2. RESPONDING TO MARKET FORCES: A PARTNERING APPROACH TO DEVELOPMENT IN BANGLADESH

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Introduction

Products of foreign origin seem to be flourishing in retail outlets across Bangladesh and gaining greater visibility with every passing day. Even the service sector in other countries has caught the imagination of Bangladeshi consumers who are going over in droves to enjoy vacations, health care services and the like. Given the recent trade liberalization policies that have been instituted, the prognosis is that foreign products will loom large in Bangladesh for a sustained period. As these products continue to make inroads and gain greater market share, their threat to the local industries will increase in the future.

These developments have spurred lively debate in the country, especially among local entrepreneurs whose initial reactions border on fretting, worrying, and finding scapegoats. There is also talk among some members of this circle to take more concerted action. Such action, instead of finding ways to withstand the onslaught of foreign brands by adopting a competitive orientation, seems to be directed at reverting back to the protectionist policies that have been the bane of consumers in Bangladesh. While some protection may be necessary for infant industries and for a limited period, full scale protectionism would be self-defeating because the threat of competition can be beneficial when harnessed as a positive force. For example, consumers would clearly benefit by paying less for better and more efficiently produced goods. Moreover, foreign competition can challenge local industries to define their strategic niches and become more efficient in these niches. Since Bangladesh, like other countries, cannot be competitive in every class of products, by specializing in those areas in which there is acquired experience and cost advantage, it can trade with other nations to obtain what it needs but cannot produce efficiently. This notion is clearly articulated in the theory of comparative advantage that has served the advanced industrial countries and many newly industrializing countries sufficiently well. Assuming that the policies of openness will remain in place, the key question is how should Bangladesh deal with the international players?

A feasible solution lies in the concept of an industry-government partnership that will be outlined briefly in the following lines. With deepening mutual cooperation between the two, Bangladesh can withstand foreign competition and even benefit from it.

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The Role of Industry

The starting point of dealing with international players and achieving greater market penetration requires abandoning existing company orientations that emphasize the stance "sell what you can make"; instead, local industries must adopt a more market-driven philosophy that stresses "make what you can sell." The essence of success is embodied in the latter perspective and is best begun by understanding and appreciating the needs and wants of the customer. To this end, it is important that local firms begin to adopt a customer-driven perspective. Many chief executives of companies in the industrialized countries are known to sit down personally with customers to discuss and understand their preferences and build strategies based on addressing these preferences. Such communication strategies combined with market research and tracking of consumer tastes and preferences often provide crucial information on where these companies are slipping and what is the best way to regain lost market shares. Bangladeshi entrepreneurs should also adopt similar strategies and make product and related decisions not based on whims but cold market facts. By relying on market feedback that monitors every wish, whim, and preference of the consumer, and by delivering what is optimally feasible, a winning strategy can be devised.

Unfortunately, even a cursory survey of various firms indicates that, more often than not, even when faced with serious competition, they do not invest in customer feedback and market-related information. Clearly, they must learn, and learn quickly, that the ultimate determinant of success in the marketplace is to win the hearts and minds of the consumer. For far too long, the protected industries have thrust shoddy, cheap, unsafe, and unhygienic products on the hapless consumer. And the consumer has borne the brunt of these mostly undesirable products, that would not see the light of day in the international markets, with great fortitude. As they suffered, local consumers apparently did not forget their bad experiences. Not surprisingly, the steady inflows and quick market share gains of foreign products bear ample testimony to this contention.

It is important first to see where the local products have failed the better-deserving consumers of Bangladesh. A recent survey of how Bangladeshi products are rated in the home market relative to foreign products provides many insights. Three product categories--toothpaste, detergents, and fruit-juices--were examined because of their relative importance to consumers' daily needs. Three brands were studied in each category. One brand in each category was of Bangladeshi origin. Summary results are first highlighted to reflect consumer ratings on a variety of attributes of the selected brands. The implications are discussed subsequently.

In the toothpaste category, the Bangladeshi brand was rated the lowest on attributes such as attractiveness of packaging, pleasing colors, information content on the package, social appeal of the brand, ability to clean teeth and protect the gums, ability to freshen breath, ability to prevent decay, ease of use, and variety of flavors. However, the Bangladeshi brand dominated on two characteristics--a pleasing name and its economical quality.

In the fruit-juice category, the Bangladeshi brand was rated the lowest on attractiveness of the packaging and the colors used, ease of opening the package, information content on the package, hygiene factor, freshness and nutritional value. However, it was again rated as having the most pleasing brand name and being most economical and matched the foreign brands on social appeal. The local brand also matched both foreign brands on quantity provided.

In the detergent category, the Bangladeshi brand was rated the lowest on the attractiveness of the package, pleasing colors, ease of opening the package, social appeal, protective packaging (i.e., ability to protect and preserve the package contents), quality (effect on the skin), information content on the package, foam producing capability, cleaning effectiveness, fragrance, and freshness imparted to the washed clothing. However, it was again rated as most economical.

These ratings are indicative of where Bangladeshi products are deficient and lack their competitive edge. They also have a telling message that local industrial enterprises should heed. While conditions of a seller's market may have lulled them into complacence, where consumer needs have often been subordinated to greed and conceit, open markets that enhance consumer welfare will no longer allow that latitude. Moreover, in the wake of resurgence of many Asian countries which are establishing a foothold in world markets (e.g., Malaysia, Indonesia, Hong Kong, Singapore, and others in the region), the wake-up call that Bangladeshi consumers have placed on local industries exhorts them to shed their resistance to change and begin to address the new realities. By staying close to the customer's wants and needs, and by meeting their expectations better than competitors, customer loyalty can be regained and success built surely and steadily.

The Role of the Government

The Government will also have to play a more enterprising and professional role to strengthen the domestic competitiveness of local entrepreneurs and to facilitate the transition of Bangladesh from a domestic to a global player. It must define a vision for the country's entrepreneurs and play a more supporting and nurturing role instead of a controlling one. The focus should be on guidance, not on policing, although an appropriate blend of both will be necessary. The vision should also reflect a realistic perspective of what the industries can and cannot achieve. Several critical issues must be handled by the government with courage, imagination, and dedication. These include human resource development, acquisition and deployment of strategic technology and resources, elimination of structural barriers to increase access to resources, and creation of an environment of controlled competition in the domestic market.

The strategic role that human resources can play has been underscored by many scholars. Harbison characterized this role aptly by stating that: "human resource--not capital, nor income, nor material resources--constitute the ultimate basis for the wealth of nations. Capital and natural resources are passive factors of production; human beings are the active agents who accumulate capital, exploit natural resources, build social, economic, and political organizations, and carry forward national development."

Schumacher also opined that development does not start with goods, but with people and their education, organization, and discipline. Consequently, the large human resource base in Bangladesh can be viewed as the country's greatest potential asset rather than its greatest liability as many currently believe. It is compelling to believe that huge gains can be made if strategic skills can be infused into this potentially large asset base to support the growth and development strategy of the country. As things stand, with a low level of skills, the vast majority of Bangladeshis remains locked into occupations demanding skills that are obsolete and which fail to provide the flexibility and adaptability that is required to survive in a rapidly changing global environment.

Another critical element of development is technology. It has significantly transformed human productivity and is a driving force in every economy today. But what kind of technology should be acquired? This is an area that demands careful consideration. It must fit the country's human resource capabilities so that it can be rapidly assimilated and put to use. The key is to choose that technology in which the country has a reasonable chance of moving rapidly down its learning curve. In other words, to optimize allocation of its scarce resources, the government, in collaboration with industry experts, must determine the type and level of technology that must be acquired and the ways in which specific technological skills should be transferred to specific segments of the population.

Difficult but equally needed are imaginative and bold choices in gradually moving out of declining industries (e.g., jute) unless new and innovative products are devised or alternate uses found for existing ones. While moving out of these industries may be constrained by 1) exit barriers created by specialized assets (that would be hard to deploy elsewhere), 2) its impact on supply side and consumption side industries, and 3) potential turmoil caused by displaced workers and political activists, the alternative is perhaps even more harsh: sustaining industries that slowly sap the strength and limited resources of the economy represents a long-term threat to development. Unless some durable niches can be found for the declining industries, the massive subsidies that these industries command today will continue to impose on and limit other development priorities.

Various structural impediments to growth must also be addressed. While some improvements are perceptible, continuous attention must be paid to the alleviation of poor credit and marketing facilities, poor transportation and communication facilities, low per capita consumption of energy, low savings and resource mobilization, high population growth, and low basic education. A particularly vicious structural impediment to the process of development is the rampant corruption that plagues the facilitating agencies within the government and that has earned Bangladesh the fourth spot in the world when the most corrupt nations are ranked. Such is the magnitude of this problem that international agencies such as The World Bank are beginning to reassess their lending programs and incorporating the concept of greater transparency and accountability in the bureaucracy. Of course 'why so late' is a question that remains unanswered.

The concept of controlled competition must also be adopted by the government. As a watchdog overseeing the overall process of development, it cannot let local entrepreneurs become complacent by eliminating competition; neither can it allow foreign competitors to completely overwhelm the local entrepreneurs. Instead, it must bring about an appropriate balance in the level of competition which works something like this: for every industry, only a few competitors with somewhat superior products are allowed entry into the market to allow local entrepreneurs to adapt to the new but not unrealistic challenges. In other words, local companies must be made to play the competitive game--but not against formidable opponents who would trample all over them and sap their motivation to continue doing business. Obviously, the stakes must be raised in successive iterations to enable local companies to gain in strength. What this involves is a combination of shrewd policy and vision to guide the overall economy into strategic niches where the country can establish its comparative advantage and benefit from it.

Conclusions

The recent and growing consumer preference for foreign products is not only a sad reflection on our local industries and their capabilities; it is also a clear message against the policies of past Governments and their administrators and agents who have failed to create an environment where local products can succeed and thrive against foreign competitors. This setback may only be temporary if it exhorts the key players to act decisively on the consumer's vote. What this means is that our industries will have to respond to consumer needs within the framework of a vision that enables them to be more competitive. Needless to stress, it is important for the Government and industry to forge partnership relations and abandon the adversarial ones that have often prevailed. In this new partnership orientation, they must create a vision of the future that both parties are committed to. Such endeavors are replete in the context of other countries, notably Japan, Korea, Malaysia, Singapore, etc. Of course, political forces must also be brought into the equation so that the process of economic evolution is not heedlessly disrupted by blatant and ruthless political motives.

Once a strategic vision is forged with inputs from industry, government, and political groups, these parties must pledge their commitment to the vision. Success should follow in stages. It is high time that clear rules of the game are jointly articulated and effectively communicated so that the all players can participate in devising a winning strategy. It can be done when the players muster a genuine willingness to respond to the challenges.

Quote from – Ali, A., M. Faizul Islam and Ruhul Kuddus, "Editors' Remarks", in *Development Issues of Bangladesh*, edited by Ashraf Ali, M. Faizul Islam and Ruhul Kuddus, University Press Limited, Dhaka, Bangladesh, 1996:

"Since early seventies, Japanese companies invested not just in the extraction of raw materials, but in manufacturing that involved medium to high-level technology. Driven by rising value of yen and higher labor costs at home, the Japanese investments in East and Southeast Asian countries have increased manifold over the past decade. There has been a diffusion of Japanese technology in these host countries which has encouraged the production of value-added products. Unlike other Western MNCs, Japanese MNCs have also encouraged the development of medium to high-level technology in host countries. Mastering the skill and the production of value-added goods essentially formed the material basis of the so-called "Asian Miracle."

The Japan-East/Southeast Asia dynamic symbiosis illustrated above may serve as a guiding light for welcoming foreign investment in Bangladesh. Japanese MNCs may be intuitively viewed as the most viable potential foreign investors in Bangladesh. However, MNCs from other countries may be asked to follow suit."