

QVC BD Limited: Powering the Vehicles for Progress

Just as an internal combustion engine in a motorbike needs an ignition source, gasoline and oxygen in the proper ratio at the proper time for the two-wheeler to function, an entrepreneur like Shamsuzzaman's mix of passion, persistence and expertise paved the path for success of QVC BD Limited (QVC). Based out of the historically enriched northern district of Dinajpur, the company currently has a production capacity of 0.85 Mn units of two- and three-wheeler vehicle chains with an annual turnover of BDT 144 Mn. Commenced in the year 2013; QVC BD Limited has now become the pioneer of motorcycle chain manufacturing in Bangladesh.

The road to becoming an entrepreneur

After completing his Master's Degree in Marketing from the University of Dhaka, Shamsuzzaman started a career with a multi-national company (MNC) and got posted in Khulna. Subsequently he was promoted to higher roles in Chattogram, Cox's Bazar and Cumilla division. He was awarded the 'Leader of the Year' tag for his performance and got promoted to a post out of the country. Eventually he was looking to better utilize his years of skills and expertise by starting something of his own.

For him the transitions from a regular job to entrepreneurial venture was rather easy as he received immense support from family and friends. Since his family already had a running business in the automobile industry, he had to explore some gaps in the existing value chain to start something in that sector. That was the beginning of "Runner" for him. From just one showroom at Thakurgaon, he successfully expanded it to 10 showrooms and even started to export abroad. As a value chain partner, he offered significant input to other members which eventually helped Runner Group (one of the industrial conglomerates of Bangladesh) to change their business model. Instead of serving as a dealer for various motorbike companies, QVC became an exclusive dealer for Runner motorbikes.

Years of working with Runner Group gave Mr. Shamsuzzaman an insider perspective through which he identified a potential gap in the motorbike industry. The biggest challenge for the industry was the lack of vendor development for manufacturing the required components and supply of those to the manufacturers. As of 2012, 70% of the raw materials required to manufacture motorbikes were imported and the rest was locally sourced. He then decided to tap into this potential market segment. In 2013, he started the construction of the factory for manufacturing motorbike parts.

He mainly focuses on manufacturing and supplying chains. This opened up opportunities for him to supply goods to motorbike, bicycle and rickshaw manufacturers.

This ensured that if one market failed, he can still supply to other markets to maintain profitability. To ensure the best quality of the products, the company obtains certificate from BUET (Bangladesh University of Engineering and Technology).

QVC BD Limited is currently directly related to two local chambers- Dinajpur Chamber and Automobiles Component and Manufacturing Association. For a short while his prime corporate clients were brands like Bajaj and Hero. However, he is now in business only with Runner which comprises about 20% of revenue. The rest of the revenue is generated through the retail sector.

Industry at a glance

Motorcycle assemblers in Bangladesh have traditionally relied largely on import for sourcing the parts for assembling; but there is a general willingness to source as many parts as possible from local suppliers to minimize cost and delivery time.

Backward linkage development of Bangladeshi motorcycle industry is a key interest expressed in the National Motorcycle Industry Development Policy 2018. The Policy also set its vision to develop the basis of local parts production and supply, either through attraction of foreign parts suppliers or capacity development of the existing local supporting industries. Internationally recognized brands such as HONDA, BAJAJ, TVS (registered as Manufacturer) are assessing the possibility of local parts sourcing.

Local industries belonging to light engineering and plastic sectors are the potential sources of motorcycle parts supply. Automobile Components & Accessories Manufacturers Association (ACAMA) is an interest body of 13 parts suppliers to motorcycle (and automobile) assemblers of Bangladesh. According to a survey conducted by Japan International Cooperation Agency (JICA) in 2018, the number of local industries which currently supply parts to motorcycle assemblers is estimated to be around 10 including the ACAMA members. The market is still in a rather nascent stage. However, based on the experience from the neighboring Asian countries, establishment of parts production base by foreign parts suppliers partnering with existing local players through technology transfer might play a critical role in developing this local supporting industry ecosystem.

Going head-to-head against international competitors

Rolun (India), DID (Japan), TDIC (India), Tiger, Meghna and RFL are QVC's biggest competitors in the market. To differentiate itself from its competitors, QVC's focus was

differentiation through quality and cost leadership. Mr. Zaman imported his high-quality chains from China that uses Japanese and German technology.

QVC employed a cost leadership strategy to beat the international competitors by utilizing its learning curve, ensuring economies of scale, and developing lean manufacturing strategies.

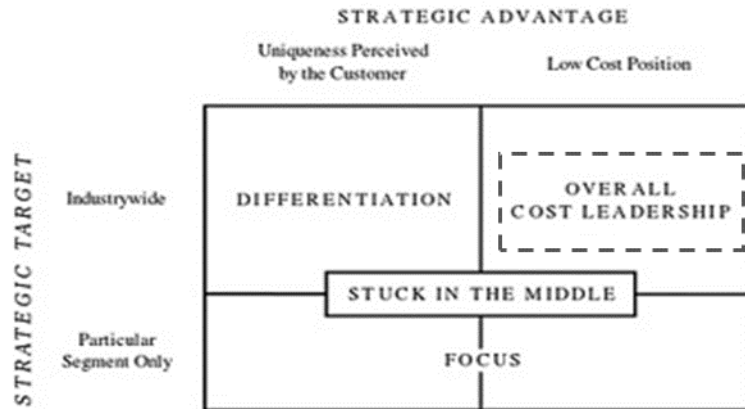


Figure 1: QVC BD Limited's secret sauce

Using the lean manufacturing strategies, the company designed a series of methods to minimize the waste of material and labor while maintaining or increasing the levels of production. This resulted in a net improvement in total productivity. Lean manufacturing's roots lie in Japanese manufacturing with the Toyota Production System. Lean principles pioneered by Toyota include "just-in-time" manufacturing (refer to Appendix 1 for a visual illustration), where inventory is kept at low "as-needed" levels; automation supervised by human workers to maintain quality control (known as *jidoka*); minimization of downtime and transportation, and others. Ultimately, lean manufacturing enables QVC to eliminate tasks and investments which do not add value, and deliver the best possible product to the customer as quickly and with as few barriers as possible.

The company's mindfulness about responsiveness to customer feedback has earned them a notable place in the industry. It ensures that the customers get prompt supply of best quality products in the most reasonable price. Loyal customers grow a business faster than sales or marketing. Feedback enables the business to understand what drives customer satisfaction, which in turn helps create customer loyalty. It costs 5 to 25 times more money to acquire a new customer than to keep existing ones happy.¹ Referrals are the dominant sales strategy to generate new sales leads for QVC as

¹ (Wertz, 2018)

research shows that highly-engaged customers buy 90% more often and spend 60% more per transaction.²

HR and finance management

QVC BD Limited has a total of 130 employees including 20 white collar employees. The entire operation is divided into three divisions: administration, production and marketing. 3 shifts (8 hours each) ensure 24 hours of non-stop production.

QVC BD Limited started with an initial investment of BDT 26 Mn which was invested by the owner himself. Later the company raised loan financing from Mutual Trust Bank for importing machineries. The company's credit (provided to the buyers) management has been exemplary as they have zero bad debts since the inception of business.

SME Foundation's intervention and company growth

SME Foundation's role in QVC's growth is noteworthy. The foundation extended their efforts through training, assisting in importing parts and creating access to a number of trade fairs.

Table 1: QVC Operational Performance Overview

Description	Current Condition	Position in 2016 while receiving SME Award
Annual Production Capacity (Mn Units)	0.85	0.65
Total Manpower (Unit)	130	120
Net Profit (BDT Mn)	11	8
Total Sales (BDT Mn)	114	90
Total Investment (BDT Mn)	110	80.5

Challenges

Of the significant challenges Mr Zaman faces, the two most prominent ones are policy and intellectual property related. There are currently no policies to exclusively support

² (Bansal, 2015)

the automobile manufacturing backward linkage industry in Bangladesh. This hinders the smooth expansion of his business.

Secondly, due to a general lack of continuous crackdown on trademark and other intellectual property rights violations, counterfeit copies of QVC products remain a major challenge for the company. The entrepreneur faced several situations where his product designs were imitated and the fake products were being sold under his own brand name. This goes beyond saying that the quality was nowhere near that of QVC BD Ltd. products and this led to a loss of goodwill for him.

Motivation and recognition

Mr. Shamsuzzaman's primary source of motivation is his ability to create employment and livelihood for people. His enthusiasm behind utilizing his skillset to build something of his own also played a key role behind building the business.

He won SME Foundation award in 2016. His journey has also been widely covered in the mainstream media.

Expansion

QVC BD Limited meets only 5% of total market demand. It wants to increase its market share as well as the product lines. QVC BD Limited plans to produce all the different range of parts required by bikes in future. Its end goal is to enter into the bike manufacturing business. Currently it operates in Mymensingh, Sylhet and Barisal. It plans to increase its presence all over Bangladesh and beyond.

Advice for aspiring entrepreneurs

Shamsuzzaman believes one must have domain knowledge about the business she/he is thinking to start. One should do a thorough market and product research before launching anything new in the market. Putting his emphasis on finance, he says that one must have proper knowledge and think of the best possible way to collect sufficient funds for business.

Conclusion

For machines, routine inspections and maintenance reduce premature wear and tear and increase longevity. It is also true for a business. Mr. Shamsuzzaman's regular

inspection of the market helps him identify the dynamics of the market. He quickly adapts to the changing market, responds to the demand and taps into new potential market. He continues to introduce new and improved operational techniques to rise above his competitors and accelerate upwards.

Discussion Questions:

1. “Mr. Shamsuzzaman’s domain knowledge in a particular industry helped him initiate and be successful in his venture” – Discuss your stance towards this statement.
2. Cost leadership can be attained through a number of ways. Discuss the possible ways a manufacturing entity in Bangladesh can attain cost leadership across its value chain.
3. A single strategy for example cost leadership or differentiation can hardly offer sustainability to an entrepreneurial venture for long. What would be your strategy-based suggestions to QVC BD Ltd. for their future sustainability?
4. Can small entrepreneurial ventures like QVC BD Ltd. have some strategy in place to combat emergency situations like the COVID-19 pandemic and its impact on their business? Explain with examples.

Appendix 1: The Just-in-time Inventory Management Philosophy Illustrated

