
A Study of Export Market Potential for Processed Food Products in Bangladesh

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Abstract

The present study was conducted at M/s WeiKFiELD Foods Pvt. Ltd., Pune for examining the potential of the export market for their processed food products in Bangladesh. The study has pulled together the available environment for various products of WeiKFiELD and their potential for export market in Bangladesh. The company is multinational and renowned in the area of processed foods and its products are available in South and North America, Europe, the Middle East, Australia and Africa. It was felt that the WeiKFiELD products produced in India could be easily made available in neighbouring Bangladesh due to its proximity. Bangladesh markets were analyzed considering its population, religion, growth rate and proximity to India. Bangladesh constitutes 83 per cent of Muslim population and about 68 per cent of its total population is below the poverty line. In view of this, preparing small packets of processed foods in general and especially during Muslim festivals may attract maximum customers since the products may also be within their reach. There exists a huge scope for export of such products to Bangladesh. Besides assessing export market potential for processed food products of M/s WeiKFiELD, the study offered recommendations for further actions to be taken by the company to enter into the export market in Bangladesh.

Keywords: - Export-Import market, Consumer Buying Behaviour, Export Market Potential

Introduction

India is the second largest producer of food next to China and has vast potential of being the world leader in food and agriculture sector. As against total estimated food market of US \$ 91.70 billion, the processed food segment accounts for US \$29.40 billion. The food processing industry is one of the largest industries in India. The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting US \$ 33 billion of investment in the next 10 years which could generate employment of 9 million man-days. The Government has formulated and implemented several Plan Schemes to provide financial assistance for setting up and modernizing food processing units, creation of infrastructure and support for research and development. However, only 2 per cent of agricultural produce is processed due to budding stage of food industry.

Health food and its supplements is another rapidly rising segment of this industry that is gaining popularity. Although India is one of the world's major food producers, it accounts for less than 1.5 per cent of international trade. This indicates vast scope for both investors and exporters. India's food processing sector covers fruits and vegetables, meat and poultry, milk and milk products, alcoholic beverages, fisheries, plantation, grain

processing and other consumer products like confectionary, chocolates, cocoa products, soya-based products, mineral water, high protein foods, honey and range of sauces, ketchup, pickles and condiments, baking powder, flavoured jelly crystals, ice cream mix powder, custard pudding, oats, hot beverages, tea and tea bags etc. Indian food industry sales turnover is around Rs.140,00,00 million annually as at the start of year 2000. Food export in 1998 stood at US\$ 5.8 billion whereas the world total was US\$ 438 billion. Thus vast scope for export of processed food products needs to be exploited by India. An attempt has been made in this paper to understand various aspects for assessment of potential for export of processed food products of WeiKFiELD in Bangladesh.

About the Company

The study was carried out in M/s WeiKFiELD having its head office at Pune. The company has entered the field of manufacturing of processed foods in 1956 initially for manufacturing of custard powder and cornflour in Pune (Maharashtra). The company is now a multi-division unit manufacturing over 51 quality products and meeting the taste of even most discriminating buyer the world over. The primary goal is to ensure customer satisfaction which

is accomplished by uncompromising insistence of high standards, continuous innovation and the conscious commitment and dedication to provide value for money to agro-products to tea, honey and mushroom. The company has opened new doors and frontiers and has grown enormously by seeing new opportunities and challenges. Presently, the network spans 180000 retail outlets across India. Quality and reputation, the most valued assets of the company, are visible across range of 51 food products. The domestic network consists of 20 carrying and forwarding agents, 900 distributors and stockiest in every city in our country. Overseas, WeiKFiELD is growing web agents, distributors and direct buyers covering North and South America, Continental Europe and UK, the Middle East, Australia and Africa. The company focuses on innovative technology for new products and for expanding markets in the world.

Objectives of Study

The broad objective of the paper was to study the export market potential for processed food products manufactured by M/s WeiKFiELD. The detailed objectives are :

- ♦ To study the market size of processed foods of M/s WeiKFiELD
- ♦ To study the potential competitor for WeiKFiELD in Bangladesh
- ♦ To study the mode of entering in international market for Bangladesh
- ♦ To identify consumer buying behaviour in Bangladesh for WeiKFiELD food products
- ♦ To assess the export market potential of processed food products of WeiKFiELD on the basis of predetermined parameters.

Collection of Data

Since it was not feasible to obtain primary data from Bangladesh, the researcher collected secondary data from various research papers/reports available on internet, websites, company's records and the books on international marketing for the relevant topic. The secondary data generally have a pre-established degree of validity and reliability which need not be re-examined by the researcher for re-using such data.

Analysis of Data

Bangladesh markets were analyzed considering its population, religion, growth rate and proximity to India. The SWOT analysis of WeiKFiELD foods was also done while considering export market for them. The competitors and major importers and distributors have been indicated. The population and religion in Bangladesh formed the core of analysis to decide the export potential for processed food products of WeiKFiELD considering their income levels, tastes, type of food they eat and

their festivals. The available data have been analyzed for Bangladesh and presented below:

Population

Bangladesh has the highest density of population in the world with population around 150 million and its staple food is rice. The rural population is depending mostly on agriculture and allied activities and heavily migrating to cities primarily to Dhaka for better livelihood. 34.60 per cent, 61.40 per cent and over 4 per cent population falls within the age group of 0-14 years, 15-64 years and above 65 years, respectively. Since young population, more particularly children constitute major portion, consumption pattern is changing fast for ready to cook food, health drinks and nutraceutical/supplementary foods is noticeable. 68 per cent population is below poverty line and rural people usually do not consume processed foods. About 22 per cent population falls under the category of upper middle class and hence as per "80-20" principle, the company may target these people to get 80 per cent of revenue from nutritious processed foods on a regular basis and also the rural poor especially during Muslim festivals which would decide export market potential for processed foods. The country has seen the annual growth in GDP from 5per cent to 5.40 during the past 15 years.

Religion

Bangladesh is a poor but developing country consisting of 83 per cent Muslim, 17 per cent Hindu and rest Christians, Buddhists and other minority classes out of the total population. Assuming that there will be more sales during muslim festivals, the company should launch their products in the market accordingly.

Bangladesh Market : A Glance

Bangladesh is a semitropical river-occupied nation with fertile soil and a high vulnerability to floods and cyclones. Most Bangladeshis live in rural areas and make their living from agriculture. There has been a heavy migration to cities, primarily to Dhaka, the capital.

Consumption pattern of rural Bangladesh is changing over time along with economic and social development and that the technology has rendered convenient daily life. Consumers are aware of various foods and food stuffs containing hazardous chemicals which are harmful to their health. Due to increasing urbanization, reducing family size and spread of education and women employment, significant change in food habits is evident. Increased consumption of processed foods like sauces/ketchup, jam, jelly, noodles/pasta, soft drinks, fruit juices, etc. is noticed. Despite the fact that local production of processed food products is increasing, abundant food items are imported from many countries including USA with no quantitative restrictions but at moderately high tariffs, also contributed to changing consumption pattern. Consumers give maximum importance to appearance,

ambience, comfort and the availability of vast range of products.

The Salient Features of Bangladesh Market:

- ♦ Bangladeshis usually procure their imported products from importers or distributors for imported items and from distributors or suppliers for local products.
- ♦ Organized retail outlets are relatively few and concentrated in major cities also selling imported products. They have established supply line for selling imported products. About 200 or 400 distributors ensure consistent supply of their commodities.
- ♦ Most importers source their goods in mixed containers from country of origin or from consolidators in Dubai or Singapore, except those that arrive in high volumes like fresh fruits.
- ♦ The food retailers includes large super markets, around 30 medium sized super stores and 200-250 other convenient stores located in posh areas of Dhaka and other big cities. The share of imported food products handled by these outlets is very small and items include fruit juices (powdered or liquid), canned fruits, vegetables, fish/meat, jam/jelly, sauce/ketchup, edible oil, dry milk powder, salad dressings, vermicelli, olive oil, coffee, fresh fruits, chocolates, biscuits and cookies etc.
- ♦ The biggest constraint facing this sector is extreme scarcity of space in suitable areas which is very costly and beyond the reach of many traders.
- ♦ In spite of relatively good performance in the last decade, there are many structural weaknesses due to economic slowdown. The failure of the political system to address these long standing economic problems has adversely affected the business environment and investment climate. The initial impact at the end of the Multi-fibre Arrangement on Bangladesh textile and garment sector has also been limited.

Market Entry Strategy

- ♦ It is observed that successful companies adapt their products to the demands of the local marketplace. This may include small packaging to reduce retail price and marketing strategies that positions the product as an inexpensive pleasure or unique gift.
- ♦ Some companies have begun granting franchise licenses in Bangladesh.
- ♦ Some consumer goods companies have established manufacturing units in Bangladesh.
- ♦ Many other companies serve Bangladesh from their offices in the region either in India or South East Asia.
- ♦ Personal relationships are important for selling products in Bangladesh. Many companies license dealers or distributors or hire local agents to

represent their products on an exclusive or non-exclusive basis.

- ♦ As companies become more established in the market, they may choose to open a branch or subsidiary abroad.

Import-Export Scenario of Bangladesh

- ♦ **Imports:** Major portion of import comes from Singapore and Dubai in mixed containers. However, Bhutan, Nepal, Thailand, Malaysia, USA, China, Italy and UK are also supplying consumer products such as jam/jelly, sauce/ketchup, pickles, edible oils, fresh fruits, energy drinks, dry milk powder, deserts and custard powder etc. suited for lower, middle to upper class population in different sizes and affordable prices. Australia, New Zealand, Denmark and UK have established processed food products units (joint ventures) in Bangladesh for dairy products. China and Australia are active in fresh food sector with market expansion strategy to reach maximum customers. There are about 13 competitor importers to WeikFIELD in Bangladesh served by about 4 major importers There exists a Import Policy Order 1995-97 for food products in Bangladesh with required infrastructure. The total imports were US\$ 35.92 billion in 2011-12.
- ♦ **Exports:** Bangladesh is a strong believer in trade alliance with neighbouring countries and was the main initiator for the South Asian Association for Regional Cooperation (SAARC) consisting of member countries, namely, Singapore, Brunei, Malaysia, Philippines, Thailand, Indonesia and China for preferential trade in addition to Middle East.. There exists a foreign investment policy of Government of Bangladesh considering foreign and domestic private investors on par. Investment incentives such as tax holidays, reduces import duties, duty free imports and tax exemptions are given as stipulated in the policy. Custom bonded warehouses to assist the exporters, free repatriation of profits and concession in advertisement charges and institutional support etc have been included in the export policy. Bangladesh is well connected by air and by sea ports to rest of the world. The quality standards are monitored by the concerned government departments. Tea, textiles, jute, fish and sea-foods, rice, leather goods, vegetables, readymade garments and ceramics, natural gas and coal are the major export products of Bangladesh. The total exports were US\$ 24.30 billion in 2011-12 earning foreign remittances of US\$ 12.85 billion.

SWOT Analysis of Weikfield Foods for Bangladesh

It is essential to study the import-export policy of the countries involved before analyzing the strengths, weaknesses, opportunities and threats for the products and hence each and every attribute of WeikFIELD food products was considered for SWOT analysis by the

researcher which is crucial in deciding marketing strategies as under:

Strengths

- ♦ A popular and established brand in the world of processed food products, namely, Custard powder, Corn flour, Jelly crystals with excellent quality.
- ♦ Custard powder, Corn flour, Jelly crystals are non-perishable.
- ♦ Company has wide range of quality food products suitable for export to Bangladesh.
- ♦ Products are certified by Food and Drug Administration of the Government.

Weaknesses

- ♦ Company products are more popular in urban areas than the rural.
- ♦ Product promotion strategies are not adequate.
- ♦ Weather conditions, appearance and customer needs are not reflected to the desired extent on the packaging of retail pack food products.

Opportunities

- ♦ There exists a great opportunity to market processed food products to Bangladesh.
- ♦ Golden chance to enter into joint venture with Bangladesh counterpart.

Threats

- ♦ Low purchasing power of 68% population who are below the poverty line.
- ♦ There is tough competition among the exporters.
- ♦ It will take a long way to change the buying behaviour of people.
- ♦ Economy of Bangladesh is not that sound.

Findings of Study

Considering the density and age-wise population, religion, growth rate of economy and proximity of Bangladesh to India, the present preliminary study based on secondary data revealed the following observations which could be used to plan export market strategy for processed food products of WeiKFiELD by the said company:

- ♦ The market size of Bangladesh for utilization of processed food products has been huge in view of highest density of population
- ♦ In view of the fact that there are 13 potential competitors for exporting processed food products to Bangladesh, WeiKFiELD products could be easily accommodated due to its proven quality and popularity.

- ♦ The modes of entry in Bangladesh market by foreign companies consist of Direct-Indirect Exports, Joint Ventures, Franchising, Turnkey Projects and Licensing, etc.
- ♦ 68 per cent population in Bangladesh are below poverty line (BPL) and 61.40 per cent population falls within the age group of 15-64 years indicating enormous presence of young generation in large number. The consumer buying behaviour of young people is for ready to cook food, health drinks and nutraceutical/supplementary foods so also small sized packets with reasonable price could be within the reach of rural poor mostly covering BPL population of Bangladesh.
- ♦ There exists a substantial export market potential for selected non-perishable processed food products of WeiKFiELD such as Custard powder, Corn flour, Jelly crystals with excellent quality in addition to the products of existing players in the market in view of their popular and established brand in the home country.

Suggestions

- ♦ There exists a huge scope for export of processed food products to serve densely populated Bangladesh and hence the WeiKFiELD (the company) should formulate suitable export policy for processed food products in Bangladesh based on findings of the present study and may choose suitable entry strategy for tapping the market.
- ♦ As rice is the staple food of Bangladesh, the company may make food products from rice to expand their export portfolio.
- ♦ The company should manufacture processed food products that are usually consumed by Muslim community (83 per cent of population), with the kind of recipe they follow, invariably printed on packaging. Small sized packets are preferable for 68% BPL population to tackle rural market of Bangladesh.
- ♦ The company may introduce chocolate flavour in custard powder as 35 per cent of population comprising children who are universally fond of chocolate in addition to frozen fruits and fruit jelly.
- ♦ The company may add cashew, almond and kishmis in their products for nutritional value addition.
- ♦ The company may launch highly nutritious soya powder to assist reproductive health and nutrition programme in collaboration with Bangladesh government to arrest levels of low birth weight (LBW) and maternal malnutrition in Bangladesh.

Conclusion

There is a vast scope for export of processed food products to Bangladesh in view of their demand due to changed buying behaviour pattern of consumers and high density of population. However, nearly 70 per cent people

of Bangladesh are below the poverty line indicating that their poor economic condition may not encourage them to purchase products like custard powder, corn flour and jelly crystals of WeiKFiELD from Bangladesh market. The upper middle and upper class people may prefer these products. The small sized packets within the reach of poor can also be tried. Around 83 per cent population is of Muslim community and hence sale of WeiKFiELD food products in their festive seasons is desirable. The diversified value added products containing rice as main component and chocolate flavour may be tried for general population and children. Nutritious soya powder for reproductive health may attract attention of elite class. Although many suggestions have emanated from the present study, we are of the opinion that WeiKFiELD initially should collaborate with the existing Bangladeshi firms or individuals in the related business to explore the penetration of products on a pilot basis to get better insight of the market for similar products and then based on experience gained, plan suitable strategy for export of their processed food products to Bangladesh.

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