

Smart Leather Products: Story of an SME-Phoenix Rising from Ashes

Setting the stage

Visit to Masuda Yasmin's factory on a gloomy winter morning highlighted the unmistakable contrast between the outside and inside of the facility. The mood inside the factory was lively and energetic. Hustle and bustle of the enthusiastic individuals' hard at work, honing their craft, painted the perfect picture of a well-oiled machine. This stark distinction of the mood outside and inside is an ideal portrayal of Ms. Masuda Yasmin's life, the proud owner of Smart leather. She is one of those rare individuals who have made dream into a reality despite the fact that her life was no less somber and foggy than a winter morning. She has battled against deadly illness, faced financial limitations, and above all, rose above a society that let her stumble in every possible way to grow and succeed.

Situated in Hazaribagh, Dhaka - her mid-sized factory accommodates 24 permanent and 30 temporary employees. It is well-equipped with all necessary machineries to turn raw leather into a range of finished products including shoes, wallet, ladies' bag, and executive bag. Ms. Yasmin's "Smart Leather Products" has already achieved notable recognition from important stakeholders of the local industry for being one of the leading providers of best quality leather products. Even though Smart Leather Products continues to boom with a pipeline of solid clients, she says it is just the beginning.

Bangladesh leather industry

The leather and its related downstream industries claim itself to be the world's largest industrial sector based on its by-products. The Government of Bangladesh has identified the leather sector as one of the prominent ones in terms of growth and investment potential. Currently the leather sector is ranked 2nd highest export earning sector for Bangladesh.¹ Bangladesh meets the demand for about 10% of the world's total leather market.²

Since the early 90's, leather industry started to gain its momentum and have progressed tremendously during the last 5 years. Real progress in terms of product development with respect to crust and finished leather started in the early 90's following the ban on export of wet-blue hides from Bangladesh. It is now growing at a steady pace and the growth rate is expected to accelerate with new factories coming into operation, and growing interest of foreign investors in the leather goods and footwear sector. It is worthy to mention that the current demand for leather, leather product and footwear in the world is nearly \$215 billion where Bangladesh exports only US\$ 1.08 billion.³ For

¹ <http://www.newagebd.net/article/89261/pm-announces-incentives-to-leather-sector-for-five-more-years>

² <https://www.textiletoday.com.bd/overview-bangladesh-leather-industry/>

³ (Mahfuz, 2018)

Bangladesh, ample rooms are available if it can sense and serve the needs of world leather market.

Smart Leather Products is an example of companies that capitalized on this global opportunity and with the right set of strategies and interventions, poised for further growth.

An entrepreneur in the making

Masuda Yasmin's journey to become an entrepreneur can be traced back to the time when she was married off at a very early age right after her father's retirement. Despite that, she finished her graduation.

Immediately after that, she met a family friend who introduced her to the world of raw leather business. In the year 2004, that family friend used to supply leather to Apex Footwear Ltd., a leather goods manufacturing giant in Bangladesh. She found the business lucrative and desired to be a partner in the family friend's business. She had a profitable venture with her business partner and decided to go big. After learning the ins-and-outs of the craft, she also trained her younger brother at a tannery. Then she started her own business where her brother was in charge of procurement and she managed the business operations. Her first client was Bay Tannery which is one of the largest leather businesses of Bangladesh. The business hit the break-even within a very short period of time. Just as things were gaining momentum, issues with procurement and inventory management slipped her off the track. As she set out to regain the lost momentum, she was diagnosed with Cancer – derailing the business recovery initiative for the second time.

Pressing the restart button

After a successful battle with Cancer for 4 years, a visit to a local retail store gave her a perspective about a potential entry into the retail leather market. She decided to press the restart button through moving one step forward in the value chain – from her previous raw-leather trading business to manufacturing leather-based bags. Her first concern was the capital required for initial investment. She made her capital budgeting plan and started her search to raise capital for the venture.

At first, she sold her jewelry for BDT 70,000 and used it as an initial investment. She used to supply to Bay Tannery which had 14 showrooms at that time. Then she started supplying to a company called Munnu's Leather which had around 10 showrooms. Her initial product mix was office bag, wallet and ladies' bag. Soon after, she started looking for loan financing to expand the business. She got a loan of BDT 300,000 from Mercantile Bank and then received another loan of BDT 400,000 from Social Islami Bank Limited. However, compared to the size and requirement of the business, the loan

amounts fall way short. She needed more finance for working capital and owning her own showroom. During that time, she was planning to rent a showroom at a shopping mall near Shyamoli area. She borrowed BDT 50,000 from a friend for making the initial deposit for the space. Eventually she borrowed more funds from relatives and finally BDT 800,000 from Union Bank. She successfully repaid all her previous debts. As she soon asked for more loans, the bank asked for collateral for which she eventually bought a land with borrowed funds so that she could use the land as collateral. It enabled her to secure BDT 2,000,000 from Mercantile Bank. She successfully managed all these borrowed capitals and expanded the business. This impeccable business and capital management made her the winner of SME Entrepreneur's award 2016 which significantly increased her credibility in the market. But this was not an easy journey. It took a lot of effort and tactics to become successful. Ms. Yasmin's calculated financing strategies played a pivotal role in her success.

Strategizing to win the battle

The entrepreneurial journey isn't a fairytale. It took tremendous efforts and time to make her dream into a reality. She made some key strategic decisions in terms of product quality, pricing and working capital management which catapulted her to succeed in her field.

Smart Leather Product chose the "best-cost strategy" for its products. An effective cost strategy relies on offering customers better value for money by focusing both on low cost and upscale difference. The ultimate goal of the best-cost strategy is to keep costs and prices lower than other providers of similar products with comparable quality and features. This gave Smart Leather Products a competitive advantage over its competitors. As part of the market study, the entrepreneur segmented and decided to target the price-sensitive middle- and lower-middle-class segments as her retail customers who also valued quality. Smart Leather has a fairly good understanding of this psyche of its target segment.

In addition to smart marketing decisions, the entrepreneur tactfully managed the growth of capital with steady financing techniques. The capital structure of Smart Leather has been mostly relied on debt since the beginning and the company returned all loans on time. This improved the credit score of the company which eventually helped her to raise more debt capital from banks for further expansion.

Goodwill among stakeholders has always been a key priority for Ms. Yasmin. She has religiously managed stakeholder relationship to build goodwill in the market. This has helped her to manage the business' value chain well and keep the operations smooth. These strategic choices have set her apart in the market and acted as a catalyst behind her notable success among the SME-peers. Smart Leather Products also continuously invested in product and market development which has helped the business to grow faster than its competitors.

Continuous product and market development

Smart Leather regularly develops new product for its local market. In just last three years, they have increased their product range from 54 to 106. Currently it is eyeing to expand further into international markets and have already developed new plans to enter markets in Australia, Netherlands, Japan, Germany, and England. In combination it appears that Smart Leather is adopting two strategies relating to product and market which are product and market development strategy (Figure 1).

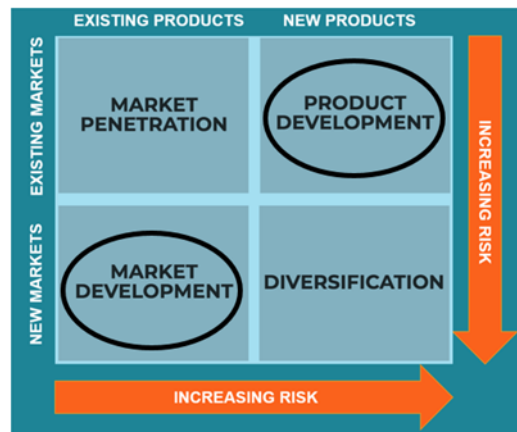


Figure 1: Product and market related strategy of Smart Leather

The family conundrum

Being a woman in the business arena of Bangladesh is a very challenging. People don't consider it as a 'Woman's job'. The experience of Ms. Masuda Yasmin reflects the same scenario. Her relatives and neighbors have never shown positive attitude towards her career. "Even though I received support from different people, my relatives never took my profession positively. I still get taunted for being a business woman. But thanks to my husband and daughters who have been my rocks since inception, I successfully came this far. My neighbors and relatives still continue to demotivate me", said Ms. Masuda Yasmin.

Attitude towards business

There is a general perception in our society that being a businessman is easier than being a jobholder. It's not true at all. Entrepreneurship is a 24/7 job. "My attitude toward this business and entrepreneurship has changed to a great extent throughout the years. I used to think managing a business would be easier than having a 9 to 5 job. Now I realize being an entrepreneur requires effort round the clock. I have to take care of every division of the business to ensure a smooth operation. I also have a better grasp of my business than when I started," she added.

Lessons learned along the way

A passion to do something of her own acted as a motivation behind Ms. Masuda Yasmin's success. She realized entrepreneurship is a dignified source of employment and it gave her a distinct identity and financial independency. This sense of ownership and aspiration of creating employment has made her realize the impact of entrepreneurship in her life as well as others. For the aspiring entrepreneurs her advice was: "Find out what you enjoy, be patient, work hard, stay honest and most importantly don't be afraid to take a leap of faith".

The motivation and recognition

Ms. Masuda Yasmin got the SME Entrepreneurs Award 2016, Presidents' Industrial Development Award 2017 and different other national level recognitions. She has already been featured in national dailies and TV channels. These well-earned accolades continue to motivate her to move further in her journey. Smart Leather Product is now a relatively large team of 24 permanent employees when compared to its inception with only 2 employees.

Growth at a glance

Table 1: Profile of Smart Leather

Size of the business	
During getting SME Foundation Award in 2016	Current condition
BDT 10.3 Lakhs	BDT 1 Crore
Total Sales	
During getting SME Foundation Award in 2016	Current condition
BDT 48 Lakhs	BDT 2.2 Crore
Annual Production Capacity	
During getting SME Foundation Award in 2016	Current condition
<ul style="list-style-type: none">• 200 pieces ladies bag• 500 pieces wallet• 100 pieces office bag	<ul style="list-style-type: none">• 1000 pieces ladies bag• 5000 pieces wallet• 2000 pieces belt• 500 pieces office bag

The road ahead

Just as the majority of entrepreneurs across the world, the journey of Ms. Yasmin has been a bumpy ride so far. It has been full of struggles as well as success. The dream of building something of her own kept her going even in the darkest days. "I dream of a day when I will lead a team of 5,000 people and have my own production facility. A major motivation behind my entrepreneurial journey has been to be able to take care of

my people. I feel genuinely happy every month when I pay their salary. I want to build an international brand where Smart Leather Products will compete against big international giants and represent Bangladesh in the global market.” she concluded.

Discussion Questions:

1. Surmise the 3 biggest learning points from this case.
2. As the first incident with procurement and inventory management threw the business off the track, how important do you think internal control systems are for SME businesses? What strategies can SME businesses pursue in this regard?
3. Critically assess the product and market related strategies undertaken by Ms. Yasmin? Is there any room for improvement?
4. Smart Leather Products has historically financed its growth through debt capital. What other financing strategies could she have pursued?