

Banks asked to open revenue account against projects

STAR BUSINESS REPORT

The central bank yesterday instructed banks to ensure the opening of revenue accounts under the name of the projects they fund in order to ensure smooth repayment of loans and their proper monitoring.

An escrow account or revenue account needs to be open to repay loans or make instalments from the incomes or sales proceeds of projects financed by banks.

But it is being noticed that some borrowers are not depositing incomes or sales proceeds with their respective banks, the central bank said in a notice yesterday.

On the one hand, this is increasing risks for banks in realising loans. On the other hand, banks are not being able to monitor loans properly, it said.

Now, banks will have to open an escrow account or revenue account to collect sales proceeds or incomes from projects, the Bangladesh Bank said.

In the case of syndicated financing, the lead bank will open the account.

The notice said banks will have to ensure the deposits of income from projects or sales proceeds.

If the income from projects or sales proceeds are higher than the loan or the outstanding loan amount, banks can open the revenue account where borrowers will keep the additional earnings.

Russia wants to export wheat to Bangladesh

STAR BUSINESS REPORT

Russia has expressed interests to sell wheat to Bangladesh and enhance bilateral trade relations, said the food ministry yesterday.

Russian Ambassador to Dhaka Alexander Mantysky shared the information during a courtesy call on Food Minister Sadhan Chandra Majumder at the latter's office, according to a press release.

At the meeting, both discussed issues including the export of wheat from Russia, a source of the grain for public and private sectors of Bangladesh.

The Directorate General (DG) of Food signed contracts with Russia to import 3 lakh tonnes of wheat at \$313 per tonne in the first half of the fiscal year 2023-24, said a senior official of the food office.

AI buzzes Davos, but CEOs wrestle with how to make it pay

REUTERS, Davos

Bright banners tout the promise of artificial intelligence along the main promenade of Davos, but executives at the World Economic Forum (WEF) say they are grappling with how to turn early demos into money-makers.

The arrival of OpenAI's viral ChatGPT triggered a frenzy of venture investment and an abrupt change of course inside the world's biggest technology companies since late 2022.

This year, several CEOs at the WEF meeting in Davos told Reuters that the latest generative AI still has a lot to prove.

Cloud and internet security company Cloudflare CEO Matthew Prince told Reuters that the months ahead may even feel like an "AI letdown".

"Everyone's like, yeah, I can build these cool demos, but where's the real value?" he said, echoing a theme among business leaders attending the WEF meeting.

ChatGPT's rapid rise is in some ways an outlier.

In the first two months since its November 2022 launch, the chatbot reached an estimated 100 million users, making it one of the fastest growing

applications in history.

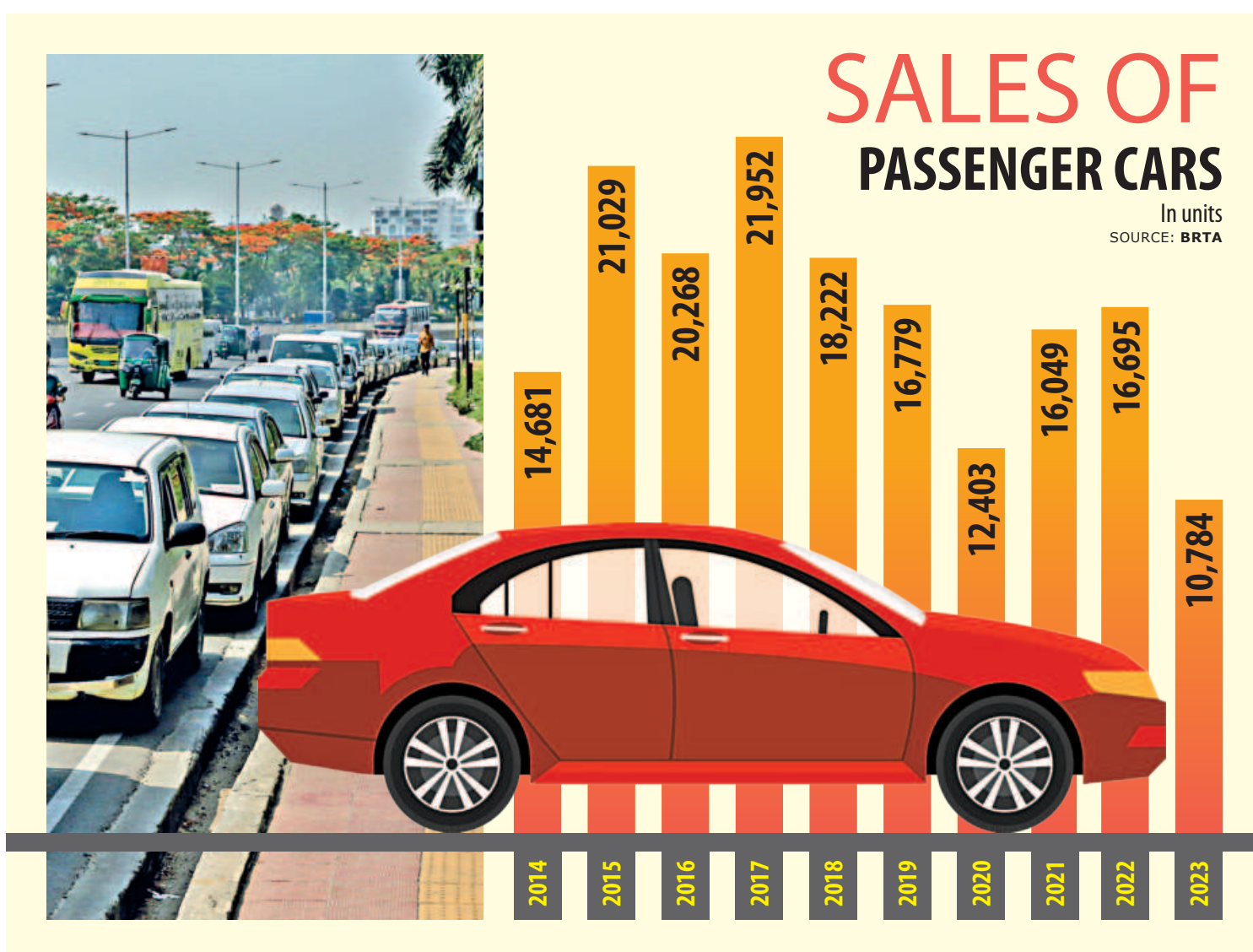
The program brought so-called generative AI to consumers' fingertips, letting people write a short prompt and generate a poem, school essay or gather information as if with a search engine. It also proved a good collaborator for developing ideas in "low stakes, not business critical use cases," said Victor Riparbelli, CEO of AI video generation startup Synthesia.

Several CEOs at the WEF meeting in Davos said that the latest generative AI still has a lot to prove

But "the enterprise is definitely not really ready" for this chat-based AI, he said in an interview.

One problem Riparbelli cited is there is no clear path to end so-called "hallucinations," or false content generated by AI. While computer scientists have developed methods for constraining places from which chatbots can draw responses, business leaders may not want the risk.

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Car sales screech to 10-year low as prices accelerate

JAGARAN CHAKMA

Passenger car sales in Bangladesh fell to a 10-year low last year as prices increased due to appreciation of the US dollar against the local currency and prevailing economic vulnerability across the nation, according to industry people and market data.

As per data of the Bangladesh Road Transport Authority (BRTA), 10,784 private passenger cars were registered in 2023 compared to 16,695 in 2022, illustrating a 35 percent decline.

Industry people said the registration of cars with the BRTA provides an accurate record of sales as there is no scope to hit the road without registering vehicles.

Arif Khan Bipu, managing director of Motors Bay Ltd, an importer and retailer of Japanese reconditioned cars, said the unstable global and local economy alongside an increase in the price of cars due to the appreciation of the US dollar were the major reasons for reduced sales.

According to him, the price of US dollars increased around 26 percent in the past one-and-a-half years while import duty also increased in line with the higher US dollar price.

Consequently, the price of cars increased at least 10 percent last year, putting them out of the reach of most middle-class customers.

Usually, lower-end cars dominate the market as people opt to buy cheaper reconditioned Japanese cars, he added.

However, the present economic situation and persistently high inflation did not present a favourable scenario for mid-income people, who would also have to spend to maintain their vehicles down the line.

Given these circumstances, people who

intended to purchase a car changed their minds, Bipu said, adding that it would take more time for sales to revive.

Furthermore, importers cannot bring in cars as per their demand because they have to pay a 100 percent margin to open a letter of credit (LC) while banks are also cautious about opening LCs.

The unstable global and local economy alongside an increase in the price of cars due to the appreciation of the US dollars were the major reasons for reduced sales

Arif Khan Bipu
Managing director of Motors Bay Ltd

Md Habib Ullah Dawn, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), said passenger car sales also dropped due to economic instability and political unrest in the country.

According to him, very few people purchased cars over the last six months due to political unrest, including a spate of general strikes and blockades.

Dawn, also managing director of Auto Museum Ltd, said he would sell at least 70 passenger cars per month under normal circumstances, but could only manage average sales of 20 units per month last year.

Dawn stressed that he had not faced such a tough situation in his previous 34 years in the car business.

However, Dawn added that he did not lay off his employees despite the market trending downwards because he was hopeful the situation would improve after the first quarter of this year.

Dawn further said that car imports dropped by around 65 percent due to problems in opening LCs given the high cost of the US dollar.

Echoing the same, Abdul Mannan Chowdhury Khoshru, owner of Nippon Auto Trading and former president of Barvida, said the price of cars has increased significantly.

He explained that when the price of US dollars increases, the import duty is inflated because it is calculated against the price of the car in US dollars.

Underlining why car sales had slowed, Khoshru added that people were reluctant to purchase cars since they were already struggling with inflationary pressure.

According to him, the sales of passenger cars reflected the country's economic situation. If the economy was stable, cars sales would definitely grow, he opined.

Khoshru also alleged that they had to settle LCs at a rate of Tk 120 per US dollar despite opening the LCs at a rate of Tk 111 per greenback.

As there is no scope to bargain with banks regarding the rate of US dollars, he alleged they were capitalising on the situation and making excess profits with regards to opening LCs.

Abdul Haque, managing director of Haq's Bay Automobiles Ltd, also blamed the ongoing economic and forex crises for the drop in car sales.

According to him, people are struggling with inflationary pressures, so they are in no mood to spend on luxuries such as cars.

Navigating dual-brand strategy

MAHTAB UDDIN AHMED

It is often believed that a dual-brand strategy is perfect for companies that want to confuse their customers twice as much! Many criticise the proposition of two brands sarcastically as "why limit your market failure to just one brand when you can fail with two?" Or "one brand just isn't enough to hide all your mistakes." Such views are particularly common when your lone brand is not performing well.

During the merger of Robi and Airtel, one of the most critical decisions that confronted Robi management was whether to continue with two brands or stick with only one. The board and the group were in favour of a single brand in light of its bad experience in Indonesia (merger of XL Axiata and Axis) where the brand positioning of both brands was somewhat similar to Robi and Airtel.

In Cambodia, Hello Axiata merged with Smart, dropping Hello to continue singularly with Smart for the latter's superiority in all brand health parameters.

This preference was backed by an international consultant's view that dual-brand strategies often fail (over 80 percent of the time). However, it was premature to dismiss the dual-brand approach without trial, drawing on Unilever's experience in successfully managing brand transitions like Peps Gel to Close-up and Genisol to Sunsilk. Hence, we opted to explore this strategy before making a final decision.

A small team and I researched international examples of both successful and failed brand strategies. In Indonesia, a brand failed owing to repositioning that overlooked consumer reaction.

In Cambodia, the decision to favour SMART over Hello was straightforward, as SMART had superior brand equity in key areas. The only successful example of a dual-brand strategy we found was Globe Telecom in the Philippines, where the strategy succeeded by targeting new market segments such as B2B and enterprise.

The challenge for Robi was its second-tier status in crucial areas like network quality, coverage, and service.

Leading in at least one aspect is essential for a distinct brand identity.

The merger with Airtel helped Robi gain two advantages: being the most affordable and the most youth-centric brand despite limited network coverage.

A workshop was organised that included almost all media bodies, agencies and brand personalities to ensure that not a single point was missed. Despite the wide range of insights and learning from the workshop, unlike my team, I failed to come to a conclusion.

After some qualitative research based on the above, Robi users were surveyed on if they would switch to Airtel. Most refused, labeling Airtel as a "kids' brand."

Conversely, over 70 percent of Airtel users opted not to switch to Robi, slapping it as an "uncle's brand". This made it easier for the management to adopt confidently to a dual-brand strategy.

Despite their initial resistance, the board and the group were eventually convinced by the management to test a dual-brand strategy for a year as a trial. The changes were kept to a minimum so as to track success or failure accurately, maintaining a separate Airtel brand and sales team under a dedicated head.

Distinct targets were set to identify precise causes of outcomes. Seeing the dangers, competitors lobbied against Robi's strategy with BTRC, but were unsuccessful.

The dual-brand strategy was highly successful, with Airtel's revenue growing by 112 percent and Robi's by 17 percent in 2017-21, with a combined growth of 34 percent. In contrast, competitors like GP grew 14 percent, while Banglalink saw a 2 percent decline. Airtel had clearly gained from Robi's wider network coverage and lower prices.

The dual-brand strategy effectively targeted rivals with strategic price and brand positioning. Robi was aligned to challenge GP, while Airtel was set against Banglalink. GP's response with Skitto failed to pose a significant threat.

This approach, if meticulously executed, can capitalise on market segmentation, cater to varied customer needs, leverage competitive advantages, optimise resources, ensure precise brand positioning, and foster innovation.

Embrace the dual or multi-brand strategy whenever the opportunity arises, allowing two or multiple brands to dance in harmony, leading the market in a synchronised tempo.

The author is founder and managing director of BuildCon Consultancies Ltd

Maersk says winter weather, Red Sea disruption cause congestion

REUTERS, Oslo

Weather-related disruption at ports in northern Europe and the diversion of vessels away from the Red Sea are causing congestion at container terminals, A.P. Moller-Maersk said in an update to customers on Thursday.

Maersk and other shipping groups have diverted vessels away from the Red Sea and the Gulf of Aden following attacks by Yemen's Houthis, sending them on a long journey around Africa rather than through the Suez Canal shortcut.

In northern Europe, winter storms and the effects of the recent holiday season have led to terminal closures and navigation stoppages, the company said. "Winter weather conditions as well as the Red Sea contingencies are expected to affect operations across Europe and Hub terminals," Maersk said.

"This is leading to increased yard density across terminals and customers are kindly asked to pick up their units as soon as possible after discharge to support fluidity," it said.

Maersk CEO Vincent Clerc on Wednesday said the disruption to global shipping caused by the attacks on vessels in the Red Sea will probably last at least a few months.

"While we hope for a sustainable resolution in the near future and do all we can to contribute towards it, we do encourage

customers to prepare for complications in the area to persist and for there to be significant disruption to the global network," the company said in its update on Thursday.

Maersk said it also offers customers the option to shift some cargo from vessels to air freight at ports in Oman and the United Arab

Emirates to fly goods to final destinations in Europe or the United States.

Container shipping rates for key global trade routes have soared, with US and UK air strikes on Yemen stirring fears of a prolonged disruption to global trade traffic in the Red Sea, one of the world's busiest routes.



Maersk CEO Vincent Clerc on Wednesday said the disruption to global shipping caused by the attacks on vessels in the Red Sea will probably last at least a few months. PHOTO: AFP/FILE