



KEYNOTE: BANGLADESH BUSINESS SUMMIT 2023

Leveraging growing Middle and Affluent Class for a vibrant consumer goods sector

Honourable guests a very good afternoon.

Bangladesh economy has displayed strong performance over the recent years and is on course to emerge as a US\$ 1Tn economy in coming decades. With an average annual GDP growth of 6.4% between 2016-2021, Bangladesh has outpaced major Asian peers such as India, Indonesia, Vietnam, Philippines, and Thailand. A key driver has been the domestic consumer market includes products that are in high demand and have a short shelf life, such as food, beverages, personal care, and household items, currently sized roughly US\$4 Bn (contributes 1% of country economy of US\$416 Bn) is set to become the ninth-largest consumer market in the world (currently sized roughly around US\$11 trillion) through a rapidly expanding middle-and-affluent class which is projected to

grow from ~19Mn in 2020 to ~34Mn by 2025¹. There is a lot of headroom in FMCG sector as Per Capita Consumption (PCC) of Bangladesh remains lower than comparable markets, for instance, Bangladeshis only spend US\$23 per

PCC WELL BELOW BENCHMARK



capita in FMCG while in India it is US\$ 44, or China and Indonesia where it is more than US\$ 100. In categories like soaps and laundry the consumption is one-third of Sri Lanka and 65% of India. The importance of right format & pack sizes for the upward moving population and at the same time to tap into the bottom of pyramid remains on top to unlock strong growth. At the same time, we still have categories which represent white space for organisation to expand into; We can successfully leverage our brands and experience in other geographies to expand the portfolio.

On the other hand, Bangladesh features the world's largest river delta, formed by the junction of three great rivers – the Ganges, the Brahmaputra, and the Meghna. Two out of every three Bangladeshis - about 110 million people - live within this delta and depend on it for their lives

¹ BCG report Nov'22



and livelihoods. As the threat of climate change and rising sea levels looms large, proper planning and management of the delta is critical to the country's economic growth and development. At this juncture, the 'Bangladesh Delta Plan 2100' is a comprehensive plan formulated by the government focusing on economic growth, environmental conservation, and enhanced climate resilience. Effective implementation of the Delta Plan will eliminate extreme poverty, create more jobs, and sustain GDP growth above 8% until 2041. It will increase trade and navigational opportunities and strengthen food security. The Delta Plan will also help reduce urban migration by about 60%, coastal zone out-migration by 50%, and river area out-migration by 50%.

Delivering the 'Bangladesh Delta Plan 2100' will require a sustained & long term combined effort of both public & private sectors. When I talk about public & private sectors, I always say I am fortunate enough to be a half government & half private service holder as around 39.25% of my company is owned by the GoB.

Unilever in Bangladesh, driving sustainable growth:

Unilever Bangladesh is the largest FMCG company leading the market in 8 different categories with 26 active brands going to every 9 out of 10 households in the country, reaching near about 0.5 mln outlets directly & selling near about 300k tons of volume every year. Since its inception in 1964, consumer baskets have seen a major shift from using basic products such as toilet soaps & laundry to more personalized & nascent products now. In last 6 decades we have pioneered market development across multiple categories. One such example is that of laundry, where Unilever successfully transformed the way in which consumers wash their clothes predominantly using cottage soap to now detergent powders & more recently detergent liquids through iconic brands like Rin, Wheel & Surf Excel. Continuing the strong legacy in market development Unilever Bangladesh has also upgraded consumers from using ash & detergent to using Vim bar/liquid offering a superior cleaning with an easier & convenient dishwashing experience. Another exemplary market development has completely revolutionised the way consumer take care of their hair. The launch of shampoo & conditioner sachets has replaced the use of soaps for washing hair made a proper hair care regime accessible & affordable to all. Sustainability remains at the center of our global strategy as we



emerged as the 1st 44% plastic neutral company in the country last year & aiming to be the 1st plastic neutral company by 2023. More than 22k people are directly or indirectly involved in our mission of making a sustainable living common place everyday.

Growth Drivers & Country's Unique Value Proposition in FMCG sector: As I have mentioned at the beginning, Bangladesh is set to become the 9th largest consumer market in the world by 2030 backed by few significant growth drivers. As per BCG report, 57% of our population showing solid optimism as they believe next generation will have better lives. 69% of working age population showing high economic resilience helping the nation to maintain a high savings rate of 34% vs global average of 27%, lowest Govt debt of 19% vs peers while a burgeoning gig economy with ~650k (15% of the globe) freelancers making Bangladesh the home of second-largest online workforce globally. ~177M mobile subscribers enabling 50K+ face book entrepreneurs to flourish. 2nd largest apparel sector, 9th largest mobile market, bKash leading MFS, BRAC largest NGO in the world helping the private sector to boom. These all helping rapid urbanization increasing spending power, moving towards tech base economy, shifting towards nuclear family eventually resulting more FMCG usage. On top of all GoB is shaping the economy by its strong vision 2041 & smart nation plan in place.

Export Diversification: This sector has a massive potential to improve country's export basket & solving the overdependency on RMG. Currently, the country's exports in this sector are limited to a few products, such as tea, processed foods, toiletries etc. However, with the right policies and investments, the FMCG sector can diversify its product range and enter new markets. Developing new products that are unique to Bangladesh, investing in R&D to improve product quality & packaging can help Bangladesh compete with other countries already having a strong presence in the global market. Developing unique tea blend such as organic or flavored tea, expanding the process food industries by adding value added products such as ready to eat meals, healthy snacks & convenient foods that cater to busy consumers in various market can be few of the avenues we can explore. In addition, focusing on sustainable packaging materials by investing in eco-friendly and sustainable packaging materials that are visually appealing and meet global standards, investing in R&D to improve the quality of our existing



products across categories will surely make our presence stronger in global market. The recent growth of ecommerce platforms globally will be a key enabler for us to reach new customers & expanding global market with minimal cost.

Investment Opportunities: Within the broader FMCG sector, investment opportunities exist in sub-sectors such as food and beverages, personal care, and household items. The food and beverage industry has a huge potential for growth, with opportunities in processed foods, beverages, and snacks. The personal care sector also offers investment opportunities in areas such as skincare, haircare, and oral care products. Lastly, the household items sector includes products such as detergents, cleaning agents, and home appliances, which have a high demand in the domestic market. Apart from these, consumers are increasingly concerned about their health and wellbeing, also becoming more environmentally concerned, looking for products that are sustainable & eco-friendly at the same time give convenience (i.e ready to eat meals, snacks etc) to cater busy lifestyles. In addition, there is a high demand of personalized products and experience. As a result, skin care and hair care products are likely to see increased demand. With the right investments and strategic planning, the FMCG sector can play a crucial role in the country's economic growth and development.

Entrance of Foreign Direct Investment (FDI): There are several opportunities for foreign direct investment (FDI) in the FMCG (Fast-Moving Consumer Goods) sector in Bangladesh. Some of these opportunities include:

-Developing new product: Here is a growing demand for new and innovative FMCG products in Bangladesh, and foreign investors can take advantage of this by introducing new products like healthy & naturals, sustainable & eco friendly also convenient to use products that cater to the local market's needs. Investing in R&D will play a pivotal role in introducing all these new products to serve the recent trends.

-Improving product Quality: Foreign investors can help improving the sector's overall quality by introducing better manufacturing processes and quality control standards.

-Expanding production capacity: The FMCG sector in Bangladesh has significant room for expansion, and foreign investors can take advantage of this by investing in new production



facilities to meet the growing demand for FMCG products. Moreover, FMCG companies that invest in sustainable packaging, reduce waste, and use renewable energy sources will have an advantage in the market.

-Developing the supply chain: Bangladesh's FMCG sector relies heavily on imports for raw materials, and there is an opportunity for foreign investors to develop local supply chains to reduce costs and increase efficiency. This includes back-end integration to front end fulfillment.

-Investing in marketing and branding: FMCG products in Bangladesh often suffer from low brand awareness, and foreign investors can invest in marketing and branding to increase product awareness and improve sales.

Current Challenges/Constraints: No success story is without bumps on the road. The recent unprecedented inflationary pressure, liquidity challenges, foreign exchange risk in banking sector created a massive headwind to growth in this promising sector as we are seeing a significant reduction in recent consumption pattern, import of raw materials have been severely hampered due to delay/lack of LC opening issue resulted by forex reserve draught in the banks. In addition, weak financial infrastructure due to NPL (10% nationally), low capability to channel domestic savings to productive investments, high import tariffs, inconsistent use of regulations & policies are some of the headwinds having further negative impact on the sector. Again, Bangladesh's vulnerability to different climate changes remains on top.

Way Forward: However, we will complete our journey from great to beyond great. We need to foster our environment in lateral thinking, harness the declining productivity of human capital, manage rapid urbanization and improving rural connectivity. To do so, building financial resilience through reassessing cash management, reevaluating financial trade-offs, improved agility of financial steering, adapting capital allocation is key. We need to drive transformational growth by leveraging the balance sheet more. Forming capital partnership, driving FDI, defining a solid digital strategy roadmap, investing through CVCs (Corporate Venture Capital) are few game changing initiatives may make us beyond great by overcoming all the headwinds. We all must strive to collaborate among ourselves instead of working in isolation. Any long-term plan must be participative hence collaborative decision making



between public & private sector will not only ensure Government revenue but also enable the smooth implementation of policies eventually will ensure easier living of compatriots.

To deliver '**Bangladesh Delta Plan 2100**' we need to do much more, we need to build a sustainable FMCG business – by using our size, scale, and partnerships in our value chain and beyond. Inspired by this very philosophy, we at Unilever Bangladesh are committed to continue working with the wider ecosystem – to build a sustainable Bangladesh in the future where people live healthy lifestyles, the environment is protected and regenerated, and no one is left behind because of social inequality. Partnering with government and private partner organizations, we are marching forward together hand in hand to make the dream of a developed, progressive Bangladesh a reality. We look forward collaboration with new partners in the ecosystem.

Thank You