

DUTCH BANGLA PACK LTD: BANGLADESHI FIBC FOR EUROPE

| Staff Report |

“What is good for our employees is also good for our products and services,” said Marcel Schouten, Director LC Packaging. He was in his Netherlands office and Skype-ing with us in Dhaka. That is the secret of the success so far achieved by Dutch Bangla Pack Ltd (DBPL).

Established in 2007, DBPL is the leading producer of FIBCs (Flexible Intermediate Bulk Containers) in Bangladesh. FIBC, more commonly

proven to be an easier transport or shipping container. A single FIBC can contain 1500 kilograms of materials—and unlike the inflexible cardboard octabins, its pliability means if there is less than a full load, the extra empty spaces can be flexed off or adjusted. The company has an annual production capacity of 3500 tons, equating to roughly 1.5 million pieces of FIBCs. It currently produces Pharma Clean, Food Clean, Intermediate Clean, Industrial Clean, Laminated FIBCs and HDPE/LDPE liners.

FIBCs produced at DBPL are essentially manufactured for European markets, so it made business sense for a Bangladeshi company to team up with LC Packaging. “The main reason,” Abdul Mumit, Director, Dutch Bangla Pack Ltd, (who was also present at our talk) told us, “for a joint-venture with a company based in the Netherlands instead of a direct entry by us was to benefit from the marketing reach and expertise of our joint venture partners. A direct entry would have required far more effort on our part in terms of finding and selling to a proper target market. That effort which we do not have to expend in marketing is now better utilized in streamlining operations.” Plus, as Schouten pointed out, it made business sense on their part

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known as ‘big bag’, is the acronym for an industrial container made of flexible fabric that is designed for storing and transporting products like sand, fertilizer, and plastic granules. Due to its collapsible features, FIBC has



too. Since there is no import duty on Bangladeshi goods entering their market it automatically made Bangladesh a more important partner than South Africa and India.

Mumit explained that the shipping or ship-building industry “is a fairly labor-intensive process.” Naturally, that puts Bangladesh in an attractive perspective, with its lower-than-average wages in the region. Although the skill requirements of the industry are also fairly high, due to the general growth of the industry in Bangladesh, strong externalities

The Dutch company’s experience in Bangladesh has been, in Schouten’s words, “quite smooth.” Well, “so far”—notwithstanding they did struggle a little with the export regulations at the beginning. “To be honest there are some restrictions in exports in terms of open accounts and transactions of documents—all these things are affected by strict regulations of the National Reserve Bank in terms of foreign currency,” he explained. Compared to the fast and open process in Europe, in the Asian countries where LC Packaging operates it has at times faced difficulty. While LC Packaging sells mainly in Europe (with 12 sales offices and distribution centers), they also have strong presence in Africa with distribution points in South Africa and Ivory Coast.

DBPL’s management team consists of five directors from Bangladesh: Abdul Mumit; his father Abdul Ahad, who is the managing director; and three other local directors. Four directors are from the Netherlands, including Schouten, and Lucas Lammers the chairman. Compared to large Bangladeshi companies, Mumit felt that their philosophy of management was closer to that of Europe—such as key employee performance indicators, a performance based reward structure for management an open and transparent evaluation process.

A few potential European customers had expressed skepticism to Schouten regarding their production facility in Bangladesh. He said once he gave them detailed reports and presentations, they would go on to change their

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(the cost or benefit that affects a party who did not wish to sustain that cost or benefit) should result leading to the establishment of dedicated training centers. It is also very power-intensive, so “the ability of the Government to offer adequate and continual supply of power will play a pivotal role in determining its future growth potential.”

opinion. “Bangladesh is a country of possibilities,” he said, “with a hard-working and educated population who can use the English language for doing business.” LC Packaging and DBPL are there to ensure that these potentials are channeled in the right direction.

With quality being this important, with questions having to be answered, this issue receives special attention. Mumit said that they maintain a three-tier quality control, at incoming basic materials, then the process itself, and in the final outgoing product. At the end, each and every product is checked by a quality team, and a 100 percent inspection process is rigorously maintained. The recruitment and training process is also tight, with employees undergoing a three-month orientation program. The program is classroom-based, is both theoretical and work oriented, and covers worker health, safety and hygiene issues—important in a manufacturing process that includes food packaging or



every year DBPL has to renew its import bond license, a huge challenge since customs has to be satisfied that the company has utilized the imported material in a proper manner. A fairly straightforward process can become a tortuous series of negotiations. In terms of actual operations, there are challenges too. High turnover of labor is one—95 percent of their employees are single/unmarried women, average age 22. Marriage frequently means relocation to husbands’ homes, and if it becomes inconvenient they end up leaving their jobs.

The company is very aware of having proper work conditions and environment, which it defines as Corporate Social Responsibility (CSR). DBPL ensures good infrastructure of their factories, and strictly monitors itself in terms of labor exploitation, hiring of child labor, and overall modern, safe working conditions and standards. It is this policy, Schouten said, that allows him, the Dutch partner, to be relaxed and “able sit back in Holland and operate.” It has brought them, among others, valuable certifications such as “Social Accountability 8000”—given to companies which ensure safe and healthy workplace without child labor and discrimination practices, and by OSHA (Occupational Safety and Health Administration).

The future of FIBC in the domestic market is one of the targets to be achieved. Locally, the company is yet to make its presence felt, and the only big client so far is Nestle Bangladesh. Schouten, however, remains optimistic, saying it is a question of effort and time. A bright future awaits them, in “maybe five to 10 years.”

That is not too long a time to achieve market dominance, and DBPL is well poised for it. **BB**

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packaging coming in direct contact with food.

The major challenge so far has been sufficient energy. It is a high energy consuming industry. Mumit said that while there was greater supply of power than previously, it was still not enough. Many businesses could not expand due to this constraint. Dealing with regulations and officialdom can get difficult, but as Mumit said, patience and connections win through. The latter is necessary since official channels of dealing with things, as every Bangladeshi knows, get stuck, making for long delays. “Unless you know who to speak or network with, the file sits on somebody’s desk for a month. If you know who to speak to then the file moves in a week,” he said. For example,