An Exploration of Constraints Faced by Bangladeshi Start-up Companies and Proposed Recommendations

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***Abstract*—The 4th industrial revolution is knocking at the door. The high-end technology, machine learning, industrial Internet of Things (IOT), cyber security, big data & analytics and artificial intelligence are in finger tips of this young generation. The concepts of Start-up come up with a revolution of technology across the world in recent years. Especially, the enthusiasm of the youth of developing countries likes Bangladesh that context very effectively. Establishing start-up is becoming a new trends and opportunity to them. Both the developed and developing economics are witnessing lot of new start-up in recent year. But the growth and success rate are relatively low due to many constraints. Globally the failure rate of start-up is high. Around half of companies are failed during their first five years' operation. This paper is intent to explore the challenges faced by the start-up companies of Bangladesh so that future start-ups can avoid those pitfalls. The researchers interviewed 38 start-up companies' top executives, managers to achieve the objectives. This study is conducted in qualitative way to get depth knowledge. The findings from the interviews shows that lack of awareness, education among customers, inadequate trust on online marketplace, price sensitivity, logistical and infrastructural problems etc. are main challenges start-up's facing right now. Finally, this paper suggests some recommendations to solve those problems and develop the scenario.**

Keywords*— *Start-up, Entrepreneurship, Challenges, Bangladesh

I. Introduction

Although Bangladesh is a tiny south Asian country but she has lot of possibilities. Yet with a vast population its consistent growth of GDP and development surprises the world which influences the economic experts to consider her as "An emerging new Asian tiger". Bangladesh envisions being a major global digital economy by the year 2021 (A.T. Kearney, 2017). It is a mobile-first nation, with more than 150 million mobile subscribers and over 25 percent Internet penetration. With 70 percent of the population under 35, media consumption is increasingly skewed towards digital (Mehedi, 2016).To achieve the vision stated earlier, the development of digital entrepreneurship is considered as a fuel. Last several years with the collaborative assistance government, private-public partnership (PPP), policy makers, angel investors, and conglomerates are trying to develop an organized and structured entrepreneurial ecosystem through mentorship and accelerator support. As a result it has seen that a huge number of start-up's are launching and some are doing exceptionally well. About 200 digital start-ups each year enter into the local business landscape in Bangladesh and about 1,000 were by the end of 2016 (A.T Kearney, 2017). Majority of the companies offer the e-commerce, e-travel, e transport, e-healthcare, e-payment services (Table 1).This positivity provokes the graduates to choose entrepreneurship as a career path. They are less likely to depends on parents or traditional jobs or universities or wait for opportunities. But challenges are available all over the place and business organizations like Start-up's specifically are no exemption to these challenges they confront today. The researchers are optimistic that the outcomes from this study will make conscious potential entrepreneurs to tackle those challenges.

II. Literature Review

A. *Definition of Start-up:*

A start-up company or start-up is an entrepreneurial venture or a new business in the form of a company, a partnership or temporary organization designed to search for a scalable business model (Kandasamy, 2015). Paul Graham (n,d) says that "A start-up is a company designed for rapid growth." There have some misconception about start-up. It is not mandatory to be a newly born company or technology based company or receives venture funding, or has some sort of "exit". The only vital thing is growth.

According to DIPP (2018), "Start-up means an entity, incorporated or registered in India which is operated up to a period of seven years from the date of incorporation/registration or up to ten years in case of Start-ups in Biotechnology sector and with an annual turnover not exceeding Rs. 25 core for any of the financial years since incorporation/registration".

Start-up guru Steve Blank (2017) provides a definition as a start-up is a "temporary organization designed to search for a repeatable and scalable business model", while the small business runs according to the fixed business model. Steve categorizes start-up companies into six types. Lifestyle Start-ups, small Business Start-ups, scalable Start-ups, buyable Start-ups, large Company Start-ups, social Start-ups.

B. *Previous researches:*

Building a new business is very difficult and involve high risk of failure (Reynolds & Miller 1992;Van De Ven 1992). Many start-ups fail in the very early stages and less than one-third of them turn into companies- “higher failure rate” (Vesper, 1990). Bhide, A. (2000) found in US that only 10% of start-up’s offered novel product or services, rest all offer nothing authentic or new to the market. To find out the barriers and cause of failure there had numerous researches were conducted previously. In the Republic of Srpska (RS), one of two B&H entities, where we have conducted empirical research, in addition to the lack of available alternative external sources of financing for start-ups and existing SMEs, such as angel investors, venture capital funds, factoring, mezzanine financing, crowd funding, etc., there are a number of other factors, which could cause increasing failure rate of companies (Hisrich et al., 2016). The most crucial challenges, faced by 4,928 young businesses in the US were slow or lost sales 36% and unpredictable business conditions 28 % (Robb and Farhat, 2013).

Furthermore, Kennickell et al.(2015) added the financial crisis and the Great Recession, including facing limited credit constraints as major problems. Ahmad and Seet (2009) pointed out on management skills as the new small firm transits from the founding entrepreneurial stage to higher growth rate stages. Temtime and Pansiri (2004) found that insufficient market research, ineffective demand forecasting and analysis, poor customer service, and lack of training for sales staff are the most significant factors leading to the failure of new business. Omid Sharifi et al (2015) added the Imperfect education System and conservative Lifestyle, lack of Support Networks and Entrepreneurship Ecosystem, lacks of enough angel investors to fund start-ups, culture differences. In Pakistan for 81.8% of the businesses failed because of insufficient capital, poor business model, lack of staffs and perfect partners (Hyder et al, 2016).

C. Kandasamy (2015) has claimed that wrong market timing ,weak management team, ran out of cash, fail to develop a product that meets the market need are also responsible for start-up failure and lack of strategic planning, wrong marketing investments or inefficient resource allocation (Ashok ,2018). The Bamboo Report (2017) stated operational inefficiencies, product/market misfit, poor market understanding, poor product development, competition, misevaluation, and lack of finance, team management problems, lack of enough business knowledge, technology lag(Núñez, 2007), human resource management issues , lack of attention to environmental elements, such as the existing trends, limitations in the markets, legal issues (Salamzadeh, 2015).From a survey by A.T. Kearney (2017) on 62 start-ups of Bangladesh and has presented limited access to investors, funding ,limited availability of digital information ,limited availability of supporting networks, limited availability and quality of IT specialists, limited access to corporate business, Inefficient regulatory framework, undeveloped fixed broadband infrastructure and undeveloped mobile infrastructure as prime market barriers of entrepreneurs.

Table1: Bangladeshi Start-up’s Customer segment focus your paper size.

Digital segment		Total number of start-ups	Number of product companies	Portion of work dedicated to local projects (%)
Services	E-commerce and delivery	42	42	93%
	E-transportation	10	10	100%
	E-health	9	6	89%
	E-learning	17	6	76%
	E-finance	5	5	80%
	E-travel	6	1	83%
	Classifiers	9	9	89%
	Communication & social platforms	5	5	100%
	Content (video, music, games)	13	11	54%
	SaaS and IaaS	2	0	50%
	Other (software-related)	35	4	69%
Transaction platforms	Payment platforms	2	1	100%
	Advertising and big data	11	0	82%
	Marketplaces (many-to-many)	19	19	84%
Internet of Things	Smart homes	0	0	0%
	Smart industry	5	2	60%
	Total	190	121	81%

Source: A.T. Kearney

C. *Objectives:*

1. To find out the challenges faced by the start-ups of Bangladesh
2. To provide suitable suggestions for improving the scenario of start-ups of Bangladesh.

III. Methodology

Primary data are the data directly collected from the respondents by using any structured methodology. For the literature lot of websites, journals, articles, reports, newspapers, books, magazines etc. were reviewed as secondary data source. Polkinghorne (2005) described that the most widely used technique in the production of qualitative data is interviews with participants. The researcher collected primary data using a structured interview of top management executives of 38 Bangladeshi start-ups. Most of the selected companies are from the Capital city Dhaka as it’s the main focal point of all business activities and head offices are situated so. Interviews were taken place in the office of start-ups and normally 30-40 minutes lasted long each.

A. *Data Presentation*

Company	Challenges
1. **Rowza Pure Foods** (finest organic products)	- Uncertainty about the growth -Forceful obstructes from the syndicate of the giant conglomerates
2. **BDjobs.com** (job portal)	- Reaching out to this segment of the users involves significant product and marketing challenges.

	- Away from the access to internet.
3.**Styline** (online hijab lifestyle start-up)	- Maintaining timely delivery - Customer education
4. Field Buzz (software system)	- Lot of resistance or difficulty to adapt to the new system -Uncertainty about the monthly salary - Like investing a lot of time and effort into a prospective client, including building demo applications for a project which never happens, - Making really hard decisions about employees
5. **Pathao (** a motor-bike hailing service)	-Lack of guidance
6. **Doctorola** (the health-Tech start-up)	-Lack of customer awareness -Balancing between cost and time -Expenses of communicating tools like ATL
7.Light of Hope (education for children and renewable energy)	-Lack of basic communication and marketing skills, - Inadequate financial literacy to run a business. - Lack of professionalism and commitment among young entrepreneurs.
8.**Bhalo Thakun** (well-being service provider)	- Keeping a low headcount - Technical aspects, developments, designing and redesigning the right product and managing the right resource within a constrained budget. -Customers perception about online shopping - Resource constraint
9. **HandyMama**(On-demand ride-hailing, on-demand grocery, on-demand services to on-demand travel assistance)	-Building capacity to handle challenging services, -Ensuring timely and best possible service quality
10. **GEEKY Social** (digital marketing agencies)	-Establishing new processes, structures, and systems, -Managing growth
11. **Bagdoom.com (online shop)**	-Awareness about E-commerce - The infrastructure problem. Timely delivery service to urban, semi-urban area -Trust on online payment -Finding good talent -Hard to find a local example to learn from. - Gender
12.**Raise IT Solutions** (Technology service provider)	-Previous bitter experience
13. **Chalda**l (ecommerce)	-Government policies. Excessive time for documentation, licencing, TIN -Keeping focus
14. PriyoShop.com (ecommerce)	-Customer retention

15.**Goponjinish** (online undergarment retailer)	- A steady growth -Lower margin for sourcing products from suppliers - The wide gap between male and female internet users in the country - Payment mode - Sourcing quality products
16. **Sindabad.com (**online B2B ecommerce platform)	- Absence of a structured supplier-base. -Marketing, making customers and organizations understand the benefits of taking a more efficient system.
17.**AjkerDeal** (eCommerce marketplace)	- To make model commercially viable, need more time and investments. -Investment - Size of the market and attaining a certain scale. lot of cost.
18. **Dnet (Online Health care service)**	-Finding the right person for the right job -Commitment -Depending on donor money and conducting experiments and fail -The absence of healthy competition. Copy products.
19.Bloodman	- Social pressures - Sustainable financial model - Keeping employees motivated
20. **Foodpeon** (Homemade food delivery start-up)	- Logistics. - Extreme traffic jam makes delay delivery -Increasing the number of suppliers
21.**Harriken** (online Food supply platform)	- Change in consumer behaviour, -Credibility is an issue -The unwillingness of breaking the status quo from the customer's side
22. **Khaas Food**	- Price sensitivity of customer
23. **Shadmart** (cross-border e-commerce company)	-Troubled with inevitable legal issues -Taking too much time for paperwork and inspection
24.Flight Expert (OTA)	-Investment and finance - Attract good talents
25.**Dude Style** (online men's fashion retailer)	-Lack of knowledge -Undeceived products and fake customers -Logistics -Rampant complaints about defects. Limited collection and slow delivery
26.24bazaar.com (home appliances)	-Social stigma and perception -Unsupportive family and friends, relatives -The growing competition
27.**Wreetu** (girl's health start-up)	-Developing critical partnerships that would enable us to scale.
28.**Frndz Lifestyle** (online man's cloth platform)	-Finding the right logistics partner. -Digital marketing -Advice and guidance.

29. Caretutors.com (an online tutor matching platform)	-Lack of knowledge about how to go about the implementation -Doing it all yourself -Not being tech savvy
30. **Eshosikhi.com** (an Edtech start-up)	-Creating market awareness and convincing people to pay for online education - Making quality content is an expensive chore.
31. Pickaboo (e-commerce marketplace with a concentration in electronics and related products)	-Convince investors to invest into this venture, -Go through legal issues, -Finding good people is a huge challenge - the expansion of our operations and making small groups more efficient
32.Planeter Limited (hardware, robotics and internet of things (IoT)	- The size of the local market - Access to information
33. Maya (A messaging platform with on-demand expert advice in areas like health, psychology, social problems and legal aspects.)	- Build the vetted expert network which is about scaling our on-demand model.
34. **CMED** (a cloud-based preventive health care start-up)	-Scaling our services while also ensuring the best quality customer service.
35.Bikroy (Online classified marketplace for both C2C and B2C users.)	-Customer awareness to use app, websites
36. **HungryNaki** (Online food delivery start-up)	-Turning from a scrappy start-up to a structured, process-oriented organization and instilling that mentality into the team. - Difficult to monitor other cities
37.**Seba (**An on-demand service marketplace)	- Hard to convince people that you can avail services from an online platform -Educating customers and maintaining the service quality
38. Prosiddho (Online destination for famous and prominent food products of Bangladesh.)	-Achieving trust of our customers -The main challenge for us now is ensuring on time delivery

IV. RECOMMENDATIONS:

A. Marketing, Promotion & CSR

- Creating awareness through marketing and branding is important. Need to ensure quality service and affordability.

- Run targeted campaigns, community engagement, CSR.

1) Pricing

-Customers are price-sensitive is Bangladesh just like in any other market. So, start-ups need to offer lower prices online than offline. From that point of view, an ecosystem needs to be built.

2) Operational

- Advance payment or at least partial advance payment can be implemented for paying the courier fair at least. This is a necessity because the e-commerce businesses have become matured and now many businesses are selling outside Dhaka in large quantities and most of them have the same complaints of un-received products.

-Build a strong Quality Control team and every product that you offer to your customers goes through QC for multiple times.

-Excellent after sell service. Even then, if you sell a defect product by any chance, replace the product within 2 days without hassle.

-Enrich by huge collection of categories. Build collaboration with multiple logistics partner that allows you to ensure timely delivery to your customers and flexibility in times of logistical obstacles.

- Need to invest in analytics and data so that you can make better decisions and design better strategy

B. Resource Related

1) Team

- Having a perfect match cofounder helpful. At least you can share with one other person. And of course, close family and friends are very important too, but in a different way. They help to give you a sense of perspective that life is about more than just your start-up.

2) Products/Service Related

-Have to find out a real, serious problem that you know and understand, try to solve it, and then try to build a company around solving that problem.

- Developed a few “niches” sometimes called “last-mile distribution”.

- Building an enriched database, and delivering the best possible experience

- You have to introduce new process, structure if needed, follow-up on it, and make adjustments based on practical applications. These are big undertakings.

- Highlight USP (Unique selling point) so that people would realize the severity of fraudulent activities and that they should prioritize local ad agencies over the foreign ones.

3) Family Support

-Understanding with your family, particularly with husband is important for female entrepreneurs. If the understanding is good, you would not face a lot of problem from your family. If you have firm determination, if you can work things out with your family, I think there is nothing that you could not outperform.

4) Soft skill Development

- Listen to others. It is a must for personal and organizational development and helps in fostering an environment of mutual respect. You need to learn every day from everyone.

- Interpersonal relationships in the office should be emphasized. If a superior pays attention to what his subordinates need, the subordinate will do the same and this is how an organization prospers.

-Try to understand your customers and their problems, including spending a lot of time "in the field" in rural areas, and change product and business model radically during first few months in response to what we're hearing from customers and experiencing in the field.

-One should never hide failures.

-It is also very important to remain positive and acknowledge others' successes, especially in a society like ours where we focus first on our weakness and try to demoralize.

-Maintaining a strong relationship with customers/ patients.

5) Functional Skills Development

-Being aware of the financial management of the company is also very important. Hire accounts if require.

- To build a long-lasting something, effective and timely succession planning is very crucial.

-Honesty, integrity, and focus. There are people who pursue too many things at once. That's a dangerous habit. You have to be determined and focused; you can't do many things at once.

6) Strategically Approach

-Probably for initial growth can follow the "lean start-up" approach, and it worked really well for some start-ups.

-Go out there into the real world and test a prototype with some real customers.

-Build a "minimum viable product", test it, measure, learn, and iterate until you find the winning formula. Then the business plan will write itself, the investors will come to you and the media will promote you.

- Go as lean as possible. To optimize at the maximum level, doing most with the limited resources that you have.

V. Conclusion:

In this 21st century each economy requires to special attention on entrepreneurship especially digital start-up companies. New technologies like internet of things (IOT), wearable devices, autonomous vehicles, 3D printing, and 5G mobile networks, together with advances in virtual reality, artificial intelligence, and robotics will transform the existing markets. So, to capitalize those facilities, opportunities government, and businessman's, financial institutions, policy makers, scholars, universities and entrepreneurs need to work in collaborative way. This research gives some insights and future research can be possible by widening contexts like sample size, research area, location and methodology. Every start-up should develop their core strategies that strengthen the work environment and increase the employee satisfaction, marketing, service to enhance performance and productivity, which ultimately results in high profits, customer satisfaction as well as customer retention.

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