

JOBS NEWSLETTER

Clusters Help MEs Access Markets

High distribution costs, lack of skilled labor and capital, and infrastructure problems such as poor roads and geographic isolation present obstacles to the growth of micro enterprises (MEs) in Bangladesh. The JOBS Marketing Team is overcoming these obstacles by creating marketing linkages with various organizations and markets by forming associations or clusters of MEs.

A cluster brings together products from many producers, creating volumes of production sufficient to reduce distribution costs. Associated producers improve their bargaining position, allowing them to get better prices for their products in the most favorable markets. The workers improve their technical skills through group training and shared knowledge.



Modhupur Pineapple Association with JOBS and SIBL Officials

Individual MEs lack access to credit through formal financial markets. When they form associations, however, banks are more likely to come forward with financing because the volume of credit is higher and group financing is more cost effective. Individual enterprises with sufficient volumes of production can be tagged with the association for loan acquisitions.

One example of improved access to market through an association is the experience of pineapple growers in Modhupur, a rich pineapple producing area. The JOBS Marketing Team formed an association of growers with working capital provided by the Social Investment Bank Ltd. (SIBL). Individually, the growers sold fruit through street stands and other low-volume outlets. As an association, these growers now sell pineapples to district markets and various fruit processing companies, including PRAN, a large Bangladeshi manufacturer and marketer of agricultural products.

JOBS also assists individual enterprises to access markets. An example is Habib Miah, a weaver from the village of Nalua in the Tangail district of Bangladesh, who

says, "I could not earn a good profit margin when most of it was taken away by middlemen between me and city markets. JOBS helped me bypass these middlemen." He said his profit margin increased a minimum of 17 percent after the JOBS Marketing Team helped him to form direct links with markets.

Between April 17th and June 3rd of this year, the total sales by the Tangail weavers assisted by the JOBS Marketing Team stood at \$4,335 (Tk 216,730). Both traders and weavers can benefit by direct linkages—weavers by enhancing their profit margins and traders by getting saris at prices lower than if purchased through middlemen. The JOBS Marketing Team is suggesting that traders purchase 20% to 25% of their total monthly volume directly from the weavers in cash, resulting in considerable savings over saris purchased from middlemen on credit.

This process will not eliminate middlemen entirely. Now that weavers have adequate market information and are aware of the proper prices for and expected profit margin of their products, middlemen will be forced into giving better prices, creating a fairer market.

Other highlights

- Two Bangladesh leather goods producers negotiated close to \$130,000 in sales during their first ever visit to the Dubai Spring International Trade Fair May. JOBS clients Apex Leathercraft & Fashion Accessories Co and Crown Leather Products Ltd. thereby entered the large market of the Gulf Cooperation Council countries. JOBS SME Development Program Officer Abu Hena Md. L.I. Bhuiyan accompanied the participants.
- JOBS managers, team leaders and assistant team leaders agreed to "Get SMART" at a recent planning retreat. Team leaders will use the suggestions and ideas generated during their discussions to develop goals for JOBS' final project year that are Specific, Measurable, Attainable, Realistic and Time-Bound.
- The JOBS Training Team, in response to feedback from past participants, has added sessions on Local Resource Mobilization, Alternative Sources of Capital, and Marketing Linkages to the six-day Enterprise Development and Business Management training module. About 200 Enterprise Development Workers from seven local NGOs have been trained on the new sessions.

Jobs Recommends Actions To Improve Businesses' Access To Credit

One of the biggest constraints to economic growth in Bangladesh is the difficulty businesses have acquiring financing. The legal and regulatory environment in which business must operate here does not promote commerce and, in fact, can hinder growth.

Some experts say allowing businesses to borrow against moveable assets would help solve the problem, but the current environment acts as a disincentive to lenders. IRIS/JOBS Senior Policy Advisor Roger Bird suggests five simple concepts that, if adopted within a legal framework, could create an environment where financial institutions are willing to lend against moveable assets and borrowers have incentives to pay back those loans.

Mr. Bird presented the concepts, the result of months of discussions, meetings, and workshops with government policy advisors, lawyers, lenders, and borrowers regarding current barriers to credit faced by market-oriented enterprises, at a seminar on May 30 which was jointly-organized by JOBS and the Bangladesh Institute of Law and International Affairs. The objective has been to identify the value of moveable asset financing and how the legal system could use it to promote economic growth.



Seminar on Moveable Asset Financing held at CIRDAP Auditorium on May 13th 2001

The five concepts are:

1. Clear rules for creditor rights in moveable assets as collateral.
2. A collateral registry system for all moveable assets.
3. Rules for establishing priorities of claims in the event of competing creditors.
4. A clear, codified law to allow the taking of future moveable assets as collateral.
5. Rules under which a creditor has the right to take possession or control of the collateral upon default.

An improved legal framework would give lenders greater

incentive to use moveable assets as primary sources of collateral. In addition, with clear rules governing creditor rights, priorities of claims, and rights of repossession of collateral, borrowers are more likely to repay obligations because they are aware of the rules and risk of losing their assets.

Professor Ali Ashraf, MP and Chairman of the Standing Committee, Ministry of Finance was the chief guest at the seminar. Special guests

included Joint Secretary Mr. Awal, Ministry of Law, and Additional Secretary, Mr. Chowdury, Ministry of Finance, Gordon West, Mission Director USAID, Reid B. Lohr, JOBS Project Director and Ambassador Waliur Rahman, Director of BILIA, moderated.

E-commerce: The Key to Competitiveness for SMEs

Globalization is bringing many changes to the way businesses operate as the world inches towards a single marketplace. The key for countries to compete in this new marketplace is e-commerce, and Bangladesh is no exception.

The new markets provided by e-commerce present a number of opportunities and challenges for Small and Medium Enterprises (SMEs). These include:

- *Increased availability of information about products.*
- *Reduced costs from increased competition, resulting in improved quality, quantity and variety of goods and services in expanded markets.*
- *Lower distribution costs as middlemen become expendable.*
- *Lower marketing costs as buyers and sellers communicate directly.*
- *Operational benefits such as reduced errors, time, and*

overhead costs.

- *Easier, faster and cheaper creation of and entry into new markets.*

- *Facilitation of production relocation, with design and development work done at one location and actual production at another.*

In order for Bangladeshi exporters to reap the benefits of e-commerce, they must be knowledgeable about information technologies (IT). These include the Internet and e-marketing, which provide businesses with links to and opportunities in the world market. Business associations can play a major role by highlighting these benefits to members and encouraging them to use customized software for their day-to-day operations.

Businesses must be able to attract potential consumers/clients to their Web sites and consumers/clients must be willing and able to use the Web as a commercial medium for

e-commerce to succeed. The success of the Web as a commercial medium depends upon the ease and speed of access, the availability of reliable service providers, dependable power sources in businesses and residences, and the diffusion of computer hardware, software, and modem packages into homes and businesses. The ease of software installation and use are important for customers unfamiliar with the IT world. Privacy and security in conducting online commercial transactions has a direct impact on consumer willingness to buy or sell products on-line.

E-commerce encompasses many aspects of the Bangladesh economy and demography, and calls for a faster pace of development than that of conventional businesses. New products

and concepts are constantly being introduced and existing ones expanding. The Internet is enlarging geographical and sector markets by cutting through distribution and marketing barriers that have kept smaller firms from entering foreign markets. Because smaller firms tend to be less locked into "legacy technology" and are less likely to be encumbered by existing relationships with traditional retail channels, they can often more quickly adopt the new business models, products, and services offered by e-commerce than can larger companies.

For more information on e-commerce in Bangladesh and elsewhere, see the JOBS list of e-commerce resources at <http://www.iris.umd.edu/adass/proj/econlinks.asp>.

JOBS' Micro-Enterprise Development Program Helps Rural Entrepreneurs Access Markets

Marketing is a major objective of any business, but it is a relatively new concept to grassroots entrepreneurs in Bangladesh. JOBS' Enterprise Development & Business Management (EDBM) training and marketing assistance helps address this need.

Three years ago Malati Rani and Joinal Abedin, members of



Packaging is an important marketing tool.

the Uttara Development Program (UDP), were selected for JOBS' assistance. Malati produced moa, a popular snack in village areas, which her husband sold in a tiny store. Joinal was fighting to establish himself as a bread and biscuits producer.

Three years later, both were successful micro entrepreneurs with their own product lines and both credited the marketing strategy they learned from JOBS as the key to their success. JOBS technical assistance taught them how to survey the market, how to package, label and advertise their products, how to promote their businesses and access new markets. Increased demand for their products allowed them to introduce new technology to speed up production. Both have employed

additional personnel to help them increase their market coverage.

The JOBS Marketing Assistance strategy that helped these two entrepreneurs, among so many others, is a carefully designed, step by step process. First individual Enterprise Development Workers (EDWs) from each stakeholder or NGO are trained to deliver Enterprise Development and Business Management (EDBM) training.

Thus instructed, the EDWs provide six days of EDBM training to grassroots MEs, taking them to the various markets and helping them to assess the market feasibility of their products. The advantages of market surveys, advertising, packaging, selling skills, and market linkages are stressed throughout the training.

To ensure that the skills learned during the EDBM training



JOBS supports continuous assistance in marketing.

are put into effective practice by the MEs, the EDWs continue to act as guides and consultants through the long-term follow-up services JOBS provides.

JOBS Clients Showcase Their Wares At Local and International Trade Fairs

For small producers in Bangladesh, there are very few opportunities for reaching new markets or learning about foreign consumer preferences, but JOBS has found that trade fairs allow micro enterprises to do this and more.

During the past year 556 JOBS participants introduced 510 products at local trade fairs, thereby entering 1,100 new markets in the country. Total sales resulting from their participation in the fairs is expected to reach almost \$1 million (57 million taka). The 38 JOBS clients attending international fairs during the past year introduced 240 new products and entered 60 new markets, with total sales projected at \$24 million (134 crore, 40 lak taka).

Impressive as these figures are, they don't tell the whole story. Local trade fairs give small local trade fairs give small businessmen a place to showcase their products and allow small businesses access to outlets and markets in Dhaka and other urban areas. International fairs allow producers to do the same for foreign markets. Participating entrepreneurs have been able to

initiate and maintain communication with foreign buyers, resulting in significant increases in the number of on-going foreign orders placed. By participating in international fairs, Bangladeshi entrepreneurs can learn about the range of products sought after and the designs, colors, sizes, and quality of goods preferred by foreign customers.

Bangladeshi entrepreneurs have enhanced the country's image in the world market by participating in these fairs. JOBS' clients won several awards at South African fairs, including the Bronze Best Stall Award at the 1999 fair and the Silver Award for Best New Design and the Best Stall Award from the 2000 fair.

To help exporters improve their performances at future fairs, JOBS will provide specialized training in design, quality control, costing and pricing, export documentation, and buyer communication. Members of the JOBS team will also help businesses develop export catalogues to showcase their goods and attend future fairs along with selected clients.

Credits

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