHS Markit.

Samsung's outsourcing plans involve its lower and mid-range Galaxy A series, with Wingtech having a hand in both design and production, sources said. The A6S, one of the models to be outsourced, costs from 1,299 yuan ($185) in China.

The Wingtech phones will mainly go to Southeast Asia and South America, one source said. Samsung is gaining share in both at the expense of Huawei, which is suffering from U.S. sanctions that bar it from putting all Google's services on new phones.

Asian airlines slash flights to Hong Kong as unrest escalates

Reuters, *Sydney*

SEVERAL Asian airlines have cut flights to Hong Kong for the coming weeks, an industry scheduling publication showed, as anti-government protests in the city grow increasingly violent and disrupt daily life.

Routes Online said the latest schedules showed cancellations from PT Garuda Indonesia (Persero) Tbk, India's SpiceJet Ltd, Malaysia's AirAsia Group Bhd, South Korea's JejuAir Co Ltd and Jin Air Co Ltd and the Philippines' PAL Holdings Inc and Cebu Air Inc.

The cuts come as Hong Kong police on Monday fired tear gas at protesters trying to escape a besieged university, while others armed with petrol bombs awaited an expected operation to oust them.

The unrest, raging for almost six months, and an escalating Sino-US trade war has pushed the Asian financial hub into recession for the first time in a decade.

On Sunday, Airport Authority Hong Kong reported declines in October of 13 percent in passengers and 6.1 percent in the number of inbound and outbound flights - the steepest falls since the unrest began. It said a growing proportion of travellers were using Hong Kong as a transit point rather than a destination.

REUTERS/FILE

A SpiceJet Boeing 737-800 airplane is seen after it overshot the runway while landing due to heavy rains at an airport in Mumbai.

On Monday, Routes Online showed Garuda has reduced weekly flights to Hong Kong to four from 21 through mid-December, SpiceJet has suspended its Mumbai-Hong Kong route through Jan. 15 and AirAsia has cut flights from Kuala Lumpur and Kota Kinabalu in December and January.

As of November, Garuda Indonesia adjusted its flight frequency from Jakarta to Hong Kong from 14 flights to two flights per week, and from Denpasar to Hong Kong from seven to two flights, Ikhsan Rosan, a spokesman for the company said in a statement.

"The change is an effort to adjust with the market demand," he said, adding that Garuda will monitor market needs, especially for Christmas and New Year.

AirAsia said passenger numbers have been lower over the past few months and it is adjusting capacity accordingly. SpiceJet did not respond to Reuters' requests for comment.

A spokeswoman for PAL Holdings' Philippine Airlines said the carrier was using smaller planes than usual for Hong Kong as passengers were postponing travel due to safety concerns. It has also cut daily flights from Manila to four from five, she said.

A spokeswoman for Cebu Air's Cebu Pacific said the budget carrier has cut flights from Cebu through December and Clark through January. However, the airline launched its Puerto Princesa-Hong Kong route on Sunday as scheduled, she said.

A Jeju Air spokesman said the low-cost carrier has reduced daily flights from Seoul to Hong Kong to one from two through Dec. 17. A spokesman for rival Jin Air said the budget airline had suspended Seoul-Hong Kong flights through Dec. 24.

Last week, Hong Kong's biggest carrier, Cathay Pacific Airways Ltd, said its business outlook was "challenging and uncertain" and that it has cut capacity and delayed four plane deliveries.