

**THE THESIS OF “BUYING HOUSES ROLE IN  
MARKETING GARMENT PRODUCTS”**

**THE THESIS SUBMITTED IN PARTIAL FULFILL MENT OF  
THE REQUIREMENTS FOR THE DEGREE OF  
BACHELOR OF BUSINESS ADMINISTRATION**

**THE THESIS OF “BUYING HOUSES ROLE IN  
MARKETING GARMENT PRODUCTS”**

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## **Letter of transmittal**

April 20, 2010.

Mr. Tanvir Ahmed Minar  
Stamford University, Bangladesh

Dear Sir,

**Subject: Submission of project report**

As the students of the BBA program are sent to different institution for practical exposure, I was sent to Merchandising Incorporation. The marketing division of Merchandising Inc. assigned me a report on their marketing related activities.

Being a major in Marketing, I have given all my effort to prepare the report. I do hope and believe that this report will serve its purpose. It is an immense pleasure for me to present you the report.

**Thank you**

**Sarder Md. Oahidur Rahman**

## **Declaration**

I do hereby declare that the thesis entitled The Thesis On The “Buying houses role in marketing garment products” Submitted in partial fulfillment of the requirements for the Degree of Bachelor of Business Administration To Stamford University Bangladesh is my original work and not submitted for the award of any other Degree, Diploma, Fellowship or other similar titles or prizes

Sarder Md. Oahidur Rahman

Id: 02707910

Batch: 27(W)

## **Certification**

This is to certify that the thesis entitled The Thesis On “**Buying houses role in marketing garment products**” Submitted in partial completion of the requirements for the Degree of Bachelor of Business Administration of Stamford University Bangladesh. Name Sarder Md. Oahidur Rahman has worked under my supervision and guidance and that no part of this report has been submitted for the award of any other degree fellowship of other similar titles or prizes and that has not been published in any journal or magazine.

**Tanvir Ahmed Minar**  
Assistant Professor  
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## **Acknowledgement**

The situation and euphonies that accompany the successful completion of task, would be incomplete without the mention of the people who made it possible, because success is an epitome of hard work, sincerity, missionary zeal steadfast determination and most of all encouraging guidance. Therefore, with immense, I acknowledge all those people whose guidance and encouragement served as a platform for success.

I feel it is my privilege to place on record my warm salutation to Merchandising Incorporation and Stamford University, which gave me an opportunity to work on this project.

I sincerely thank Mr. A.M. Taraque Anowar, Merchandiser of Standard Group for extending his valuable guidance and cooperation.

I would like to give my utmost gratitude, for my project guide honorable teacher Tanvir Ahmed Minar. without whose guidance this project would not have been a reality.

Finally, I express my sincere thanks to all those who have either directly or indirectly helped me in this project.

Sarder Md. Oahidur Rahman

## **Executive Summary**

My thesis is originated with a view to examine role of buying houses in marketing the garment products abroad. Through the report I have focused on the effectiveness and efficiency of buying houses related to their various activities in the total marketing process of RMG products and the constraints stand against to their efficiency and effectiveness. I have gone through this research as a part of the primary role of this company is to bring order of various types of garments products from foreign buyers of developed countries and distribute these orders to local garment factories in exchange of a certain commission. The practical knowledge of work I have achieved from Merchandising inc has provided me the base of my investigation. Although the highest foreign currency earners, the sector of exporting the garment products from our country to different buyer countries does not prove itself an easy working domain. A lot of problems are scattered all over in the marketing process of garment products to different countries. As a novice of internship in the Merchandizing Incorporation I have observed the problems which it is facing in its all over marketing process. Some of the problems lie in the part of garments sectors and residuals may be found in the counterpart of its related working domain. As a fresh achiever of knowledge I have tred to investigate the problems of export the garment products from its surface to the bottom and tried to find out the possible solutions.

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## **CHAPTER 1: PRELUDE**

### 1.1 Introduction:

Modern management has transferred itself from production to sales orientation and finally to marketing oriented view of business. The Marketing Concept is a philosophy and like any philosophy it cannot be defined with precision. It is in fact an attitude governing the whole management approach. to the firm's. operations from step to step.

One of the recent slogans of today's economist is ' either export or be ruined'. They are not willing to show any other path 'between this.

The present export pattern of Bangladesh has changed: according to the above slogan. Now eight commodities have taken the position of 93% of the export earnings and ready made garments is one of those. Major products of Bangladesh Ready-made Garments industry for export Marketing are woven and knit- shirts, polo shirt, trousers, Jackets, T-shirt, etc. Major *Buyers* of Bangladesh Garments are the USA, EEC, Canada and other European Countries.

The export earning from garment sector increased steadily from a meager amount of US\$ 3.24 million in 1980-81 to US \$ 1064.00 million

in 1991-92 and to US\$ 1240.48 million during the fiscal year ended June in. 1991-92 and US\$ 1310 million in 1992-93 fiscal year. The contribution of this sector to the total national export earnings increased from 0.40% in 1980-81 to 69.41% in the year 1992-93.

## 1.2 A Glimpse of The Growth & Status of Ready

Made Garment Export of Bangladesh:

| Year      | Export of RMG<br>(in Million US\$) | Total export of<br>Bangladesh (in<br>Million US\$) | % of RMGS to<br>total Export |
|-----------|------------------------------------|--|------------------------------|
| 1987-88   | 31.57                              | 811.00   | 3.89                         |
| 1988-89   | 116.20                             | 934.43   | 12.44                        |
| 1989-90   | 131.48                             | 819.21   | 16.06                        |
| 1990-91   | 298.67                             | 1076.61  | 27.74                        |
| 1991-92   | 433.92                             | 1231.20  | 35.24                        |
| 1992-93   | 471.09                             | 1291.56  | 36.47                        |
| 1993-94   | 642.16                             | 1523.70  | 40.96                        |
| 1994-95   | 866.82                             | 1717.55  | 50.47                        |
| 1995-96   | 1182.57                            | 1993.92  | 59.31                        |
| 1996-97   | 1245.01                            | 2382.89  | 60.64                        |
| 1998-99   | 1555.79                            | 2533.90  | 61.40                        |
| 1999-2000 | 2547.13                            | 382.00   | 65.61                        |

|           |         |         |       |
|-----------|---------|---------|-------|
| 2000-2001 | 3001.25 | 4418.28 | 67.93 |
| 2001-2002 | 3781.94 | 5161.20 | 73.28 |
| 2002-2003 | 4019.98 | 5212.86 | 75.67 |

### **1.3 Apparel-The Highest Export Earning Sector:**

| 1991-92   | RMG EXPORT VALUE<br>(MILLION US \$) |
|-----------|-------------------------------------|
| 1991-92   | 1182.57                             |
| 1998-99   | 1445.22                             |
| 1999-98   | 1555.79                             |
| 1998-99   | 2232.09                             |
| 1999-2000 | 2547.13                             |
| 2000-2001 | 3001.25                             |
| 2001-2002 | 3781.94                             |
| 2002-2003 | 4019.98                             |

### **1.4 Share of RMG In Country's 1998-99 Total Export:**

| Commodity  | Export Share (%) |
|------------|------------------|
| RMG        | 75.67            |
| JUTE GOODS | 5.72             |
| RAW JUTE   | 5.16             |
| TEA        | 1.35             |

|                |       |
|----------------|-------|
| LEATHER        | 3.17  |
| CHEM. PRODUCTS | 0.72  |
| FROZEN GOODS   | 1.49  |
| OTHERS         | 12.91 |

### **1.5 Buying Houses Of Ready Made Garments:**

Buying Houses of ready-made garments have developed with the growth of garment export of our country. It is the combination of all marketing activities relating to searching foreign garment buyers for the order of garments products, taking order of ready made garment products from them, placing order to local factories and providing overall support to the both prospective buyers and suppliers.

It has not been a long time since Garments Buying Houses have started sprouting up here and there. Only a few years back where it was difficult to find a reliable and quality Buying House, but now, there are so many of those.

Buying Housing industry is one of the essential supports of Garments Export. In one hand foreign Buyers of garment products are largely dependent on this industry for searching suppliers, who are capable to produce and supply buyers demanded products.

In other hand garments producers are also dependent on this industry for searching buyers, who places the order of certain garment item such as sweater that the producer produces. So the relationship between garment industry and buying house industry are interdependent. The existence of one without other is hardly possible. The reason for this again exporting garment product involves so many stages from marketing to distribution, which is not possible by any single group to do alone. For the convenience of both buyers and suppliers, the buying house industry today has developed enormously with a vision to perform marketing and distribution task of garment industry.

## **Organization Part**

### **CHAPTER 2: MERCHANDISING INCORPORATION**

#### **2.1 Introduction or Merchandising Incorporation:**

In the business world today no major player in apparel industry can ignore capability of Bangladesh in offering qualitative and valuable products. Merchandising Incorporation has the capability of providing a bridge between our overseas customers / buyers and local manufacturers in Bangladesh to ensure quality, services, timely deliveries and adherence to buyers quality standards. In today's world the key to success of any buyer is to identify- the country to source the right product at right price. This is where the company - is step in to cater the buyer needs regarding communication, quality and most of all timely delivery.

#### **2.2 Location and Historical Back ground:**

Merchandising Incorporation is a service based organization with basic objective of providing marketing related services to local garments manufacturers and working as a representative of foreign buyers.

- ◆ The company started its business operation in 1987 with a well

decorated office at Elephant road, Dhaka. In the year of 1995 the office transferred at the 69, mohakhali in their own building. Initially the company used to bring order of gannet products from American buyers. Later it also entered into the European market and started to bring order from the buyers of Italy Spain, and Switzerland.

- ◆ In 1997, for better quality service to local manufacturers the company started to supply garments accessories to the garments manufacturers.
  
- ◆ By arranging all the accessories for suppliers, the company reduced the work pressure of its suppliers by helping them only to concentrate on production.
  
- ◆ Besides supplying accessories the company also control the product Quality of the suppliers by sending its quality inspector to the factories. Thus the company ensure the quality of the suppliers products.
  
- ◆ As a representative of foreign buyers, the company makes a product sample for the buyer according to buyer specification.
  
- ◆ The company also search for a good supplier for the buyer to execute his order.



- ◆ Finally the company take the responsibility of inspecting the suppliers product to ensure that the product is at right quality and in right quantity.
- ◆ The company maintains a constantly high standard of business conduct, ethics and social responsibility. It takes pride in the efficiency of what it does and always employees the most effective and latest technology available. Their most important asset is the people who make up the company.
- ◆ The company is committed to growth and improvement of all aspects of its operation and willing to be a leader in the industry.

### **2.3 Mission**

To obtain a sustainable position in the RMG Buying House sectors of Bangladesh as well as internationally.

### **2.4 Organizational Goals**

- To employ resources as incendiary for the growth of RMG sector.
- To provide service for the parties involved and invention of the necessary new service dimension.

- To search for new buyers for investment and help to develop products to suit such needs.

## **2.5 Principal Objectives or the Standard Group:**

- Profit maximization
- To provide standard services.

## **2.6 Strategic View of Standard Group :**

- A truly international outlook for exporting
- A long-term commitment for exporting
- A strategic approach to the development of new export market
- Credibility and close and long-term relationship in export market
- An international reputation for quality
- Resources available for export support

## **2.7 Functional Departments or M. Inc & Their Activities:**

All the functions of Merchandising Inc. are operated under four major departments:

1. Merchandising department.
2. Sampling department.
3. Commercial department.
4. Accessory supply department.
5. Production department.
6. Distribution department.

***Merchandising Department:***

This department of M. Inc. is responsible for the following activities:

*Searching buyers:* The task of this department started with the searches of buyers, who want to import garment products from our country, to get the order of the garment product manufacturing.

*Introduce letter:* After finding suitable buyers this dept. issues an introducing letter to the respective buyers which describes M. Inc.'s total years of experience, its parameter of total activities, efficiency and effectiveness and relationship with existing buyers.

*CM:* CM is another important activity that stands for Cost of Making. Here the merchandiser of this dept. determines what are the things are required to make an unit or dozen of an order. Then he makes calculation' of per unit cost on the basis of accessories consumption, fabric consumption, labor cost and other relevant costs.

*Price negotiation:* When this department has the clear idea about the cost involved in the desired transaction they start price negotiation to determine a final price that the buyer agrees to pay.

*Select supplier:* Merchandising department recognizes the effectiveness, of their commitment to buyers and there by it shoulders the responsibility of finding out efficient buyers. The bases of efficiency include supplier's adequate administrative setup to prepare all necessary documents for exports, supplier's financial status and adequate capacities etc.

***Sampling Department:***

It starts its activities after receiving the original sample or sketch sample from the buyer with an ,intention to testify the capability of M. Inc. to meet the desired standard of the products. Two people contribute toward the efficiency of sampling dept. They are sampling man and pattern master of M. Inc.

### **Commercial Department:**

The commercial department of M. Inc prepares pro-forma invoice for the respective buyer. The invoice includes the quantity of the buyer's order, its unit price and total price.

The commercial department also transfer master L/C on the name of selected supplier.

This department also maintains all clerical activities such as maintaining the accounts of daily transaction, maintaining payroll, keeping the accounts of daily expenditures etc.

### **Accessory supply department:**

For a smooth manufacturing, the assurance of on time delivery of fabric and accessories is must. The responsibility of supplying accessories to the suppliers landed on the ground of this department. To assure this supply Merchandising Inc. utilizes two sources. One is its sister concern FM. Printing and Packaging Company. Another is the outsourcing from its suppliers of long term relationship. As a result the manufacturer doesn't need to be worried about the availability of accessories.

### **Production Department:**

Although named as production department, this service department rather follows up production dividing its activities into following sections of responsibilities:

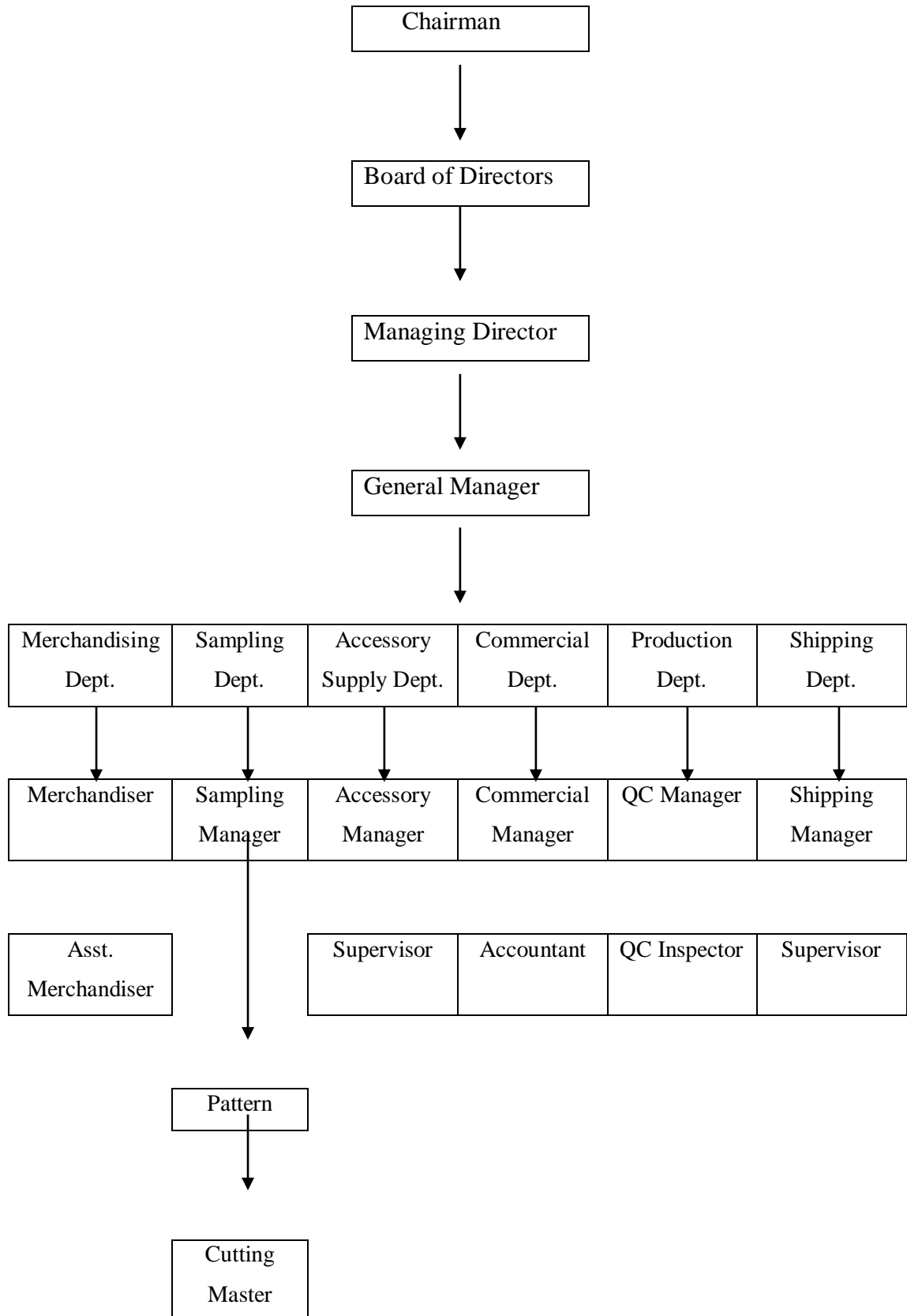
Quality monitor and control: This dept. supervises the manufacturing process to maintain the quality and scheduled progress of the manufacturing in behalf of merchandising Inc.

Final Inspection: For its reputation, buyers usually delegate the responsibility of final inspection on the shoulder of quality. Inspector of Merchandising Inc. The efficient inspection is the responsibility of the quality inspector of Merchandising Inc.

### **Distribution Department:**

As the name mentions the task of shipping department of M. Inc starts from -receipt of final goods from the supplier factory after the final inspection and ends- with loading of the goods bound for supplier. This department also prepare the supporting documents for export such as bill of exchange, bill of lading, commercial invoice, certificate of origin, packing list etc.

## 2.8 Organ gram of the Merchandising Incorporation



## 2.10 List Of Clients Or Foreign Buyers:

| NAME                 | COUNTRY     |
|----------------------|-------------|
| JECEPPNY.            | USA         |
| SYLVIE ITALY SPA.    | ITALY       |
| SADIUM               | UK          |
| COLINS               | TUROSKO     |
| FEDRIGI SPA.         | IT AL Y     |
| BEX OF SCANDI NA VIA | SWEDEN      |
| SWITZA               | SWITZERLAND |
| CREATION NICOLAS SA. | SPAIN       |

\*



## **2.12 Value Chain Analysis M. INC.**

As buying houses provide service as intermediary between garment manufacturers and foreign buyers, their success depend on the value they are able to provide to both of these groups. So to analyze its ability to provide value to its customers I have analyzed M. Inc.'s ability regarding this matter. Value chain analysis is a useful framework for systematically identifying strength and weakness of any organization. Value chain analysis assumes that a firm is a collection of activities necessary to design, produce, market and support its products and each of these activities could add value to product, or service. Each of them can also be a source of competitive advantage for a firm.

Value provider activities of M. Inc. can be divided into two major categories, primary activities of M. Inc. and its supporting activities. Primary activities contribute to the physical creation of the products, its sales and transfer to the buyer, and after sales service. Support activities assist the primary activities and each other.

**M. Inc.'s Value chain could see as below:**

The Value chain: Primary and support Activities

|                                 |           |                       |                               |
|---------------------------------|-----------|-----------------------|-------------------------------|
| Firm Infrastructure             |           |                       |                               |
| Human Resource Management       |           |                       |                               |
| Technology Development (If any) |           |                       |                               |
| Inbound<br>Logistics            | Operation | Outbound<br>Logistics | Marketing<br>Sales<br>Service |

Following Factors affect the primary and secondary activities of any value chain of M.Inc.:

|                    |   |
|--------------------|---|
| Inbound Logistics  | M. Inc.'s effectiveness in achieving orders.  |
|                    | Soundness of accessory control systems of M.Inc.  |
| Operations         | Productivity of personnel compared to that of key competitors of M. Inc.                |
|                    | Efficiency of service processes of M.Inc.   |
|                    | Effectiveness of service control systems of M. Inc. to improve quality and reduce costs |
|                    | Its efficiency to plant layout and workflow design.                                     |
| Outbound logistics | Timeliness and efficiency of delivery of finished goods and services of M. Inc.         |
|                    | Efficiency in shipping activities of finished goods.                                    |
| Marketing & Sales  | Its effectiveness of market research to indentify customer segments and needs.          |
|                    | Innovation in sales promotion and advertising of M. Inc.                                |
|                    | Motivational competence of H.R. capital of M.Inc.                                       |
|                    | Development of and image of quality and a favorable reputation of M. Inc.               |
|                    | Its extent of brand loyalty among consumer  |

|  |                           |   |
|--|---------------------------|---|
|  |                           | Extent of market dominance within the market segment or overall market.                         |
|  | Customer                  | It means to solicit customer inputs for service improvement                                     |
|  |                           | Its promptness of attention to customer complaints<br>Service                                   |
|  |                           | Its appropriateness of warranty and guarantee policies  |
|  |                           | Its quality of customer education and training  |
|  |                           | Its ability to provide replacement parts and repair service.                                    |
|  | Human Resource Management | Efficiency of recruiting, training, and promoting all levels of employees of M. Inc.            |
|  |                           | Its appropriateness of reward systems for motivating and challenging employees                  |
|  |                           | A work environment of M. Inc. that minimizes absenteeism and keeps turnover at desirable levels |
|  |                           | Active participation by managers and technical personnel in this professional organization      |
|  |                           | Levels of employee motivation and job satisfaction in M. Inc.                                   |

|  |                        |  |
|--|------------------------|--|
|  | Technology Development | Success of research and development activities of M. Inc.  |
|  |                        | Quality of working relationship between personnel in M. Inc.   |
|  |                        | Timeliness of technology development activities in meeting critical deadlines  |
|  |                        | Qualification and experience of technological personnel in M. Inc.   |
|  |                        | Its ability of establishing work environment to encourage creativity and innovation.   |
|  | Procurement            | Development of alternate sources by M. Inc. for inputs to minimize dependence on a single supplier                           |
|  |                        | Procurement of raw materials by M. Inc.<br>On a timely basis<br>At a lowest possible cost<br>At acceptable levels of quality |
|  |                        | Its procedures for procurement of plant, machinery and building  |
|  |                        | Its development of criteria for lease versus purchase decision.  |
|  |                        | Its good, long-term relationship with reliable suppliers   |
|  | Firm                   | Its capability to identify new product market  |

|  |                |   |
|--|----------------|---|
|  | Infrastructure | opportunities and potential environment threats   |
|  |                | Its quality of the astrategic planning system to achieve corporate objectives                                     |
|  |                | Its coordination and integration of all activities associated with the value chain among organizational sub units |
|  |                | Its ability to obtain relatively low cost funds for capital expenditure and working capital                       |
|  |                | Its ability to obtain relatively low cost funds for capital expenditure and working capital                       |
|  |                | Its level of information systems support in making strategic and routine decision.                                |
|  |                | Timely and accurate information for management on general and competitive environment of M. Inc.                  |
|  |                | Its relationship with public policy makers and interest groups.   |

### **Findings of value chain analysis:**

I have found the following findings related with the value chain aspects from my working experience in the organization and the personal interview through my working tenure:

### **Findings related to primary activities:**

- Although for their unsatisfactory services at beginning stage M.Inc. lost some big American buyers but now M. Inc receives order mostly from European countries. Most of these buyers are permanent for their satisfactory services, which shows their effectiveness in achieving orders.
- For the both in source and out source policy of accessory control M. Inc. timely receives the accessory and other materials with out any bottle neck situation.
- Employers of M. Inc. are satisfied with the existing productivity of the employees of M. Inc.
- The acceptable level of satisfaction of both of its buyers and suppliers shows their efficiency in their existing service processes.

- The central location of the company is in the city heart at Moakhali, Dhaka is the success of M.Inc. regarding place
- strategy of 4Ps in marketing strategy.
- Only a small percentage of their total annual orders is usually rejected by their buyers, which proves their efficiency.
- M. Inc. is able to deliver the finished goods on time for the advantage of owning a shipping business.
- They overlook the necessity of market research to identify the customer segment and needs.
- As they don't have any personal web site or online advertising. So it is clear that they ignore the importance of these marketing tools.
- Although it encourages the customer feedback but any advantageous means is absent in this regard.
- It doesn't provide any official guarantee or warranty to buyers for the products or services they provide.



### **Findings related to Supporting activities:**

- They don't provide any training to their employees.
- Absence of employee reward system except their normal pay scale.
- Nice working environment is a strength for this organization.
- Professional pace of work exist within the management.
- Existence of technological support such as e-mail, fax, scanner, phone, printing device etc. in the organization.
- Company doesn't hold any policy regarding employee creativity or inanimation
- Company holds international outlooks for exporting.

### **2.13 Key Success Factors:**

Key success factors (KSFS) are important areas in which good results will ensure successful competitive performance for M. Inc. In this industry key success factors refer to-

- good communication skills
- supervision to maintain desired quality
- Committed to the on time delivery.
- Selection of efficient and honest suppliers.

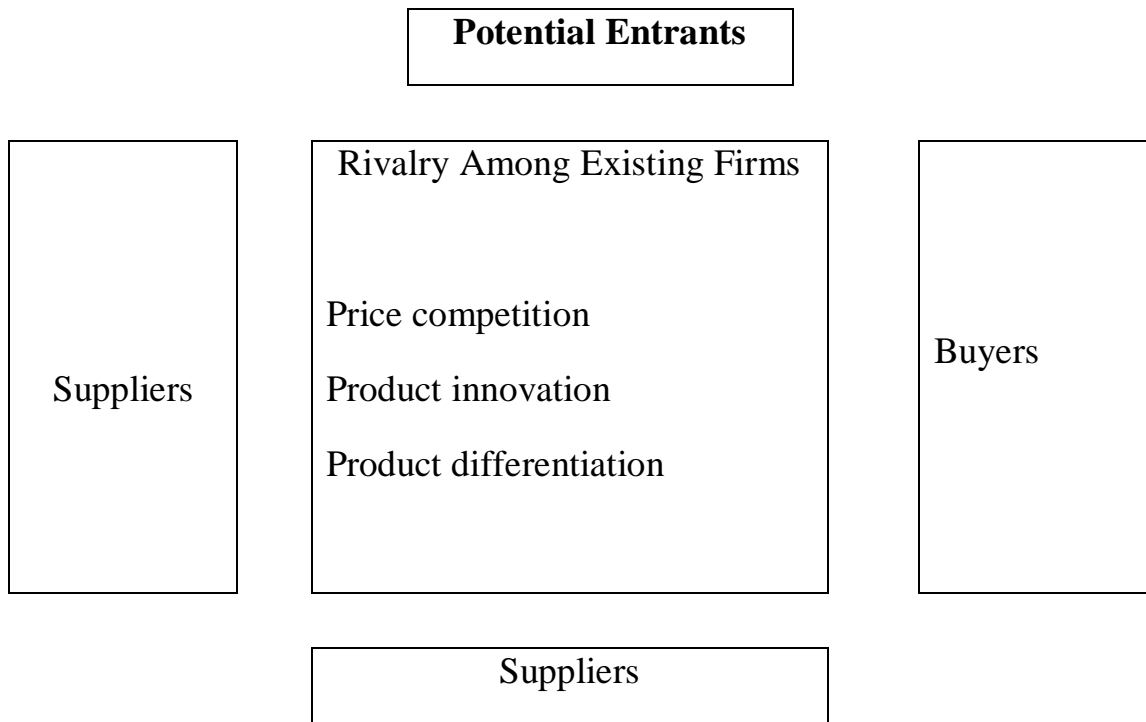
## **2.14 Competitive Competition of Merchandising Inc.**

In our country, as Buying House Industry itself growth industries, M. Inc. has surpass a strong competition for its success. To analyze its feasibility as a buying house it is necessary to look into the competitive situation of the buying house industry.

The 'Five Forces Model of Industry Competition' developed by Michael Porter is the most commonly utilized tool for examining the competitive scope of M. Inc. in its buying house industry. It may describe the competitive environment in terms of five Basic competitive forces.

It is also applicable to this buying house industry. And thereby it is an important tool for M. Inc. to consider the competitive situation of its own industry. The forces with their influencing factors are as below:

## The Five Forces Model of Competition



So,

The Five Forces model of competition describes the competitive environment of M. Inc. in terms of five basic competitive forces:

### **The threat of new entrants:**

As the buying industry in our country is in the stream of growth the industry provides a good feed to new entrants. So. in this industry M. Inc. as a buying house needs high strategic stakes to survive.

**The bargaining power of the firm's suppliers:**

In this industry as garment manufacturers are numerous and their forward integration systems are not strong for their illiteracy or inability to convince the foreign buyers. Therefore M. Inc. as a buying house enjoy little bargaining tendency of garment manufacturers.

**The bargaining power of the firm's customers:**

In our country buying house industry faces a little bargain over the negotiation as a boon of quota system. As a result the bargaining power of M. Inc. is very little. But this scenario will change after the withdrawal of quota system.

**The threat of substitute products:**

In this industry this aspect is not considered because there is no perfect substitute for their provided service.

**The intensity of rivalry among competing firms:**

In this industry there prevail heavy competitions among the existing buying houses. There are about 500 hundred buying houses in this country and they compete strongly with each other for the orders from

their buyers. So this aspect is a great constraint for M. Inc.

## **2.15 SWOT Analysis of M. Inc**

### **Strength of Merchandising Inc.**

#### **Skilled workforce:**

From its inception Merchandising Incorporation look into the combination of effectiveness and efficiency regarding its objectives. As a result within a few days it got the higher regard from its buyers. In fact, its swift growth of the company is the combination of two skills required for a competent buying house:

- **Communication skills:** From its inception Merchandising Incorporation has proved themselves attractive in the eyes of the foreign buyers because of its strong communication skills. For example, as the perpetration of entering the European market the organization has employed personnel with the communication power in Italian language for the convenience of Italian buyers to communicate with them. Even the organization renders time to time information to the foreign buyers on the progress of the manufacturing

process of their ordered garment products.

### **Collaboration with suppliers:**

To provide higher value in their value delivery process Merchandising Inc. has built the long-term relationship with some competent suppliers. This collaboration makes this organization honest to its commitment of quality and scheduled delivery to its buyers.

### **Permanent Buyers:**

For its reputation' of committed organization it has built a marketing network with some prominent buyers. These buyers are not easily vulnerable to other buying houses, as they are satisfied with Merchandising Inc. for its efficiency and effectiveness.

### **Collaboration with backward linkage industry:**

To be ever successful in their commitment to their buyers they always assure the on time delivery of the accessories needed in the manufacturing process. Merchandizing Inc. has taken the responsibility of supplying these accessories to the manufacturing process for its assured supply. For the convenience of this responsibility they have built long

term relationship with the suppliers of accessories that they don't manufacture and done necessary paper work with strong term and conditions with those accessory suppliers.

**Company owned fabric and accessory supplier:**

To assure the on time delivery of accessories Merchandising Inc. has shard the responsibility of supplying a part required accessories. The sister concern company devoted to this responsibility is FM Printing and Packaging Ltd.

**Long term relationship with butlers:**

Merchandising Inc. honors the long-term relationship with their buyers.

**Weaknesses of Merchandising Inc.:**

**Fail to attract big Butlers:**

Despite effectiveness and efficiency one of the weakness of Merchandising Inc. is its short capacity. For its low level capacity Merchandising Inc. its deprived from potential growth resulting from its present reputation which could be achieved otherwise.

**Not International standard certified:**

Merchandising Inc. is not ISO certified organization. Not to say that, being as a proof of quality, ISO certificate is very much essential for the spreading of its market.

**No web site:**

Merchandizing Inc. could be more communicative if it had a web site. Much of the business correspondence executed on online. Buyers would feel more convenience if Merchandising Inc. had a web site of its own.

**Opportunities of Merchandising Inc.**

They are in the growth industry:

With the advantage of increased attraction toward fashion buying houses are enjoying a perineum growth in its industry. This is an opportunity for Merchandising Inc. to increase its sphere own world.

**Cheap labor industry**

In our country Bangladesh with all other employers Merchandising Inc. has the basy access of cheap labor.



## **Threats of Merchandising Inc.:**

### **Local competitors:**

Bangladesh is a lucrative domain for foreign buyers of garment products. As a result the buying house industry itself is very lucrative to the local entrepreneurs.

### **Political unrest:**

In our country political instability often hampers the effectiveness and efficiency of business organization. Thereby political unrest is a notable threat to the smooth function of Merchandising Inc.

## **CHAPTER 3: INDUSTRY ANALYSIS:**

### **3.1 RMG Buying House Industry in Bangladesh:**

Buying House industry is a substantial proportion of the industrial sectors of Bangladesh. Compare to other industrial sectors of Bangladesh, this specific industry plays a significant role in the economy of our country. This industrial sector has been expanding rapidly, since its inception. The aggregate order of garments products through all the buying houses sums up to a huge monetary value and thus plays a prominent role in enhancing the GDP of the economy. According to recent survey there are about 500 Buying houses in the country. Most of them are centered in the capital Dhaka. However, only few of them are in Chittagong.

The importance of Buying House and the role it can play in the socio-economic development of a nation can not be over emphasized. The Third world has witnessed phenomena growth in this, over the last decades, and the countries which made a conscious decision to take advantage of such growth, have made unprecedented progress. Examples are in abundance: India, Malaysia, Thailand, china.

### **3.2 Relationship between Buying Houses and RMG Industry:**

Garment industry is involved in the production of ready made garment items. They can take order from two sources. One is from local Buying Houses' another is from foreign buyers. The commonality between Garment and Buying House industry is that both have the ultimate objective to deal with garment exports. The difference between these two industries is that one is in the service industry and other is in the production, meaning- Buying House Industry is involved with the marketing of garment products and the Garment Industry is involved with the production of garment products. Apart from this difference these two industries is very much alike and they share the same problems. If any problem, buying house faces ultimately it becomes the problem of garments producers. In the same way if any problem the producer faces, ultimately buying House become part of that. For example, for any reason if the producer fail to finish the production on schedule and the buyer refuses to take the product, both the producer and buying house suffer in that case. Producers suffer because they lose the money and buying houses suffers because it loses its commission as we]] as its relationship with that buyer.

The idea of Buying House is developed to perform the marketing activity of garment industry thus in turn to help the producers only to

concentrate on production, as they don't need to be anxious about finding the buyers of their garment products. Again, as exporting garments products involves too many layers of activities, and is not possible to be performed efficiently and effectively only by garment manufacturers, the buying house industry has exerting their hands as a true friend helping them to concentrate only on production and thus to ensure efficient and effective export process.

### **3.3 Importance of Buying Houses in RMG Industry:**

Simple wording cannot shed proper light to the Immense importance of buying house industry. There are so many reasons for which it is so important for garments industry. This industry indeed plays a significant role in mostly marketing related activities for garment industry.

- Marketing is one of the most crucial part of today business. If anyone lacks marketing skill he has the danger of sink in the business-. On the other hand innovative marketing skill one need to outperform its competitors easily by increasing its market share by selling more of its products. Like other businesses, marketing is a big factor in exporting garment products. Buying House performs this activity for garment manufacturers. They take the responsibility of searching buyers,

convincing them and finally making the deal final. So, producer can fully concentrate in its business. The producer does not need to worry about selling its product since buying house bring them buyers.

- Master of every thing means successful in nothing. Exporting garments product involves so many stages from marketing to distribution. If the producers perform all these stages by himself without the help of buying house, they may lose the efficiency or effectiveness in the marketing activity as well as in the production activity. As a result competitor who is taking the help of buying house may only concentrate on the production and become comparatively very successful in business. So, it is wise for garment manufacturer to take help of buying houses for increased efficiency and effectiveness in both marketing and production and to beat competitors.
- Buying houses assures efficiency in total export process. By transforming the marketing responsibilities on the shoulders of buying houses. garment manufacturer can achieve specialization in production as their functions are limited and it ' can increase its production capacity with more efficiency and effectiveness. In the same way Buying House becomes specialize in its marketing skills and create new techniques to search and convince buyers and thus perform the activity with greater efficiency and effectiveness.

- A producer, who is very much successful in production, may lack appropriate marketing skill to convince buyers. For this reason it is better for him only to keep doing what he knows best and delegate the rest of the work to the person who is specialized on marketing functions such as buying house.
- Through regular inspection of the production the buying house help the producer to produce quality products. It also monitors the production to ensure that the production is on schedule.
- Buying house works as a support for garments industry. This specific industry performs marketing activities for garment industry. Besides this marketing activity it supply accessory for garment industry which is necessary for production such as fabric, button and also supply Polly bag, back 'board which is necessary for finished good.

### **3.4 SWOT Analysis of RMG Buying House Industry**

#### **Strength of the Industry:**

##### **Quota facility:**

As a developing country, Bangladesh got the quota facility in garment export. Quota facility means allowing a certain portion or percentage of total garment export to a certain country. This is a blessing for the country like Bangladesh. For this quota system buying house can easily get orders from buyers and our country export 250/0 of the total exported garment products of USA. This quota reduces the competition between the international and local buying houses. For this facility now buyer has less scope to switch to different country.

##### **GSP facility:**

This is a new facility very recently given by European countries to Bangladesh. Under this facility Bangladeshi exporter will get special discount if they import fabric from any of the SAARC countries. Previously this facility was restricted to only home country that is Bangladesh. will get GSP facility only if it buy fabric from its local market.

### **Cheap Labor:**

Our country is a member of so called third world. It suffers from huge unemployment. So here any entrepreneurs are blessed by cheap labor. Again today our country is suffering from speedy urbanization. People are migrating to city areas from villages. As result in the city areas wages are getting down. Our garment industry can take the advantage of cheap labor and become the most lucrative for the foreign buyers for their low priced garment products as a result of the cheap labor. NoLto say that this low priced garment products help buying houses to attract and negotiate with foreign buyers.

### **Export Incentive:**

As buying house is involve in the channel of garment export, new export. incentive provided by government of Bangladesh is blessing for them. .In the light of the objectives and strategies of the Export Policy 1997-2002 several new incentives and facilities have been made available to the garment exporters. Besides, some existing incentives Have been modified and improved to make them more workable. GOB is very much cordial to the genuine garment exporters and thus providing too many incentives. However, a few of these are as follows:



- **Income Tax Rebate:** Previously, 500/0 rebate on taxable income generated from export earning was admissible under the Finance Act every year. From now on 50% of the income tax on any income on export will be exempted through incorporation of a new provision in the Income Tax Ordinance itself rather than as a temporary relief hitherto granted under the Finance acts on a yearly basis. Buying house industry benefit by these rebate facilities under the Finance Act as producer (garment industry) . is able to supply the garment products at lower cpst.
- **Limit of Export Credit:** Exporters may obtain export credit from commercial banks up to 900/0 of the value of their irrevocable letter of credit / confirmed order. This advantage gains buying house industry by providing financial initiative to its suppliers.
- **Utilization of Foreign Exchange:** So long exporters were allowed to retain 200/0 of their FOB earnings in their respective foreign currency accounts in US dollar or Pound Sterling. From now on they will be entitled to retain either 400/0 of such earning or at a rate fixed by the government from time to time, after proper review. However, in cases of export items where import components are relatively high and in the case of export of services, the exporters will be entitled to retain only 7.50/0. Exporters may utilize such foreign exchange for bona fide

business purposes. This advantage also encourages garment industry to be involved at ease in the. productions which in turn benefits buying houses.

- **Tax Holiday:** To encourage a rapid growth of exports and in order to attract entrepreneurs to export -printed industries tax holiday places a great initiative to the exporters and the existing tax holiday incentive in the garment initiative is ten years. The industrial enterprises enjoying the benefit of tax holiday shall be exempted from deduction of tax at source. As a result they are able to produce the low priced garment products. This phenomenon helps buying industry to be on a strong platform of survival.

### **Weaknesses of this industry:**

#### **Unskilled workers:**

#### **This problem can be seen from two aspects:**

A) **Lack of communication skill:** In our country the employees of buying houses posses lack of communication skills. The reason of this gap may be the slow introduction of foreign languages in our country. Not to say that one of the most important skills is the communication skill because it is the first step of attracting buyers. As a result often we become deprived

of the good contract with profitable foreign buyers.

B) Lack of technical skill: In the industry the two most important functions are: quality control & determining CM (Cost of making). But in our country workers provide less technical skills than the requirement because no organized training facilities are provided in our country, even no university or any other organizations, provide any kind of courses relating to these types of skills.

### **Political crisis:**

As a part of third world countries, our country is vulnerable to political unrest. This political unrest hampers the effectiveness and efficiency of its business sectors. Success of buying houses depends on the on-time delivery of quality garment products. But often the buying houses shall back upon their commitment to buyers as their suppliers (garment factories) fail to manufacture garment products within the scheduled time as a result of any political consequence (i.e., hartal).

### **Load shedding:**

We have previously said that the success of buying houses depends on timely delivery of qualitative garment products. In our country power

failure (Le., while load shedding) doesn't allow garment factories to manufacture their products on time. As a result buying houses also fail in shipment within scheduled time.

### **Bureaucracy:**

In order to perform its primary activities buying houses need to go through some supporting procedures (i.e., establishment of power' & water connection, banking procedures, shipping procedures). Successful performance of any buying house depends on the smooth accomplishment of these procedures. But in our country bureaucracy acts as constraints against the smooth accomplishment of these supporting procedures.

### **Law and order problem:**

For any secured deal the existence of supporting laws and their enforcement is must. Our country has laws but their enforcement. is very poor. As a result, foreign buyers often feel insecure to deal with Bangladeshi buying houses as they don't get enough protection by laws.

## **Opportunities of this industry:**

### **Increasing demand:**

The population all over the world is increasing very fast with the intense increase of fashion trend among people. As a result the demand for garment products is increasing in a high rate. This represents a great opportunity before the buying house industry as intermediaries.

### **Globalization:**

Entire world is facing the wave of globalization. Now the world business comes out of the boundary of its own country or nation. Business people all over the world are seeking intuitively the low cost, quality, effectiveness and efficiency all over the world. Fashion industry in its generic form is mainly based on cost versus quality. Our country is a red apple for foreign buyers for its lower manufacturing costs. As a result of this globalization, buying house industry can be benefited as it is a part of garment product marketing organizations by attracting more foreign buyers by convincing them on these advantages provided by our country.

Besides increasing demand and globalization, Buying House can have bright future opportunity to survive by the following opportunity given to garment investors and foreign buyers by GOB.

- Exporters enjoy tax holiday for the period from 5 to 10 years depending on location of the project, and for 15 years for power generation. As a result garment exporters easily can export low priced garment products toward foreign buyers.
- 80% - 100% accelerated deprecation of actual cost of machinery and plant in lieu of tax holiday. Which again helps exporters to keep their garment product low priced.
- Avoiding of double taxation on the basis of bilateral agreements. Tax avoidance is the means of avoidance cost.
- Import duty at the rate of 7.50/0 ad-valuation is playable on capital machinery and spare imported for initial in station or- for BMG/BMRE of the existing industry. Which is another maps of avoiding higher production cost.
- No duty on imported capital machinery and raw materials by 100% export oriented in industries. It is infect a hot news for the garment

industry of such nature.

- Tax exemption on the interest of foreign loans and on capital gain, from the transfer of share. exemption also makes a supplier to be lucrative to the eyes of foreign buyers for his lower priced garment products.
- Tax exemption of royalties, technical know-how and technical assistance fees. This helps garment export not to incur introducing costs. As a result they are able to supply low priced garment products from their inception.
- Exemption on income tax up to three years for foreign technicians employed under registered industries. This helps garment industry to take help of foreign technician for its increase efficiency.
- Easy availability of work permits to foreign nationals. Foreign buyers are very much invited thereby cordially.
- Six month multiple visa for the investors.' Investors are welcomed again by this rule.
- 33% of IPO reserved for foreign investors.

- Facilities for repatriation of invested capital, profit and dividend. It is also helpful for the bulk garment industry.
- No discrimination on duties and taxes for similar industries in public and private sectors and also within sector between local and foreign investment.
- Term loan and working capital from local banks for foreign investors.

Threats of this industry:

#### **Withdraw of quota facility:**

Now days our country has been facing quota facilities. As a result they don't need to think much about the choice, needs and wants their foreign buyers. But after 2005, when the quota facility will be over, they will have to compete globally with their competitors.

#### **Forearm Competitors:**

Our country is not only garments product exporters in the world. We have to face competition against the foreign buyers. As a result of this, any type of competitive movement by foreign buyers possesses great threat for this industry in our country.



**Political Unrest:**

Now a day foreign buyers are getting frightened to deal in our country for the recent increase of political unrest in an alarming rate. Today our country can't assure any foreign buyer a smooth, secured and punctual transaction. So foreign buyers are falling back from their will to place order in our country.

**Child labor aspects:**

Recent movements in consumerism against the utilization of child labor all over the world poses great threat against this industry as the consumerism restricts foreign buyers to involve with us for this matter.

**Gender inequality aspects:**

In our country we have some scale of gender inequality originated from our culture. Normally in our country, especially in garment sectors female workers are discriminated in their workplaces: they get less salary than male workers, they don't get any salary in their pregnancy period. Consumerism in the developed countries virulently opposes this and foreign buyers feel reluctance to place order in our country where such

injustice takes place. As a result it get difficult for buying houses to convince foreign buyers to place order in our country.

### **Cultural ethnocentrism:**

Our country is categorized as a third world country. Any third world country is seen in the eyes of business people of developed countries as the black skin people defaulter of commitment. So it becomes hard for our buying houses to convince the foreign buyers having the cultural ethnocentrism to place orders in our country.

### **3.5 Achievements**

Bangladesh has been dependent gradually on the garment export for the largest part of its foreign exchange. Our country is blessed with its buying house sector as the foreign exchange it earns in garment export is gained via buying houses. The immense contribution of buying house, for its importance existence in the garment export process, can be highlighted as follows:

- Garment export has been increasing on an average 24% each year. As the rate of increase, not less than 20% per year is expected to continue through the MFA phasing out transition, growth prospect of Bangladesh's apparel industry looks very bright. This achievement can

be credited partially to the buying house industry because it is an inseparable part of garment export process.

- Bangladesh presently hold 6th largest apparel exporter sector in USA and 5th largest in ED. Country's RMG producers are steadily moving toward high value sophisticated items like high quality suits, jackets, banded jeans items, embroidered ladies wear etc. increasing @ 25% per year, over the last few years, they have utilized quota and diversified their products into non quota items.
- Bangladesh has recently entered the extremely quality conscious garment market of Japan and created a niche for itself. In 1994-95 export of garment to Japan from Bangladesh jumped up to US\$ 5.61 million or by 168% on previous years export figure. In 1995-96 export of garment to Japan was US\$ 5.72 Mn. And in 1996-97 it was US\$ 9.35 Mn.
- EU took the largest share followed by US, Germany has led the EU market in the last few years followed by UK, France, Italy and the Netherlands. In 1997-98 Germany alone imported apparels worth US\$ 482.87 million against the purchase of US\$ 392.09 million in 1996-97. Only Shirts and T-shirts worth of US\$ 202.36 million were imported to Germany in 1995. However, as a single country, US has been the highest apparel importer from Bangladesh.

## **B. PROJECT PART**

### 1. Introduction:

In our country garment export sector is the biggest foreign currency-earning sector. The success of this export sector, to a great extent, depends on the buying houses as they perform vital role in this export marketing process. As a significant part of this export process buying houses in one hand work as a representative of the buyers by selecting competent suppliers, inspecting the quality of the garment products and ensuring on time delivery. On other hand in order to execute the buyer's order properly they provide necessary guidance and support to the suppliers.

In the path of performing their important roles in this export marketing process they face some obstacles from the macro and microenvironments. Macro environment of buying houses constitutes with the industry they supply their materials and the industry of their suppliers. Again microenvironment is formed with the internal environment of buying houses. To overcome the barriers of their smooth, effective and efficient performance a careful analysis must be made on the root cause of their poor performance and the possible ways to overcome the barriers and to advance toward a better performance.

This paper is devoted to above-mentioned dimensions and has tried to give buying houses an orientation to a higher level of performance.

## **1.2 Proposal Of The Study:**

"THESIS OF BUYING HOUSES' ROLE IN MARKETING GARMENT PRODUCTS OVERSEAS."

## **1.3 Objective Of The Study:**

The general objective of this study is to determine the present activities of buying houses and the significance of their role for smooth, efficient and effective marketing process of garment products overseas.

However the specific objectives of the study may be described as:

- To examine the export marketing process of garment products through Buying Houses from our country.
- To examine its efficiency and effectiveness.
- To investigate the obstacles to the efficiency and effectiveness of export of garment products through Buying, Houses.

#### **1.4 Scope Of The Study:**

- 1) The study will give a clear idea about the marketing activities of Buying Houses.
- 2) The study will also help us to understand the role of Buying Houses in the socioeconomic development of the country.
- 3) It will flourish obstacles to the existing roles of buying houses in exporting the garment products.
- 4) Finally, ways to overcome the obstacles to their existing roles.

#### **1.5 Methodology Of The Study:**

|                           |
|---------------------------|
| Search Buyers             |
| Issue Introducing Letter  |
| Merchandising             |
| Price Set                 |
| Sample Making             |
| Prepare Pro forma Invoice |
| Select Suppliers          |
| Transfer LC               |
| Follow Up Production      |
| Final Inspection          |
| Follow Up Distribution    |

## **Searching Buyers:**

The first and for most important job of Buying House is to search for foreign buyers who want to import garment products for their own country.

- 1) The preliminary source of searching buyers once used to depend heavily on the record of Bangladesh Export Processing Bureau know as EPB or simply the list of Bangladesh Garments Manufacturing and Export Association known as BGMEA. But theses records or lists of importers delivered by EPB or BGMEA are sometimes backdated meaning some of the listed importers may The medium of the questionnaire was in English. The questionnaire was administered face to face, with the respondent either' -by. ticking the answer by the respondent himself or by answering the questions of the researcher. Some of these were filled up after a small conversation relevant to the subject of the study.

## **CHAPTER 4. DIAGNOSIS OF MARKETING PROCESS OF BUYING HOUSE:**

### **2.1 Overview of Marketing Process of RMG Buying Houses:**

As Philip Kotler has defined marketing as the social and managerial process by which people and organization gets whatever they want by creating, offering and exchanging the goods of value with each other.

In our country the marketing process of buying house can be seen as below:

Not are currently importing or new importers names are not mentioned in the list as the lists or records are quite old. For these reasons nowadays buying houses are very much encouraged to search buyers through method.

- 2) The second source of searching buyers is to contact with the respective foreign country embassies of our country and to ask them to provide the list of garment importers of their country who import garment products from our country.

The Buying House can also send its representatives to foreign



countries and over there they can contact our local high commission who has also the records of importers. They can help the Buying House representatives in this respect; So, either of the ways Buying House can get information of importers.

3) The third or most updated way of searching buyers is to get information of international buyers from the web sites and then contact with them through email, fax or telephone. This way of searching buyer is very new and helpful in this technological age. With almost no money they can contact with foreign buyers and make the dealings. However, since our country has yet not been so technologically updated, this method of communicating buyers is not yet been very popular.

4) By organizing different exhibitions or trade fairs in our country or in the foreign country and by participating those places Buying House can present themselves in front of foreign buyers of different countries. This method of searching is very useful. These kind of exhibitions are often held in our country where both buying houses and foreign buyers participate and get to see each other, know each other and are able to make deals.

5) The fifth and most commonly way of searching buyers is getting new buyer by the existing buyers. Sometimes Buying House request its existing buyers, to give them some new buyers. Their existing Buyers

who are satisfied by doing business then give them new buyers. This method is very trust worthy because, in one hand Buying Houses get the Information of that buyers with the reference of its existing buyers, on the other hand a new buyer can also feel safe as he gets the reference of the buying houses form his known person who is already involved in business with them.

#### Introduction Letter:

Buying House issues an introducing letter to the respective foreign buyers. This is a letter which states the total experience year of the Buying house, its parameter of top. 1 activity, its total age, their previous relationship with suppliers and at present with how many buyers and suppliers, they are doing business. The introducing letter also states what kind of orders they usually take form buyers and their efficiency and effectiveness of handling an order as well as an approximate time and procedure of a typical order process.

#### **Buyers Inquiry to Buying House:**

Once the buyer received the introducing letter from the buying it is his time to introduce himself to the buying house. Actually in this letter buyer informs the Buying house about his demand of the product. A typical inquiry sheet includes the requirements of the products in

quantity, item description, order detail and order specification etc. This inquiry sheet is very important to buying house because with the help of this inquiry sheet they set price and cost. In the inquiry sheet buyer also want ask the buying house to inform him the total price that the buyer have to give for his order.

### **Merchandising:**

Then the job of merchandising starts. The merchandiser first determines what are the things required to make an unit or a dozen of an order. Then he estimates the per unit fabric consumption, accessory consumption, cost of making (CM) and other costs such as freight cost. Price is usually set per dozen.

### **Service charge of Buying House:**

Service charge of a buying house is implied in most cases. It is because most of the times buyers tell buying house to set a price in such a way so that it covers the charge of a buying house in such case buying house set a price which includes its charge but it is not explicitly mentioned any were. However sometimes buyer also give an option to the buying house to include its charge per unit or dozen.

Up to this stage all the information is transferred between both

party is usually done by email fax, or phone.

### **Price Negotiation:**

Once the buyer received the price list from the buying house both parties then sits for negotiation and finally agreed to a price.

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### **Sample Making:**

Sample can be defined as two types. One is the original sample that the buyer sends to the buying house and another one is known as counter sample, which the house sends to the buyer for the buyer's approval. Once the price is set the task of buying house is to make a sample of the product. For this buyer has two options. First one is buyer can buy the original sample of the product from the market of his country, send that to the buying House and ask the buying house to make same copy of the sample. Second option is buyer can make a sketch of the product by using computer-aided design (CAD) and that to the buying house and ask them to make an original sample according to this. The buying houses then make counter sample of the product and again send it to the buyer for final approval. The buyer can check the sample to ensure the quality, size and color of the fabric and accessories. In case, the buyer not satisfied with the counter sample then he send. remarks to the buying house and ask them to send again correction sample.

### **Preparing Pro-forma Invoice:**

This is the job of the commercial department of the Buying House. They prepare the pro-forma invoice. The pro forma invoice includes the quantity of the buyer's order, its unit price and the total price. This pro forma invoice is very important to avoid any sort of communication gap or future confusion between both parties. When the buyer receives the pro forma invoice, he sends work order to the buying house. In the mean time the buyer the buyer forward the pro forma invoice to its bank to open a LC (Letter of Credit) in favor of a buying house.

### **Selecting Suppliers:**

The buying house needs to be very careful in selecting its suppliers where it will place the buyers' order. The future relationship between buyer and buying house is very much dependent on this because if the supplier fail to make product as buyer specification or as per schedule, buying House will loose this buyer in future. Usually the select the supplier on the basis of certain things. Firstly, they examine whet ier the supplier has enough machine capacity and machine speed to do the work and to finish the work on time.

Secondly, they also see whether the supplier has adequate administrative setup to prepare all the necessary documents for export such as shipping document, document of CO (country of origin) issued by EPB to export the goods and others.

Another most important thing in selecting supplier is its banking status. Now a day this is given the highest priority. Supplier usually needs to open back to back LC (BB LC) in order to import necessary raw material to make the product. The capacity of opening BB LC means that the supplier has a loan capacity. But sometime bank does not allow the supplier to open LC due to its bad debt or previous bad reputation. In such case buying house has to change the supplier and find another supplier who has good banking status. Selecting another supplier is time consuming and expensive which result late delivery and poor quality of products.

So in order to avoid this kind of situation Buying House needs to be very careful in selecting suppliers.

### **LC Transfer:**

Once the Buying House is confirmed that the supplier has the ability to do the work they negotiate for the price. Once the price is set with the supplier the commercial department of buying house

immediately transfer the master LC in the name of supplier.

### **Production Follow Up:**

When the production goes on in the factory, the job of buying house is to monitor whether the production is on schedule.

They also inspect quality of the product by sending its QC known as quality controller in the factory.

### **Final Inspection:**

buyers usually delegate the responsibility of final inspection on the shoulder of buying house.

### **Follow up Shipping:**

when the order of the buyer is ready the buying house take the responsibility of loading the goods on the ship with all necessary steps. They also prepare and arrange the necessary documents for export such as bill of exchange, bill of lading, commercial invoice, certificate of origin, packing list etc.

Finally, when the product is ready by supplier, the buying house

gets its commission immediate after the shipment. This is how the role of buying house ends.

## 2.2 Analysis of Marketing: Role of Buying: Houses:

### Roles of Buyer:

One of the most important role of Buying House is to perform a role of a buyer as a representative of its ultimate foreign buyer. The foreign buyer gives the authority to buying house to inspect, supervise, monitor and control the supplier's product so that quality product is delivered on time without any delay.

### **Role of Supplier:**

Buying House supply accessory raw materials for its suppliers Role of Merchandiser: Merchandising is a special task of a Buying House. This task includes determining the unit price of a product on the basis of total fabric and accessory consumption per unit, cost of making, and freight charge per unit. The role of merchandising also includes selection of successful supplier on the basis of ability to maintain expected quality and time schedule and suitable location.



**Role of Intermediary:**

They are known as intermediary of garments exports for their activity. As an intermediary they work as a representative of a foreign buyer, take order from them and then search an appropriate supplier to accept the order. The buying house also is a source of accessory supplier, and work as a shipping agent for the producer of garments products. So, their role can be described as a role of intermediary.

**Role of Service Provider:**

A buying house is a service based organization. From searching buyer to loading the final goods on board they provide services both the buyer and its suppliers. For example, searching buyer for its supplier is a service provided to its suppliers. On the other hand selecting appropriate supplier for the buyer is providing service to its buyers. Other services such as supply accessory, quality control, follow up production and distribution are also part of their services.

**Role of Quality Controller:**

When the production goes on in the factory, the job of buying house is to monitor whether the production is on schedule. They also inspect quality of the product by sending its QC known as quality controller in the factory.

**Role of shipping agency:**

when the order of the buyer is ready the buying house take the responsibility of loading the goods on the ship with all necessary steps. They also prepare and arrange the necessary documents for export such as bill of exchange, bill of lading, commercial invoice, certificate of origin, packing list etc.

**2.3 Socioeconomic Role of Buying House:**

Development of garments industry:

For immense support and service of Buying House today, the garments industry is earning over seventy percent of the nation's total foreign currency. In addition to earning lion's share of the country's total foreign exchange, this sector has brought about a positive transformation in the overall socioeconomic condition of the country. Since its inception till date, the industry has earned nearly US\$22billion (tk.103.4 thousand crore) the country. The Value Addition portion has been about US\$6.6 billion (TK. 31 thousand crore). However, the earning is approximately about four times the investment the industry. Estimated, present total investment is about Tk. 16,300 crore.

Linkage Industries:

Garment is now the only base for further industrialization in the country. Presently, the total fabric requirement of our captive market is for about 3 billion yards, of which about 85-90 percent we import from abroad. Fabric requirement is increasing at the rate of 20% per annum. This offers a tremendous 'opportunity for developing textile industry in our country.

Thinking the global context within the purview of open market economy by the year 2005, we can exploit the benefit of the potential textile industry of the country by immediately establishing 60 moderate size

composite textile mills, capable of producing 30 million yards of fabric per factory. With local capital, This size of composite mills satisfies the economy of scale in our country.

Besides, a large number of ancillary industries have been emerged and growing as well. Estimate shows about 80% percent of garment accessories like cartons, threads, label, ploy bags, gum tapes, shirt board, neck board and shine ace etc. are now being produced in our country, contributing to the national GDP. It is creating further employment opportunities in the country also.

### **Employment generation:**

Buying Houses are increasing their number of orders for RMG products every year as a result RMG industry of Bangladesh has a meteoric rise, from less than 50 factories in 1988 to over 2700 by now. In the same period the level of employment has risen from some 10,000 to approximately 1.5 million (15 lac) today, with its share of employment in the manufacturing industry increasing from a mere 2 percent to 15 percent. About 90 percent of the workers are women, constituting almost 70 percent of all female employment in this nation's manufacturing sector. This has created a vast scope for employment and uplift of the hitherto neglected section of our population, thus radically transforming the socioeconomic condition of the country.

### **Development of Banking sector:**

The Buying house sector has been playing a role as one of the main catalysts contributing to the tremendous development of Banking and Insurance sectors in our country. Presently, our commercial banks are earning over TK 1600 cores per year from garments export. By now, some bank charges have increased to even three times the charges in 1985, whereas our last ten years total bad and doubtful liability does not exceed TK. 5000000000.

### **The development of Insurance Sector:**

Insurance companies, even after reducing different rates by about 54 percent, are presently earning about Tk 150 core per year from the garments export as various types of premiums for insurance policies.

### **Shipping Business:**

The main increase in the shipping business in Bangladesh including setting up of a several container yards (including an Inland Container Yard at Dhaka by the Bangladesh Railway), expanding the port facilities to handle large containers, introducing special container carrying trains, and the increasing of cargo handling and storage facilities at the ZIA International Airport have been due to a garments export.

### **C & F Business:**

The unprecedented increase in the C & F and Stevedoring business is because of the huge import. of garment raw material and export of ready made garments. On average, they earn 1 percent on all exports and imports which amounts to nearly TK. 230 core per annum.

### **Tax on Export Earnings:**

The government is earning TK. 40 core from garment exports in addition to its regular corporate taxes.

### **Waste recycling Industry:**

About 0.2 million people are engaged in waste (mainly, the waste cut pieces of fabrics) recycling industry. With these wastes, they are stuffing toys, pillows, quilts, cushions etc. and earning about Tk. 1500-2000 per month.

### **Population Control:**

With the opportunity of earning more, girls now want to enjoy their lives. This need is helping girls avoid early marriage and frequent pregnancy. It is contributing to the birth control of our country also.

### **Hotel and Tourism:**

About 20000 overseas apparel buyers and their representatives visit Bangladesh each year to meet the local manufacturers and exporters. Taking an average stay of three days and spending approximately US\$ 500 per day. This sector earns about Tk. 140 crores annually.

### **Women Emancipation and Social Transformation:**

Lots of women are today engaged in making garment products, these women workers are enjoying recognition and dignity in the society.

They have the capability of earning, they are now well treated by their families. They are no longer any burden to their families.

### **Transport:**

The road transport business has been expanded because the lion's share of cargo, moving between Dhaka to Chittagong and Dhaka to Beanpole by road, is on account of the garment exports. Those who once started transportation business with rented trucks, many of them by now are the proud owners of even ten to twelve trucks. As blessing of this sector each day, on an average, trucks are taking about Tk. 2 crore a day, This transport sector's contribution to the GDP now stands at about 12 percent.

### **Emerging Consumer Market:**

The 1.5 million workers in the industry are appearing in the consumer: market with a demand worth US\$ 1.70 million (Tk. 7.5 crore). An increasing demand for moderate cost cosmetics, sharee, footwear, fast food and other consumer products is also a direct result of about 1.5 million new consumers.

## **2.4 Problems And Barriers Of RMG Buying House Industry Of Bangladesh**

The problems and barriers that are hindering the growth of export oriented Buying House industry are classified under the following major functional areas:

- Human resource development
- Infrastructure.
- Marketing

### **Human resource problems of Buying House:**

#### **Unskilled Employee:**

Most of the employees of Buying Houses are not enough skilled to perform their job. In the Buying House there are some post such as quality controller, design maker, merchandiser that require technical skill to be performed but as the employees do not have any institutional training they lack such technical skill. Only way they can learn is through on the job training. Convincing foreign buyers and establishing long term relationship with them is one of the most important task of Buying Houses. To perform this job employees of Buying Houses need proper language and communication skill. But in our country as the education medium is Bengali and there are less opportunity to learn other



foreign languages therefore employees lack communication skill to convince and establish long term relationship with foreign Buyer.

**No training Institution:**

There are no such courses designed in any of the public or private educational institutions of our country which can give employees of buying houses training specifically to perform their job. As a result people usually coming to this field are from different background. They are usually unskilled and inexperienced. Fleeting tendency of Employees of buying houses have a very high tendency to switch their jobs. This may be because of their poor salary structure and no service benefit. As a result whenever they find any better offer they try to switch they're existing one.

**Lack of career development:**

Employees involved with this industry have fewer chances for career development because of small structure of the industry. As a result less people are interested to come to this field.

**Dictatorship of employer:**

Employers of buying houses are usually autocratic with their subordinate employees as a result of which employees are often

demotivated to work. They feel they are always under pressure.

**No Trade Union:**

As the employees of this industry do not have any union to support their claims, the employers always neglect their demands.

**Infrastructural problem of Buying House industry:**

**No vision:**

Buying house industry is in its growth industry but this growth is a result of so called blessing of quota system but not the achievement of their efficiency. Even the constituents of this industry buying houses have never been shown any vision of prospect, both in their attitude and actions. This is the warning of undesired maturity for this industry. Even though they are aware about the guillotine of year 2005, but it seems that they are ready to die out.

**Insufficient and Poor Backward linkage industry:**

Threat, button, cartoon, backboard these are treated as accessory of garments product. Industries of these products are treated as backward linkage industry of garment exports. Most of the times Buying House supply these accessories to garment manufacturers. But due to insufficient number of factories, Buying House faces difficulties to

supply these accessories on time. The quality of these accessory most of the time do not matches, as it demanded due to their inefficiency and ineffectiveness in production. Majority people involved in this sector are illiterate. As a result of which they are not concerned of the consequence of the late delivery as well as poor quality.

### **Rules and Regulations:**

There are also no written rules and regulation for operating this industry. As a result, people involved in this industry operating their business according to their willingness.

### **Marketing problem of Buying House Industry:**

#### **Short Shipment:**

This means delivering goods with inappropriate quantity. This is a very common problem for all Buying Houses. Garment manufacturers of our country are the victim of many natural contingence including strike, hartal or political instability: So a result they often fail to finish their on

time which result short shipment. Due to this short shipment respective buyer become dissatisfied with the Buying House and the Buying House loses that buyer forever.

**Poor product quality of supplier:**

Another important problem of Buying House is the poor quality of its supplier (garment manufacturer). Desired quality is the first condition of the foreign buyers to the Buying Houses. Garment manufacturers due to their unskilled worker cannot produce the product with expected quality. As a result buyers reject the product.

**Improper document:**

At the time of releasing goods from the port, a buyer needs to show some documents such as ... to prove his authentication. These documents are send to buyer from buying house or the respective supplier. However, sometimes due to lack of experience or knowledge they sometimes fail to send appropriate documents for which the buyer cannot discharge his goods from the port. As a result the buyer becomes dissatisfied with the buying house.

**Document Delay:**

Besides improper document, some times the supplier or buying

house fail to send documents on time. With out proper document the foreign buyer cannot discharge goods from the ship. This problem is very irritating to buyer as the product has arrived at the port but due to unavailability of proper document he is unable to discharge goods from the port. For this reason sometimes the buying house has to break relationship with its buyers.

### **Commission Recover Problem:**

This problem mainly occurs due to unethical practices of few people. Normally, the amount of the commission of buying house is specifically written at the back of letter of credit. So, no body can deny to pay the commission to the buying house. However sometimes due to ill intention of the people of bank the buying house face difficulties to receive its commission.

### **2.5 Other Problems:**

As the buying house is related with garment export, any problem occur in any stage of export channel from manufacture to distribution ultimately becomes the problem of Buying House. Thus the following problems of garments export can be consider as an indirect problem of buying houses.

### **Problems regarding exporting garments through air:**

1. Open cargo shade.
2. Lack of security.
3. High royalty rates.
4. Handling system.
5. Problem of damaged cargo inspection and not allowing of short landing and short deliver certificate. ,
6. Tempormy bonded warehouse for garment industry at the airport.

### **Problem in banking sector for exporting:**

1. Force / demand loan.
2. Back to back P.A.Djforce loans.
3. Overdue F.B.P.
4. Exporter cannot open the LjC due to clear the liability.
5. Stock-lot problem cannot permit BBL/C open.
6. Banking irregularities.
7. Bangladesh Bank does not provide enough money for cash incentive.
8. Need the separate bank for generals industry
9. ECG policy.
10. Exporting goods against stock lot.
11. 20% discount is not allowed in the National Bank.
12. Bangladesh Bank does not relax the discount amount.
13. L/C acceptance charges of the commercial bank.
- 1.4. Procedure of making down payment for rescheduling loans.

## CHAPTER 5: DATA ANALYSIS & INTERPRETATION:

For which of the following reasons you are not satisfied with your buyers.

| No. | Criteria   | Total Respondents | Frequency | Percentage Responded |
|-----|--|-------------------|-----------|----------------------|
| 1.  | For which of the following reasons you are not satisfied with your buyers. |                   |           |                      |
| 1.  | High bargaining tendency in exchange                                       | 100               | 100       | 100%                 |
| 2.  | Uncompromising attitude towards contingencies such as hartal               | 100               | 100       | 100%                 |
| 3.  | Tendency of undersirable rejections  | 100               | 33        | 33%                  |
| 4.  | Fleeting tendency in business relationship                                 | 100               | 29        | 29%                  |
| 5.  | Cultural ethnocentrism   | 100               | 3         | 3%                   |

### Interpretation:

The criteria of the reasons of dissatisfaction are selected, as the satisfaction of the buyers is the important for the survival of the Industry.

Among the criteria, high bargaining tendency in exchange is one of

most selected criterion among all the other criteria. This criterion is chosen to investigate whether foreign buyers show the bargaining tendency and how much that is in this industry. With the highest response it is revealed that the tendency prevails and it dissatisfies the respondent buying houses.

The second criterion is chosen for the questionnaire to look into whether the foreign buyers are patient to different undesired contingencies in our country. The respondents with another highest response has shown that they face strong impatience due to this type of contingencies.

The third criterion is chosen to investigate whether buyers undesirably reject garment products and how the buying house views it. Here it is revealed that buying houses are strongly against the product rejection by the foreign buyers. However, sometimes they are victims of such situation.

The fourth criterion is chosen to investigate the existence of fleeting tendency of foreign buyers. . This criterion reveals that a portion of buyers do not value the long-term relationship with buying houses rather for trifling reasons they break their relationship with existing buyers.



The fifth criterion is chosen to see the existence of cultural ethnocentrism among the buyers. We have seen that the buying houses hardly face this problem.

| 2.  | For which of the following reasons you are not satisfied with your suppliers (garment factories) |                   |           |                      |
|-----|--|-------------------|-----------|----------------------|
| No. | Criteria   | Total Respondents | Frequency | Percentage Responded |
| 1.  | Failure to maintain  | 100               | 97        | 97%                  |
| 2.  | Failure to maintain delivery on schedule   | 100               | 87        | 87%                  |
| 3.  | Unsuitable location  | 100               | 9         | 9%                   |
| 4.  | Fleeting tendency in business relationship   | 100               | 7         | 7%                   |
| 5.  | Higher bargaining tendency   | 100               | 4         | 4%                   |

## **Interpretation:**

The reason of dissatisfaction towards the suppliers (garment manufacturers) of buying house is asked to investigate the criteria that may hamper the smooth function between the buying house and its suppliers.

First criterion is chosen to investigate the importance of suppliers product quality. With its highest responses it has found that buying house is often' disturbed for the poor product quality of suppliers.

The second criterion is chosen to investigate the emphasis on the scheduled product delivery by garment manufacturers. Here it has found that buying house also gets very much annoyed by the late, delivery of suppliers.

The third criterion is selected to see the emphasis of buying houses to the suitable location of garment manufacturers. With its response this criterion has shown that buying houses poses insignificant value on this matter.

The forth criterion is chosen to determine the Fleeting tendency of suppliers toward the buying house. The result shows that only few number of suppliers holds this tendency.

The fifth criterion is chosen to see the bargaining tendency of suppliers. From the table it is clear that the supplier do not posses high bargaining tendency.

| 3.                  | Which of the following obstacles to export garment products through buying houses can be treated as major / minor |                       |               |      |
|---------------------|---|-----------------------|---------------|------|
| (a) Major obstacles |   |                       |               |      |
| No.                 | Criteria  | Number of respondents | Frequen<br>cy | Rank |
| 1.                  | Casualties such as natural calamities or political crises   | 100                   | 100           | 1    |
| 2.                  | Failure to deliver on time  | 100                   | 86            | 2    |
| 3.                  | Unskilled garment workers   | 100                   | 73            | 3    |
| 4.                  | Unproductive workers  | 100                   | 54            | 4    |
| 5.                  | Fraudulence in trading  | 100                   | 37            | 5    |
| (b) Minor obstacles |   |                       |               |      |
| No.                 | Criteria  | Number of respondents | Frequen<br>cy | Rank |
| 1.                  | Rejections of products resulting from inefficient   | 100                   | 100           | 1    |

|    |   |     |    |   |
|----|---|-----|----|---|
|    | supervision                                 |     |    |   |
| 2. | Inefficiency of buying house in negotiating | 100 | 50 | 2 |
| 3. | Child labour aspect                         | 100 | 43 | 3 |
| 4. | Gender inequality                           | 100 | 27 | 4 |
| 5. | Shortage of sound base heavy factory        | 100 | 24 | 5 |

### **Interpretation**

These questions were asked to find out severity of major or minor obstacles to RMG export process., as these problems of export process makes the job of buying house difficult to convince buyers.

The first major obstacle, natural calamities and political crises are responded by all of the respondents and ranked as first. This reveals that the activities of buying houses are very much vulnerable to this type of obstacle.

Failure to deliver on time got the rank of second major obstacle from the answer of the respondents as it is another suffering to the smooth functioning of this export marketing process.

The third obstacle is inefficient garment workers- a virulent gangrene in the production system. This criterion is also marked by more than two third of the respondents thus it is ranked as third.

Fourth criterion is the unproductive labor. Their barren productivity, as hampers the scheduled production process, is ranked as fourth major obstacles from the answer of the respondents.

The final one is the fraudulent in trading which means the violation of the rules in the agreement by the garment manufacturers. This is found as less frequent among the other major obstacles to RMG export, to the eyes of the buying houses.

The next part is the minor obstacles, which have the minor impact in the smooth function of RMG; export thereby poses minor impact on buying house.

The highest response among the minor obstacles is the rejection of the products due to the inefficient supervision of the production process of buying houses. All the respondents responded it. indicating a frequent minor problem.

The second one, was the ineffective communication skill poses by the buying houses. A large part of the respondents has mentioned it as the minor obstacles as a result it got the second rank.

The third ranked minor obstacle was the utilization of child labour

in Bangladesh and its related aspects. Here we have seen that although the consumerism is against this utilization but it is sometimes defeated for the availability of low cost labour.

Fourth ranked minor obstacle was the aspect of gender inequality in Bangladesh. Buyers all over world have a opinion against this matter. As result they are sometimes unwilling to order in our country where this gender inequality prevails.

The fifth ranked minor obstacle was the lack of sound based heavy garment manufacturing industry in Banglades. As a result we are deprived from a high level of orders which could be avail otherwise. How ever the response to this question is 25%.

| 4.  | Which of the following problems of a buying house can be treated as major / minor. |                       |               |      |
|-----|--|-----------------------|---------------|------|
|     | (a) Major problems   |                       |               |      |
| No. | Criteria   | Number of respondents | Frequen<br>cy | Rank |
| 1.  | Supplier's poor product quality  | 100                   | 96            | 1    |
| 2.  | Short shipment   | 100                   | 87            | 2    |
| 3.  | Stock lot or total LC  | 100                   | 73            | 3    |

|     | unutilized                   |                       |           |      |
|-----|------------------------------|-----------------------|-----------|------|
| 4.  | Document delay               | 100                   | 57        | 4    |
| 5.  | Improper document            | 100                   | 52        | 5    |
|     | (b) Minor Problems           |                       |           |      |
| No. | Criteria                     | Number of respondents | Frequency | Rank |
| 1.  | Shortage of backward linkage | 100                   | 80        | 1    |
| 2.  | Commission recovery          | 100                   | 73        | 2    |
| 3.  | Poor accessory supplier      | 100                   | 71        | 3    |

## **Interpretation:**

This question is asked to know the severity of the major or minor problems, faced by buying house in their normal business operation. This question is segmented in two sections: major problems & minor problems. After getting the respondent answer I have showed the rank of major and minor problems separately in the above table according to number of frequency of each criterion.

Major problems are those are those that have serious harmful impacts on the activities of buying houses.

One of the major problem faced by the buying houses is the poor product quality of the RMG products. For this poor quality buyers become dissatisfied and avoid the further contact with the same buying houses. Almost every one agreed and marked it as a major problem. Thus it is rap-ked as first.

Short shipment or the failure to supply the desired products is another significant problem of buying house with the huge response of the respondents at is ranked as second.

Stock lot or the cancellation of total shipment is another important problems and marked by 730/0 of the respondent thereby ranked as third major one.



Document delay and the improper document are the concluding major problems of buying houses.

800/0 of the respondents said that the shortage of backward linkage industry is a problem for the buying house industry thus it is registered as topmost minor problems of buying house.. With a slight difference in response commission recovery problems has defeated the poor accessory supplier in this category. So, it is clear that the activity of buying houses is hampered by an of above minor problems.

| 5.  | Rank the following statements regarding the backward linkage industry of garment export. |                       |           |      |
|-----|--|-----------------------|-----------|------|
| No. | Criteria   | Number of Respondents | Frequency | Rank |
| 1.  | Poor product quality   | 100                   | 95        | 1    |
| 2.  | Insufficient number of such industry to meet the total demand                            | 100                   | 93        | 2    |
| 3.  | Lack of consciousness to understand the consequences of late or poor quality delivery    | 100                   | 91        | 3    |

These questions is asked to know the importance placed on backward linkage industry by the buying houses as a necessity of its smooth functioning. These questions have revealed the causes for which buying houses faces problem to get accessory or other material from this industry.

The first criterion is the poor product quality or supply of the accessories. As a result the smooth production of RMG garment products is hampered. For this reason the respondents have ranked the 'poor quality of the product' as the topmost.

The second criterion is asked about the absent of the industry supplier of accessories in the production process of RMG products. Although it is ranked as the second but from the data of the table it is clear that majority of the respondents agreed with the statement.

The third criterion is the lack of consciousness of the accessory suppliers to understand the consequences of poor or late deliveries of their products. Huge number of respondent also agreed with the statement treated this problem as major.

| 6.  | Do you face any problem in your supplier selection process.                                    |                       |           |      |
|-----|--|-----------------------|-----------|------|
| No. | Criteria   | Number of Respondents | Frequency | Rank |
| 1.  | Tendency to stay with existing suppliers ignoring the necessity to find out more efficient one | 100                   | 61        | 1    |
| 2.  | Employee personal relationship with suppliers  | 100                   | 57        | 2    |
| 3.  | Failure to choose desired suppliers during seasonal excess demand                              | 100                   | 49        | 3    |
| 4.  | Difficulty in choosing committed suppliers   | 100                   | 43        | 4    |

Interpretation:

This question was asked to investigate the problems in selecting the effective and efficient suppliers. The selection of effective and efficient suppliers is must for the effectiveness of export marketing

process of RMG products.

The highest criterion is the tendency of buying houses to remain attached with the existing suppliers ignoring the importance of finding out the more efficient ones. This is a traditional tendency of business people to depend on the existing stakeholders. This is thereby is a restriction to choose the new efficient suppliers.

The second one is the personal relationship of buying house employees with suppliers. This- is an important reason of inefficiency in the selection process of suppliers because in this process expert employees have influence and their bias may distort the effectiveness of the selection process.

The third criterion is the failure to select the desired efficient suppliers because their power of choice becomes limited while the excess demand is created by seasonal effect.

The fourth criterion is the failure to understand whether a new supplier will be committed to the agreement because he is not tested previously.

| 7.  | According to your opinion what percentage of total order of R.M.G. Products do buying houses per year bring in Bangladesh? |                   |           |                      |
|-----|--|-------------------|-----------|----------------------|
| No. | Range of brought order   | Total Respondents | Frequency | Percentage Responded |
| 1.  | Above 70%  | 100               | 53        | 53%                  |
| 2.  | Between 50%-70%  | 100               | 31        | 31%                  |
| 3.  | Below 50%  | 100               | 16        | 16%                  |

### **Interpretation:**

This question is asked to know the effectiveness and efficiency of buying houses in bringing RMG orders for the country.

Majority of the respondent believes that above 70% of total RMG buying houses brings order. However 31% said it is in between 50% to 70% only 16% said it is less than 50%.

| 8.  | Do you think the percentage of RMG products brought by buying houses will increase after the withdrawal of quota? |                   |           |            |
|-----|---|-------------------|-----------|------------|
| No. | Yes /No.  | Total Respondents | Frequency | Percentage |
| 1.  | Yes   | 100               | 27        | 27%        |
| 2.  | No  | 100               | 73        | 73%        |

**Interpretation:**

This question is asked to look into the blessing of quota in the export marketing process of RMG products and thereby its consecrate towards the buying house industry. Most of the respondents are alarmed about the condition of buying house effectiveness after the withdrawal of quota system. Again, a small percentage of respondents are optimistic about the increased efficiency of buying houses.

9. What is your comment regarding the quota free environment of this industry after 2005?

## **Interpretation:**

Most of the respondents have said the dismal future of buying houses after the withdrawal of quota. Most of the respondents have uttered that the foreigners will be free to choose the efficient garment manufacturers as over the world and thereby they will not find us lucrative because of the inefficiency in RMG export marketing process in our country. A portion of respondents has said that the buying houses will be jobless for the lack of law order enforcement of our country and the liberty of buyers to choose the efficient and profitable suppliers.

Another portion of them has mentioned the fair of buyers to the political instability in our country. As a result they will show the negative attitude toward our country after 2005 when they will be freely able to choose their RMG products suppliers. Again some said that after 2005 if this growth has to be maintained the government will have to take the initiatives to attract the foreign buyers. Finally they have said that this RMG products marketers should start preparation for that period. And this preparation should be started with the removing our inefficiency and ineffectiveness in the export marketing process of RMG products.

The positivists have mentioned about the removal of inefficiency and ineffectiveness of present export marketing process after the year

2005 and the improvement of orders for this reason.

| 10. | Approximately what percentage of your total order per year is rejected by the foreign buyers after your final inspection? |                   |           |                      |
|-----|---|-------------------|-----------|----------------------|
| No. | Rejection range   | Total Respondents | Frequency | Percentage Responded |
| 1.  | Above 15%   | 100               | 13        | 13%                  |
| 2.  | Between 10%-15%   | 100               | 47        | 47%                  |
| 3.  | Below 10%   | 100               | 40        | 40%                  |



### Interpretation:

In this question, where the buying houses' efficiency is implied, the highest efficient buying house responded with 4% percentage rejection. On the other hand the buying house which has the highest rejection was 17%.

| No. | Promotional Strategy  | Total number of respondents | Frequency | Percentage Responded |
|-----|---|-----------------------------|-----------|----------------------|
| 11. | Do you take any promotional strategy in order to attract buyers, if you do, which of the following strategy you take? |                             |           |                      |
| 1.  | On line advertising   | 100                         | 7         | 7%                   |
| 2.  | Personal selling  | 100                         | 6         | 6%                   |
| 3.  | Promotional display   | 100                         | 11        | 11%                  |
| 4.  | Trade fair exhibition   | 100                         | 19        | 19%                  |

### Interpretation:

These questions are asked to know about the promotional attempt taken by the buying houses to attract foreign buyers. The low emphasis on promotional attempt has revealed the apathy or the little knowledge of buying houses about their future.

First criterion is online advertising, the mostly used promotional system of current world. Here t have seen that our buying houses emphasize a little this media. It might be the result on stiletto introduction of this promotional system in this buying house sector in our country.

The second criterion personal selling is also little emphasized by the buying houses. This might be result of the cost involvement in this promotional activity or the absence of this practice in this industry.

The fourth criterion trade fair exhibition is little more emphasized by our buying houses. Reason for this Inay be in our country traditionally this promotional strategy is followed.

| 12. What steps you take to confirm the product quality |  |                             |            |                      |
|--|--|-----------------------------|------------|----------------------|
| No.  | Criteria   | Total number of respondents | Frequen cy | Percentage Responded |
| 1.   | Selection of qualition of qualitatiive suppliers | 100                         | 100        | 100%                 |
| 2.   | Schedule supervision                             | 100                         | 100        | 100%                 |
| 3.   | Selection of efficient quality controller        | 100                         | 100        | 100%                 |
| 4.   | Prioritizing quality to cost                     | 100                         | 23         | 23%                  |
| 5.   | Periodical reporting on quality                  | 100                         | 21         | 21%                  |

Interpretation:

The first criterion is very much important in the view to maintain proper quality. Here we have seen that each buying house is anxious to find qualitative suppliers.

The second criterion is chosen to look into the emphasis of buying houses own activities to maintain the quality of their ordered products. The mutual first position of this criterion on this ranking has revealed that buying houses are ready to take activities to maintain the quality of the products as they know the value of the qualitative products.

The third criterion is selected to know that how much emphasize buying houses put on the utilizing quality controller as the weapon of maintaining quality. The perfect hundred percent responses have revealed that the buying houses regard this system of employing quality controllers to supervise and maintain the desired quality of the products. The fourth criterion is chosen in the questionnaire as this is a controversial issue that whether the buying houses are ready to sacrifice profit to gain the quality. The third Position refers the situation that buying houses equalizes the cost with quality and tries to achieve success in both.

The fifth one refers that only few buying houses maintain periodical reporting on quality.

## **CHAPTER 6: RESEARCH FINDINGS:**

The following findings are perceived from the answer of the questionnaire. Through these findings I tried to present the existing scenario of buying house industry of Bangladesh under two classification. Under First classification the finding regarding the efficiency and effectiveness of buying houses is presented and under second classification the findings regarding the present and future problems of the industry is presented.

### **Findings regarding their efficiency and effectiveness:**

- According to the survey most of the buying houses are not efficient in supplier selection process because of their tendency of long time inefficient trade, harmful employee bias and lack of discretion to certify the efficient suppliers for the first time as the soar of the system.
- The study also shows that a large part of RMG orders are brought annually by the buying houses vvhich determines their effectiveness in bringing order of RMG products but tneefficiency remains unknown.
- Buying houses axe anxious about their fate after the withdrawal of the

quota system after 2005 which indicates they present level of inefficiency of trade for which they are worried.

- While Looking into the efficiency of backward linkage industry it is discovered that this industry is afflicted with poor product quality, inadequate capacity and the lack of consciousness to committed delivery.
- It has found that the foreign buyers reject small portions of ,goods shipped. It is a good sign for buying house although indicating the lenient view of foreign buyers towards the buying house.
- Their inefficiency once again has proved w hen I found that they are very much reluctant in taking any promotional step to convince buyers.
- Buying houses attempt their heart contents to maintain the product quality.
- For the blessing of quota system the buying house. industry can be mentioned as effective but not efficient one.

Findings regarding the problems of buying house:

- The dissatisfaction of buying houses toward their buyers mainly based on the buyers' uncompromising attitude toward the failure of commitment due to contingencies.
- The dissatisfaction of buying houses toward their suppliers because of their inefficiency to supply product in right quality and quantity.
- From the study I have seen that obstacles to garment exports can be separated into two parts: major obstacles and minor obstacles.
- Among the major obstacles causalities such as natural calamities, strike, hartal or political instability are affecting the export marketing of garment products severely.
- Among the minor obstacles inefficiency of production process supervision by the buying house is most noteworthy.
- Again from the study I have seen that problems of buying houses can be separated into two parts: major problems and minor problems.
- Suppliers' poor product quality attacks most severely as major problems of buying houses and as the minor problem shortage of backward linkage industry disturbs buying houses drastically.

- After the withdrawal of quota system buying house industry will face the tremendous competition to survive.
- The employees of this industry are 'lacking required communication and technical skills.
- There are no effective institutional programs in public or private universities to teach the required skills to the employees of this industry.
- Unproductive employees will hamper the efficiency of export marketing process after 2005.
- Garment manufacturers will be heavily dependent on the buying houses after 2005 for managing buyers for them, as it will be more difficult to convince buyer at that time.

## **CHAPTER 7: RECOMMENDATION**

### Solution of human resource problem

- After recruitment of employee, buying house should provide them three to six month training to learn the technical work to perform the technical job such as the job of merchandiser, quality controller, quality inspector, sample maker etc.
- The buying house should provide money to its employee to develop communication skill in particular language in order to communicate with a particular buyer for the buying house.
- Instead of full autocracy or democracy, the employers of buying house should show lenient view in all aspects so that they get motivated to work.
- Employee pay structure should be consistent with the employee . work pressure, in order to stop their tendency to switch job.
- Buying house should introduce service bonus or service benefit in order to encourage and motivate their employee.



### **Solution of the problems of Infrastructure:**

- Having no visions of prospects the buying house industry in our country is bound to suffer from the worst deterioration with their withdrawal of quota system. So the only remedy to develop this scenario is to strengthen their infrastructure through combined effort of both government and non-government for proper support and facilities.
- Encourage people to develop industry such as thread, button, interlining and other packing materials treated as backward linkage industry of garment export by make short term or long term contract of taking goods so that buying house do not have to import those at higher price or the local supply can fulfill the required demand of the industry.
- Government of our country should also provide incentives to develop backward linkage industry of RMG export, for the smooth supply of accessories by buying house to garment factories.
- Company owned accessory supplier can also be developed to maintain quality or on time delivery.

### **Solution of Marketing problems:**

- Buying house should be more careful and attentive in monitoring the production of the garment manufacturers so that production goes on schedule and any unwanted occurrence such as short shipment may not occur due to late delivery.
- In the findings T have mentioned that buyers do not want to negotiate on quality. So, maintaining product quality for buying house is very important. To maintain appropriate quality, buying house should take necessary steps such as training course for their quality controller or inspector etc.
- For improper document or document delay buyers cannot receive his product from the ship in his country for which relationship between he and buying house may break up. So buying house should be always careful in preparing right documents. They also should send documents at right time.
- The total industry should keep in mind that they need a truly international outlook for exporting to attract buyers as well as long-term commitment with both of their buyers and suppliers.
- The total industry must achieve an international reputation for quality

to challenge the quota free environment.

- They should ensure that they have all the resources for garment export.
- They should start marketing through trade fair.
- They should start marketing through internet.

**Solution of Banking sector problems:**

- Requirement of obtaining approval from Bangladesh Bank for creating Forced/Demand loan by the lien banks should be withdrawn.
- Back to back A.D/Force loans should not be considered as default loans. Loans of this nature should be converted into interest free block Accounts and amortized against future proceeds.
- The overdue F.B.P created against the liability of any L/C should also not be considered as default loans.
- Exporters failing to clear the liabilities in case of Back - to back P.A.D / Forced Loans, overdue F.B.P e.c.t. Should be allowed to open L/Cs.

- Bangladesh/bank should provide the lien banks with adequate funds for necessary payment of cash incentives to our exporters without delay.
- Mandatory compulsions set forth in the ECG policy should be waved.
- Procedure of obtaining prior permission from Bangladesh Bank for exporting goods against stock-lot should be withdrawn.
- Negotiation Bank should be authorized to take into consideration for deciding upon discount upto 20%.
- Condition for obtaining approval for discount from the Bangladesh Bank should be relaxed and discount approval by the EPB should be treated valid. "
- From the date of document negotiation, forty-five days should be allowed for fund remittance. Overdue interest should not be charged in the event if remittance is delayed.
- All private sector commercial banks should immediately cease charging L/C Acceptance charges like the nationalized Banks of the country.

- Fresh laws should be enacted announcing that the Banking Companies Act passed by, the Jatio Shangsad (The parliament of the country) on 13th March 1997 is not applicable to the export-oriented RMG sector of the country.
- Procedure of making down payment for rescheduling loans should be withdrawn. It should be rescheduled in accordance with the applications, when submitted, by the exporters concerned. In such cases, the rescheduled amount may be adjusted by charging @ 20/0 on the future exports proceeds. Legal action may be taken in case any of the exporters fail to adjust the dues after three consecutive rescheduling.
- In case of Stock lot, the requirement for submitting statement by the commercial banks to the NBR should be waived.
- RMG exporters should not be held responsible if proceeds against their exports are not realized owing to the reasons beyond their control.
- Opening of LO / C based on Realization Clause should be reintroduced.

### **Solution of Air shipment problems:**

- To strengthen the security in cargo shade of Airport forming and to take necessary steps to exporting through air at the pick time of RJVIG.
- To waive the high royalty rates at specific times of the tear so that the emergency import of raw material and export of readymade garment could remain steady.
- To formulate a joint action plan with the chairman of the BG MEA standing committee on port and transport.
- Duty free market access should be allowed for essentially all products exported by the LDC's on a non-reciprocal basis to improve their economies.

## **CHAPTER 8: LIMITATIONS**

First of all, I did not find any secondary data specifically on the buying house of Bangladesh. For this reason, to get the answer of certain questions I had go through people's opinion. While doing the survey lots of people did not want to respond to many questions. Sometimes they even did not fill out the questionnaire properly for the busy schedule. For this reason, sometimes I had to ask them questions from my questionnaire instead of giving them hard copy.

Secondly, Time was one of the major constraints. As our intemship program is only three-month long, it was difficult to cover and collect all the necessary materials for completion of such a large report within this time boundary.

I also would like to mention that the people of Merchandising Incorporation are under tremendous workload. Although, they wanted to cooperate me in writing my report, their busy schedules sometimes did not allow them to do so. On the other hand, due to secrecy of official information, sometimes they showed unwillingness .to provide me information.

Finally, political unrest of our country such as strike or hartal was major problem in this regard as it is difficult to go out and work during that time and to maintain the work schedule.

## **CHAPTER 9: CONCLUSION:**

Garments export contributes major foreign exchange to our economy. To ensure a rich environment it needs a channel, which will bridge between buyers and manufactures of garments a win- win relationship. No doubt, role of RMG Buying House Industry, marketing to distribution, is very important to establish this bridge. However the exuberance of foreign currency through garment export is very much dependent on the effectiveness and efficiency of this industry. So removing all its inefficiencies and ineffectiveness this industry should move ahead with a vision to support the garment "export of our country especially to face the challenges of quota free environment after 2005.